

# Northwest Independent School District

Fort Worth, Texas

## Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

Prepared by the Financial Services Department

Jon Graswich, CPA  
Associate Superintendent for Business and Operations

DeAnne Hatfield, RTSBA, RSBO  
Executive Director of Business Services

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**NORTHWEST INDEPENDENT SCHOOL DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2016**

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## INTRODUCTORY SECTION

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October 24, 2016

To the Board of Trustees and Taxpayers of the Northwest Independent School District:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with the generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. Pursuant to the requirement, we hereby issue the Comprehensive Annual Financial Report of the Northwest Independent School District (the District) for the fiscal year ended June 30, 2016.

The Comprehensive Annual Financial Report is presented in four major sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, a copy of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for 2015, a copy of the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting for 2015, a list of principal consultants and advisors and an organizational chart. The financial sections include the auditor's report, the basic financial statements, including the Government Wide Financial Statements and the Governmental Fund Financial Statements. Also included are the combining schedules and required supplementary information. The statistical section includes selected financial and demographic information, generally presented in a multi-year basis. The single audit section includes the schedule of federal awards, auditor's reports and the schedule of findings for both current and prior years.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft or misuse. Additionally, the internal control framework is designed to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the District have been audited by Hankins, Eastup, Deaton, Tonn & Seay, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal rewards. These reports are available in the Single Audit Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the District**

In the late 1800's, schools began appearing in the area amid railroads, general stores, and livery stables. Descendants of early settlers recall tales of early schoolhouses and how in 1949 the one-school districts in Justin, Haslet, Rhome, and Roanoke joined hands to form the Northwest Independent School District. Newark was annexed in 1973. Residents of the district elect a seven-member Board of Trustees (the Board), each of which serves for three years. Monthly meetings of the Board are posted and advertised as prescribed under state law so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

Serving the communities of Haslet, Justin, Newark, Rhome, Roanoke, Trophy Club, Aurora, Avondale, Drop, New Fairview, and Northlake, along with portions of Fort Worth, Southlake, Keller, Westlake and Flower Mound, the District's boundaries encompass approximately 234 square miles in Denton, Tarrant, and Wise Counties. The District provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, bilingual/ESL, remedial, college preparatory, and career and technical programs. The District is fully accredited by the Texas Education Agency (TEA).

The District operates seventeen elementary schools, five middle schools, four high schools, an alternative education program campus, and one special campus. Enrollment for the 2015-2016 year was 20,900 students, an increase of approximately 5.77 percent over the previous year. A total of 1,181 seniors graduated from the District in 2016.

A high degree of professionalism exists among our employees, and an on-going recognition of student and staff excellence contributes to this environment. The instructional program is geared toward having the student meet or exceed grade level expectations. Emphasis is placed on higher level thinking skills, including research methodologies and independent, complex and critical thinking skills.

The District attracts highly qualified personnel because of its commitment to excellence. During the 2015-2016 school year, the District employed 2,174 employees consisting of 1,765 professionals, 218 educational aides, and 191 auxiliary staff. Professional employees include 1428 classroom teachers with an average of 10 years of experience. 28.7 percent of the teaching staff has earned a master's degree and .6 percent of the teaching staff has earned a doctorate degree. The average student/teacher ratio is 14.87 in the District. Texas law mandates that no more than 22 students can be assigned to one classroom teacher in kindergarten through fourth grade.

## **Strategic Planning**

**Mission Statement.** Northwest Independent School District, in partnership with parents and community, will engage all students in a premier education, preparing them to be successful, productive citizens.

**Vision.** The best and most sought-after school district where every student is future ready: ready for college; ready for the global workplace; ready for personal success.

**Core Beliefs.** Kids come first; continuous improvement is critical for success; the success of each student is the shared responsibility of students, families, schools and communities; and environment influences learning.

### **Budget Process.**

The annual budget serves as the foundation for the District's financial planning and control. The District budget process is instructionally driven. District budget planning begins with the senior administrative staff and the Board of Trustees holding goal setting sessions. The Budget Calendar and Five-Year Forecast are reviewed with the Board of Trustees. Also, campuses annually prepare the required Campus Improvement Plans.

Budget preparation begins with a training session with principals and program managers. At that time, the Budget Manual and budget worksheets are distributed and budgets are prepared on-line instead of strictly on paper submissions. The District uses site-based budgeting to enhance the ability of principals to serve as effective instructional leaders. Site-based budgeting places the principal at the center of the budget preparation process. The Campus Budget Worksheet reflects the initial campus funding allocations. These allocations address equity issues between campuses. They are designed around three cost drivers: pupils, staff, and buildings. Pupil allocations reflect both the number of students and additional funds for special needs students. Staff allocations provide for campus staff development. Building allocations are based on building size, age, and reflect past usage. The initial allocation represents 80% of the campus funding allocation based on projected enrollment. The remaining amount is distributed in October based on actual enrollment and staff on hand at the end of the first six weeks. The allocation may be revised by the Principal per the Campus Improvement Plan subject to review.

After the completed campus and program budget packages have been returned, they are reviewed in detail by the Superintendent with the senior staff. The review focuses on the instructional impact and goals. The Board of Trustees regularly receives budget updates that include any revisions to the earlier Five-Year Financial Forecast. The Texas Legislatures meet biannually and revisions to school finance are reviewed with the Board of Trustees.

The preliminary budget including the personnel and compensation plan was reviewed in detail. The Board of Trustees adopted the 2015-2016 Personnel Staffing Plan and the Compensation Plan on May 26th. Early adoption provides advantages in teacher recruitment and allows for the salary detail to be loaded into the adopted budget. Compensation for 2015-2016 increased three percent of midpoint from 2014-2015.

The proposed budget must be prepared by June 19<sup>th</sup> for a July 1 fiscal year start date. The board president must call a board meeting for the purpose of discussing and adopting the budget and the tax rate. A notice of this meeting is required to be published at least 10 days but no more than 30 days before the public meeting. The budget must be adopted prior to June 30<sup>th</sup> for a July 1 fiscal year start date.

**Budget Adoption.** The Central Appraisal District "CAD" *2015 Certified Estimate Appraisal Roll Totals* occurred in early June and the rollback tax rate was calculated shortly thereafter. The required legal notice was published on June 13<sup>th</sup>. The Board of Trustees held the required public meeting and adopted the budget on June 22, 2015.

**Tax Rate Adoption.** The Central Appraisal District "CAD" *Certification of the 2015 Appraisal Records* occurred in late July and the Denton County Tax Assessor-Collector calculated the effective and rollback tax rates shortly thereafter. The required legal notice was published on August 14<sup>th</sup>. The Board of Trustees held the required public meeting and adopted the tax rate on August 24, 2015.

The District maintains budgetary controls throughout all of its financial systems. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the official budget adopted by the Board. The Board adopts an official budget for the general fund, debt service fund, and child nutrition program (which is included in special revenue funds). In accordance with procedures prescribed by the State Board of Education, budget amendments that affect the total amount in a fund or functional spending category must be approved by the Board prior to the expenditure of funds. The functional level is

specified by Board policy as the legal level of encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances at the end of the fiscal year are an accounts payable and are treated as expenditures in the prior year upon receipt of the goods and services.

**Tax Rate.** The District's Maintenance & Operations ("M&O") tax rate remained unchanged at \$1.0400 and the Interest & Sinking ("I&S") tax rate remained unchanged at \$0.4125 yielding a total rate of \$1.4525 for purpose of the adopted budget. The District's 2015 tax rate of \$1.4525 per \$100 of assessed value is below the limitation set by state statute. The District provides homestead exemptions, over 65 exemptions, disabled persons exemptions and disabled veterans exemptions to qualified taxpayers. A ten year comparison of tax rates is presented in the statistical section.

The tax rates decreased beginning in 2007 due to the legislative changes in the State's public school finance system, which reduced the burden of taxes on taxpayers, and increased state funding sources. The Interest and Sinking ("I&S") 2013 tax rate increase reflects the passage of the 2012 bond authorization election.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the specific environment in which the District operates.

**Introduction.** The Northwest Independent School District, uniquely situated northwest of the Fort Worth/Dallas Metroplex, lies within one of the fastest growing areas in Texas. Northwest stretches across 234 square miles and is located in Denton, Tarrant and Wise Counties, Texas.

**Population.** The population of the Northwest Independent School District in 2000 was 35,364 as compared to 106,780 in 2016.

**Local economy.** The commercial, industrial, and residential growth of the District has kept pace with that of the Fort Worth/Dallas area, and has been aided by the District's close proximity to both the Dallas/Fort Worth International Airport and Fort Worth's Alliance Airport. Diversified manufacturing is responsible for the local economy with increasing growth in commercial aviation. Agriculture-oriented industries relating to livestock marketing, grain and agri-business related industry and services join with the aerospace products, food and beverage, mobile homes, auto making, and medical industries to offer numerous manufacturing jobs in the Metropolitan Area.

**District Educational Campuses.** The District is considered a fast-growth district in the state of Texas. In the 1997-1998 school year, the District had one high school, one middle school and five elementary schools. The District has constructed additional schools as follows: three elementary schools and two middle schools in 1998-1999; two elementary schools in 2005-2006; one elementary school in 2007-2008; two elementary schools in 2008-2009; one high school and one elementary school in 2009-2010; one middle school and one elementary school in 2010-2011; two elementary schools in 2011-2012; one middle school in 2012-2013; one elementary school in 2013-2014; and an additional comprehensive high school that opened at the beginning of the 2015-2016 school year. The ages of the instructional school buildings range from one to thirty-three years (original dates of construction included within schedule 19).

### **Area Developments**

#### **AllianceTexas – A Development of Hillwood, a Perot Company**

AllianceTexas is located in the northwest corner of the Dallas/Fort Worth Metroplex, primarily within the northern limits of the City of Fort Worth, but also in the cities of Haslet, Northlake, Roanoke and Westlake. Alliance's access to highway, rail and air transportation offers an excellent opportunity for future commercial and industrial growth. The 18,000-acre master-planned, mixed-use development is one of the premier job generators in the Southwestern United States – a bustling city-within-a-city employing more than 43,500 people and containing over 425 companies.

**Alliance Global Logistics Hub.** AllianceTexas development is anchored by the Alliance Global Logistics Hub, one of the world's premier inland ports. The Alliance Global Logistics Hub offers unparalleled multi-modal transportation options, including BNSF Railway's Alliance Intermodal Facility, Two Class I rail lines (BNSF and Union Pacific), Fort Worth Alliance Airport - the world's first 100% industrial airport, connecting state and interstate highways, the FedEx Southwest Regional Sort Hub, and UPS Ground Hub.

Significant Fortune 500 and Global 500 companies have established their logistics and distribution operations within the Alliance Global Logistics Hub.

In addition to the established transportation infrastructure at the Alliance Global Logistics Hub, there are significant economic benefits and supply-chain services available to help companies improve the efficiency of their operations. These advantages include Foreign-Trade Zone (FTZ) #196, user-friendly FTZ services, Triple Freeport Inventory Tax Exemption, air cargo ground handling, aviation services, existing rail-served facilities, third-party logistics, and workforce recruitment and retention services. With the combined multi-modal program, economic benefits and services, the Alliance Global Logistics Hub is a one-of-kind supply-chain port not found anywhere else in the world.

Within the AllianceTexas development, as the industrial real estate market continues to expand, the area has seen exceptional growth with more than 40 million square feet developed, creating jobs, generating an economic impact to the North Texas economy and contributing in property taxes to the District. With only a portion of the AllianceTexas development built-out, the future for the community looks bright.

There are several business sectors within the Alliance Global Logistics Hub, including:

**Alliance Center.** At the heart of Alliance Center is the 414 acre Fort Worth Alliance Airport (AFW) which officially opened December 14, 1989. Today, Fort Worth Alliance Airport features the full complement of flight services and is the cornerstone for the nation's fastest growing industrial complex. AFW is one of few North Texas airports capable of accommodating heavy transport aircraft such as the DC-10 and 747. This city owned airport is managed by privately held Alliance Air Services and boasts a 9,600 foot runway. This year, a major milestone for the airport was realized when dirt was turned on the runway extension project after a 20-year effort to secure funding and complete infrastructure improvements. By extending runways to 11,000 feet, Alliance Airport will expand its range globally and allow long-haul cargo flights and non-stop flights to almost anywhere in the world. AFW provides state-of-the-art infrastructure and an award winning FAA Control Tower. It is FAR Part 139 certified and operates 24/7/365.

Alliance Airport continues to play an integral part in the operations of some of the aviation and aerospace industry's leading names. This includes being home for FedEx's Southwest Regional Sort Hub; an aviation training center for the FAA; and TAESL, a division of Rolls-Royce, which provides engine overhaul and reworking services for numerous airline carriers. In late 2013, BAE Systems announced that it would join the airport's already impressive roster, consolidating its entire North Texas operations into one location.

In early 2015, GDC Technics received approval for a 25-year lease of 840,000 square feet of space formerly occupied by American Airlines. Texas based GDC modifies next-generation aircraft, including the Boeing 787B, to unique specifications for customers worldwide.

In September of 2014, Tarrant County College opened its TCC Northwest Campus Center of Excellence for Aviation, Transportation and Logistics (CEATL), a 163,500 square foot facility at Fort Worth Alliance Airport that was previously owned by Bell Helicopter. Among the aviation courses at CEATL are avionics technology, airframe and power plant maintenance technology, advanced composite technology and professional pilot training. In partnership with TCC and Embry Riddle Aeronautical University, Northwest ISD students are provided with a premier educational experience through the Academy of Aeronautics & Aviation Sciences (AAAS) located at V.R. Eaton High School.

The Federal Aviation Administration operates the Alliance Airport Air Traffic Control Tower, A Flight Standards District Office and an Airways Facilities Sector field office in Alliance Center, supervising aircraft, agencies and personnel in 30 Texas counties.

Federal Express, a Fortune 500 firm, is the world's largest express transportation company. Federal Express currently maintains two major facilities: its Southwest Regional Sort Hub and FedEx Freight. In 1994, FedEx purchased 158 acres for its 660,000-square-foot Regional Sort Hub, which opened in 1996 and a 40,000-square-foot heavy-cargo hauling facility for FedEx Freight was opened in 2011. In addition, FedEx Ground added more than 300,000 square feet of space. With its two bases of operations, they are able to offer a range of business solutions. The Southwest Regional Hub at Alliance is the company's only completely automated hub and includes seven buildings, aircraft ramp areas and parking for delivery trucks.

CEVA Logistics, one of the world's leading non-asset-based supply-chain management companies, also opened a 100,000 square-foot-warehouse at the airport this past year. Adjacent to the runway, this warehouse location enables chartered flights to unload cargo directly into the new facility.

Galderma, a leading research based pharmaceutical company dedicated to developing prescription and over the counter dermatological products, established its U.S. headquarters and national distribution center at Alliance. Galderma has plans for expanding to add a \$22 million research and development center and building a 100,000 square foot expansion next to its headquarters. The building is expected to be completed in 2017.

The U.S. Drug Enforcement Agency operates a 140,000 square foot National Airwing Headquarters on the airport grounds. Since this facility is owned by the City, the facility is not subject to ad valorem taxation.

A density of new office space has been built at Alliance Center with DynCorp International and Daimler Financial Services as corporate residents. DynCorp International is a leading professional services and project-management firm serving governments, corporations and international organizations worldwide. Daimler Financial Services provides financing for Mercedes-Benz dealers' inventories and their retail customers. Daimler Financial is part of DaimlerChrysler Financial Services Americas LLC's group of companies that operate in the United States, Canada, Mexico, Puerto Rico and parts of South America.

**Alliance Center North/Alliance Northport.** Two new industrial sectors were launched within the past two years – Alliance Northport and Alliance Center North, which complements other industrial sectors offering 1.5 miles of frontage on Interstate Highway IH-35W, giving close proximity to the logistics hub resulting in excellent visibility and access.

Alliance Center North, a 650 acre sector was launched in 2014 and quickly became the site of two of the biggest industrial deals in North Texas. A 1.1 million square foot facility was selected by LG Electronics to serve as a consolidated distribution center for the region; followed by Walmart.com which selected Alliance Center North 2 to be its newest regional e-commerce fulfillment center for the distribution of larger sale items.

Alliance Center North located in Northlake and situated at one of the area's busiest intersections, I-35W at state highway 114 provides a range of best-in-class distribution centers, from under 100,000 square feet up to 1.3 million square feet, along with adjacent retail offerings.

**Alliance Gateway.** The Alliance Gateway sector covers approximately 2,400 acres and was developed for large-scale distribution, manufacturing and industrial users. Customers include major Fortune 500 and Global 500 companies. In 2013, Flextronics partnered with Motorola to open a manufacturing center to build the MotoX, the first smartphone manufactured in the United States.

**Alliance Commerce Center.** The Alliance Commerce Center sector includes 300 acres for regional and national distribution facilities. The addition of the 1.1 million-square-foot Amazon fulfillment center and 788,000-square-foot fulfillment center for Walmart.com in 2013 capitalized on the burgeoning e-commerce fulfillment industry which focuses on bringing goods purchased online to customers with maximum efficiency, including same-day delivery. Amazon utilizes its Haslet site to distribute high-volume, conveyable items and smaller items, such as books, DVDs and small electronics.

**Westport at Alliance.** Burlington Northern/Santa Fe Railway Company (BNSF Railway), a Fortune 500 firm, operates three facilities at Alliance: the BNSF Automotive Facility, the BNSF Alliance Intermodal Facility and the BNSF Rail Yard. The Alliance Intermodal Facility is a key component to the multi-modal

transportation options of the Alliance Global Logistics Hub. Companies locating near to the intermodal terminal benefit from significant savings in drayage costs. Corporations located in this 3,500 acre sector include JCPenney Logistics Center, Michaels, KRAFT Foods, Coca-Cola, Williamson-Dickie, Teleflex Medical, Volkswagen/Audi, SC Johnson, and more.

The state-of-the-art JCPenney Alliance Logistics Center features one of the largest steel rack-supported systems in the nation. With 17 levels and 105 bays of storage space, the 145,520 load cells can store approximately 72,000 pounds of merchandise. The distribution center annually processes 10,000 to 13,000 shipping containers from international ports, taking advantage of its proximity to the intermodal yard at Alliance.

**Lone Star Crossing.** Lone Star Crossing is an Alliance sector designed for retail, dining and entertainment. The 980-acre TIF District is anchored by Cabela's. Known as the World's Foremost Outfitter of hunting, fishing and outdoor gear, the 230,000 square foot mega store contains an aquarium, museum, and exhibit space, in addition to the retail.

**Facebook.** Facebook, a social network company, announced the building of a 110 acre massive data center and office building. Facebook's data center will be 100% powered by clean energy. Ultimately, Facebook will invest \$1 billion at the site and the first of three 250,000-square-foot buildings is expected to be operating by the end of 2016.

**Alliance Crossing.** Alliance Crossing includes corporate office, financial, healthcare, lodging, and restaurant facilities. The U.S. Postal Service operates a full-service retail outlet and the City of Fort Worth Police Department operates a police substation from the Alliance Crossing retail center. A garden office complex of 300,000 square feet called Heritage Commons is complete and houses Hillwood Development Operations.

#### **Other Area Developments**

**Burlington Northern/Santa Fe Railway (BNSF Railway).** BNSF Railway has completed construction of its \$100 million Network Operations Center ("NOC") on the company's Western Center Boulevard property in north Fort Worth. The NOC comprised of two buildings totaling more than 250,000 square feet, is a high-tech, state-of-the-art facility which serves as the control and tracking center for all of Burlington's railroads through the United States.

**Texas Motor Speedway.** Located in far north Fort Worth at the intersection of Interstate 35-W and State Highway 114, the \$110 million Texas Motor Speedway was completed in the Spring of 1997. The facility includes a 1.5 mile racing oval, grandstand seating for more than 200,000 spectators and approximately 200 luxury suites. An office tower and condominiums have also been constructed on the property. Pursuant to the terms of an agreement between the speedway developer and the Fort Worth Sports Authority, Inc., Texas Motor Speedway is owned by the Authority and leased to the developer, and most of the property comprising the Speedway is exempt from ad valorem taxes. Texas Motor Speedway is the second-largest sports and entertainment facility in the nation where dual-bank turns allow for NASCAR and IRL IndyCar racing, plus every major form of American automobile racing. NASCAR Winston Cup (now known as the Nextel Cup) races have been held at the Texas Motor Speedway as well as sanctioned IRL Indy Car races. NASCAR has sanctioned two Nextel Cup races for the speedway. The facility has hosted several major music concerts and other large events since opening.

**Champions Circle.** Buc-ee's, a travel convenience store, opened May 2016 across from Texas Motor Speedway. It is part of a 279 acre outlet mall and travel convenience store development. Along with retail and existing Marriott Hotel conference center and golf club, the development will include office, residential and entertainment components. Tanger Factory Outlet Centers Inc. confirmed their plans with an expected 350,000 square feet retail space with more than 70 upscale brand name and designer outlet retailers.

**GE Manufacturing Solutions.** General Electric opened facilities in 2012 to manufacture locomotives and heavy mining equipment. The 236,000-square-foot, \$95 million plant builds electric-drive wheel systems for huge off-road vehicles that perform heavy hauling work such as moving ore extracted from mines. In

addition, a conversion and expansion to an existing building at a cost of \$96 million was renovated as a manufacturing plant for locomotive production.

**Speedway Town Center.** Located at Northlake, this mixed use development offers almost 2.5 million square feet of retail, office, entertainment and multi-family residential complexes on 158 acres.

**Community Development.** Several master-planned communities are in various phases of new construction. These new communities offer affordable living for all lifestyles with convenient access to shopping, entertainment and attractions, featuring housing from as low as \$100,000 all the way up to luxury home estates that exceed \$1 million.

#### Historical Employment Data.

|                         | Average<br>Annual<br>2016 | Average<br>Annual<br>2015 | Average<br>Annual<br>2014 | Average<br>Annual<br>2013 | Average<br>Annual<br>2012 |
|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Denton County</b>    |                           |                           |                           |                           |                           |
| Civilian Labor Force    | 438,889                   | 423,938                   | 415,395                   | 403,551                   | 390,347                   |
| Unemployed              | 15,783                    | 16,267                    | 19,819                    | 23,819                    | 24,422                    |
| Percent of Unemployment | 3.6%                      | 3.8%                      | 4.8%                      | 5.9%                      | 6.3%                      |
| <b>State of Texas</b>   |                           |                           |                           |                           |                           |
| Civilian Labor Force    | 13,338,466                | 13,127,106                | 13,087,237                | 12,982,728                | 12,744,277                |
| Unemployed              | 644,425                   | 623,024                   | 714,597                   | 886,278                   | 935,972                   |
| Percent of Unemployment | 4.8%                      | 4.7%                      | 5.5%                      | 6.8%                      | 7.3%                      |

**Health Services.** The Metroplex area, including the District, is served by more than 70 hospitals which offer specialized services such as organ transplantation, major trauma care, cancer treatment, kidney dialysis and chemical dependency treatment. A wide variety of physicians, surgeons, dentists, orthodontists, optometrists and pharmacists have facilities in the area.

Driven by a booming population, a vibrant health care community has emerged with leading medical groups constructing and expanding facilities that provide north Fort Worth residents access to premier medical facilities within the region. On September 19, 2012, Texas Health Harris Methodist Hospital Alliance opened the first full-service general hospital in the area. The 262,000-square-foot facility is the first hospital to serve the AllianceTexas community. It provides traditional hospital services that include general medicine, inpatient and outpatient surgery, emergency services, imaging service, rehabilitation, women and infant services and wellness and prevention services. Harris Methodist Hospital Alliance also includes a 73,000-square-foot medical office complex for physicians.

ER at Alliance, parent company HCA, expanded a previously constructed urgent care/emergency room facility into the region's second full-service hospital equipped to handle any medical crisis, with a trauma/code room, complete medical laboratory, on-site blood bank, and wide array of sophisticated testing and imaging technologies.

Also, Wise Regional Health System completed a comprehensive surgery center within the Alliance community. The 29,053-square-foot facility opened in late 2013 and offers four operating rooms, two procedure rooms and 12 inpatient beds. It also includes a laboratory, radiology and pre-operative services, as well as an emergency room and a variety of other services.

**Air Transport and Airline Industry.** The Dallas/Fort Worth International Airport (the "Airport") is the fourth busiest airport in the United States in terms of operations and passengers. The Airport is the principal air carrier facility serving the Dallas/Fort Worth metropolitan area, providing service to national and international destinations. The Airport provides nonstop services to Europe, the Far East, Canada, Mexico, Central and South America, the Caribbean and the Bahamas.



The September 11, 2001 terrorist attacks, in combination with the general economic downturn in the airline industry, have had a significantly adverse effect on the airline industry. Since the attacks, most major U.S. airlines, including those servicing the Airport, have significantly reduced flight schedules and instituted extensive job cuts in an attempt to stem mounting losses. American Airlines is the predominant airline servicing the Airport.

Meacham International Airport, a Fort Worth municipally owned and operated general aviation airport, located in northern Fort Worth is a fixed based operation for private and commercial services equipped with a 7,500 foot runway. Meacham provides sophisticated instrument approach facilities, lighted runways, terminal facilities and fuel and maintenance services. Fort Worth Spinks Airport, a general aviation airport located in the southwestern portion of the City is equipped with a 6,000 foot runway and two taxiways.

Alliance Airport serves the needs of industrial, business, and general aviation users and is currently equipped with a 9,600 foot runway. A runway extension project has been in the planning and development stages since 2000 and has been a high priority for state and federal transportation officials. Upon the completion in the next three years, the runways will be extended to the 11,000 feet, necessary for fully loaded cargo planes to make nonstop flights to almost anywhere in the world.

**Surface Transport.** Three interstate highways (Interstate 20, Interstate 30 and Interstate 35), five federal and four state highways provide all-weather routes within Fort Worth and to and from the rest of the nation.

Interstate 820, which encircles the City, allows quick access to all parts of the Fort Worth area. The Texas Highway Commission has completed a master highway construction plan for Tarrant County to provide for transportation needs through the foreseeable future, including relocation of Interstate 30 from a point just east of downtown to several miles west. This project is underway and will promote redevelopment of the south end of the Central Business District and the Hospital District southwest of downtown. Funding for the expansion of Interstate 35W from downtown Fort Worth to AllianceTexas was approved by the U.S. Department of Transportation and though it will take several years to complete, the expansion of IH-35W will have a profound effect on the potential future growth within the District.

Fort Worth is served by six major railroad systems. Burlington Northern/Santa Fe Railroad has its corporate headquarters in Fort Worth. Rail passenger service is provided through Fort Worth, including AMTRAK service between Houston and Chicago. Fort Worth's position as a major southwest distribution center is supported by the presence of 75 regular route motor carriers with over 750 schedules. Local transit service is provided by The T, operated by the Fort Worth Transportation Authority. Trinity Railway Express provides service for the Metroplex. Greyhound/Trailways Bus Lines furnish Fort Worth with transcontinental passenger service; intrastate bus service is provided by Transportation Enterprises and Texas Bus Lines.

### **State Funding**

Demographic predictions indicate that the District's enrollment will reach 26,943 by the 2020-2021 school year as outlined below. State funding is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). For fiscal year 2015-2016, the Basic Allotment is \$5,140 for each student in average daily attendance. The allotment is adjusted by several different weights to address varying economic conditions, district size and sparsity of district's student population.

The Texas Legislature enacted House Bill 1, referred to as the "Reform Legislation," which made substantive changes in the way the Finance System is funded. Since the enactment of the Reform Legislation in 2006, most districts in the State have operated with a "target" funding level per student that is based upon the "hold harmless" principles embodied in the legislation. This system of target revenue was superimposed on the Foundation School Program.

Under the State of Texas Finance System, school districts are guaranteed to receive State funding necessary to provide the district the greater of the amount of State and local revenue per student for the district in the

2005-06 fiscal year or the amount of State and local revenue per student the district would have been entitled to for the 2006-07 fiscal year based on the funding elements in place prior to Reform Legislation. To make up for the shortfall, the Reform Legislation authorized Additional State Aid Reduction (“ASATR”) in an amount equal to the difference between the amount received under the Foundation School Program and the Target Revenue funding level.

The 2009 Legislative Session enacted an increase to the Basic Allotment and increased target revenue; 2011 Legislative Session enacted budget cuts; and no significant modifications were made to the underlying school finance structure during the 2013 Legislative Session.

In general terms, funds are allocated to districts in a manner that requires districts to “compress” their tax rates in order to receive increased State funding at a level that equalizes local tax wealth. To limit disparities in school district funding abilities, the Finance System compels districts with taxable property wealth per weighted student higher than the “equalized wealth level” to reduce their wealth to such amount or to divert a portion of their tax revenues to other districts.

**State Equalization.** The District’s wealth per student was less than the equalized wealth value. The District received from the Texas Education Agency a notification of chapter 41 status and in response, the District reduced its wealth per student by exercising Option 3 (sending money to the State) as a means of equalizing wealth. As a so-called “Chapter 41 district”, the District does not receive any State funding to pay debt service requirements on its outstanding indebtedness, including the Bonds.

A district’s wealth per student must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. During the year, the District continually monitors values, enrollment figures and tax collections to determine state equalization status.

The District did not make any Chapter 41 district payments during the fiscal year 2015-2016. The District continues to be able to adopt its own tax rate as prescribed by the statutes to provide “recaptured” monies and to “enrich” its programs beyond that which is funded through state aid if needed.

### **Capital Projects History**

In 1990 the District passed a \$22.0 million dollar bond issue for one middle school, three elementary schools, bus maintenance facility and renovations/additions to high school and two elementary schools.

On October 12, 1996 the District passed a \$45 million dollar bond issue which added six new campuses, technology updates, performing arts center and refurbishing of the oldest structures.

In 2001 the District passed a \$182.2 million dollar bond issue for renovations at every school, classroom additions, campus improvements and a new stadium.

In 2005 the District passed a \$224.5 million bond issue with an impressive 70% voter approval. Ninety-six percent of this bond addressed student enrollment growth.

On May 10, 2008 the District’s voters passed a \$260 million bond election with an impressive 72% voter approval. Ninety-two percent of this bond addressed student enrollment growth. The bond package contained \$216.0 million that provided one middle school and seven elementary schools, \$17.0 million for technology infrastructure and hardware for the new schools, replacement and initiatives, \$9.9 million for classroom additions and four HVAC, three roof and five floor replacement projects, \$9.5 million for one middle school and eight elementary school sites and \$7.6 million for educational programs such as orchestra classrooms and career pathways/academies.

On November 6, 2012 the District’s voters passed a \$255 million bond election. Eighty-nine percent of this bond is intended to address the district’s continuing student population growth. The bond package contains \$212.0 million that will provide 4,000 new student seats, career academies/pathways, classrooms for science, math and environmental studies, \$25.0 million for technology infrastructure and hardware for new schools, five-year technology replacement cycle, technology for all classrooms and \$18.0 million for

additions and improvements including safety and security equipment updates, additions to increase elementary school capacity, roof replacements, flooring replacements and HVAC system replacements.

### **Enrollment Projections - Methodology**

Enrollment projections are generated using new home census information and specific neighborhood forecasts provided through a contract with Templeton Demographics. The projections are updated annually and regular reports are presented to the Board of Trustees and Administration to explain the findings, provide comments on new and potential housing developments and create an understanding of future residential development's impact on the school district.

This allows the District to take a proactive stance with regard to new school locations so that sites can be targeted not only where the need is greatest, but also far enough in advance of actual new home construction to minimize acquisition costs. This methodology provides significant accuracy in addressing the District's rapid growth and large areas of undeveloped land.

The regular reports help the District keep abreast of the area development as the 2008 bond issue nears depletion and as the 2012 bond issue has been implemented over the last four years.

This year the District is projected to grow 1,195 students for a 5.72 percent increase. District projected growth is expected to reach 34,151 students in ten years.

### **Demographics**

| <u>Year</u>         | <u>Total</u> | <u>Elementary<br/>(EC-5th)</u> | <u>Middle<br/>(6<sup>th</sup>-8<sup>th</sup>)</u> | <u>High School<br/>(9<sup>th</sup>-12<sup>th</sup>)</u> |
|---------------------|--------------|--------------------------------|---|---|
| <b>Actual:</b>      |              |                                |   |   |
| 2006-2007           | 10,334       | 5,322                          | 2,367   | 2,645   |
| 2007-2008           | 11,824       | 6,136                          | 2,665   | 3,023   |
| 2008-2009           | 12,935       | 6,737                          | 2,974   | 3,224   |
| 2009-2010           | 14,088       | 7,267                          | 3,203   | 3,618   |
| 2010-2011           | 15,293       | 7,834                          | 3,468   | 3,991   |
| 2011-2012           | 16,556       | 8,411                          | 3,788   | 4,357   |
| 2012-2013           | 17,752       | 8,904                          | 4,100   | 4,748   |
| 2013-2014           | 18,893       | 9,346                          | 4,425   | 5,122   |
| 2014-2015           | 19,760       | 9,652                          | 4,612   | 5,496   |
| 2015-2016           | 20,900       | 10,122                         | 4,798   | 5,980   |
| <b>Budget:</b>      |              |                                |   |   |
| 2016-2017           | 22,095       | 10,575                         | 5,155   | 6,365   |
| <b>Projections:</b> |              |                                |   |   |
| 2017-2018           | 23,268       | 11,044                         | 5,510   | 6,714   |
| 2018-2019           | 24,396       | 11,510                         | 5,833   | 7,053   |
| 2019-2020           | 25,622       | 11,981                         | 6,143   | 7,498   |
| 2020-2021           | 26,943       | 12,444                         | 6,493   | 8,006   |

### **Financial Policies**

The Comprehensive Annual Financial Report for the year ended June 30, 2016 is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines

recommended by the Government Finance Officers Association of the United States and Canada (GFOA). All funds of the District are covered by this report.

The District's financial policies address accounting and fiscal operations of the District, with an emphasis on asset, procurement, and budget management.

### **Internal Controls**

The management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Single Audit**

As a recipient of federal financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the District's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the year ended June 30, 2016 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

### **Budgetary Controls**

The District maintains budgetary controls, and the objective is to ensure compliance with legal provisions embodied in the annual budget approved by the District's Board of Trustees. The annual expenditure budget serves as the foundation for the District's financial planning and control. Every school district in Texas is required, by law, to prepare and file a budget with the Texas Education Agency (TEA). The Board legally adopts a budget for the General Fund, Debt Service Fund and Child Nutrition Fund and budget-to-actual comparisons for these three funds are found in the financial section of this report. Budgets for Special Revenue Funds (other than Child Nutrition) and Capital Projects Fund are prepared on a project bases, based on grant regulations or applicable bond ordinances.

Budgetary control (the level at which expenditures cannot legally exceed appropriations) is mandated at the functional category level within each fund. These functional categories are defined by TEA and identify the purpose of transactions. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end.

### **Major Initiatives and Accomplishments**

The Northwest Independent School District has consistently received a rating of "Superior Achievement" under the State of Texas School FIRST – financial accountability rating system. The Superior Achievement rating is the state's highest, demonstrating the quality of the District's financial management and reporting system. Northwest Independent School District's Schools FIRST rating shows that the District is making the most of the taxpayers' dollars and that Northwest's schools are accountable not only for student learning, but also for achieving these results cost-effectively and efficiently.

This is the 14<sup>th</sup> year of School FIRST (Financial Integrity Rating System of Texas), a financial accountability system of Texas school districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76<sup>th</sup> Texas Legislature in 1999. The primary goal of Schools FIRST is to achieve

quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

#### School FIRST – Financial Integrity Rating System of Texas

| <u>Description</u>  | <u>2010-2011</u>     | <u>2011-2012</u>     | <u>2012-2013</u>     | <u>2013-2014</u>     | <u>2014-2015</u>     |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| School FIRST Rating | Superior Achievement | Superior Achievement | Superior Achievement | Superior Achievement | Superior Achievement |

#### State Accountability System

The Texas Assessment of Knowledge and Skills ("TAKS") measures the statewide curriculum of specific subjects at specific grade levels and includes a broad assessment of the Texas Essential Knowledge and Skills ("TEKS"), which is the statewide curriculum. TAKS was used as the state test beginning 2003.

#### Texas Accountability System Campus Rating

| <u>Description</u> | <u>TAKS Actual<br/>2006-2007</u> | <u>TAKS Actual<br/>2007-2008</u> | <u>TAKS Actual<br/>2008-2009</u> | <u>TAKS Actual<br/>2009-2010</u> | <u>TAKS Actual<br/>2010-2011</u> |
|--------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Exemplary          | 1                                | 5                                | 12                               | 12                               | 5                                |
| Recognized         | 11                               | 8                                | 3                                | 7                                | 14                               |
| Acceptable         | 2                                | 2                                | 2                                | 1                                | 2                                |
| District Rating    | Acceptable                       | Acceptable                       | Acceptable                       | Acceptable                       | Acceptable                       |

#### Texas Assessment of Knowledge and Skills ("TAKS")

| <u>Description</u> | <u>Actual<br/>2006-2007</u> | <u>Actual<br/>2007-2008</u> | <u>Actual<br/>2008-2009</u> | <u>Actual<br/>2009-2010</u> | <u>Actual<br/>2010-2011</u> |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Reading/English    |                             |                             |                             |                             |                             |
| Language Arts      | 95.0%                       | 95.0%                       | 97.0%                       | 95.0%                       | 95.0%                       |
| Writing            | 94.0%                       | 96.0%                       | 96.0%                       | 96.0%                       | 94.0%                       |
| Social Studies     | 94.0%                       | 96.0%                       | 98.0%                       | 98.0%                       | 99.0%                       |
| Mathematics        | 86.0%                       | 88.0%                       | 91.0%                       | 92.0%                       | 92.0%                       |
| Science            | 82.0%                       | 86.0%                       | 89.0%                       | 93.0%                       | 94.0%                       |
| District Rating    | Acceptable                  | Recognized                  | Recognized                  | Recognized                  | Recognized                  |

Starting with 2011-2012 school year the Texas Education Agency transitioned from TAKS to State of Texas Assessment of Academic Readiness ("STAAR") for students in grades 3-9 while students in grades 10 and 11 took TAKS. Part of the new assessment system requires students entering ninth grade during the 2011-2012 school year or after to pass the End of Course Exams ("EOC") in order to graduate. With the new STAAR program, the TAKS exit-level tests will be replaced with 15 end-of-course assessments.

STAAR is a more rigorous standardized testing program for elementary, middle, and high school students. The new STAAR program emphasizes "readiness" standards, which are the knowledge and skills

considered most important for success in the grade or subject that follows and for college and career readiness. The 2011 TEA accountability suspended assignments of performance ratings for 2012.

In 2013, the state of Texas implemented a new accountability system to focus on the achievement of postsecondary readiness for all Texas public school students. The new accountability system assigned a rating label of Met Standard, Met Alternative Standard or Improvement Required based on the evaluation of the four performance indexes for Student Achievement, Student Progress, Closing Achievement Gaps, and Postsecondary Readiness. The indexes include assessment results from the State of Texas Assessments of Academic Readiness (STAAR) testing program, graduation rates, and rates of students achieving the Recommended High School Program and Distinguished Achievement High School Program. Campuses that receive an accountability rating of *Met Standard* are eligible for distinction designations.

TEA maintained the same accountability rating labels in 2014 and 2015. Campuses are eligible to earn up to seven Academic Achievement Distinction Designations in the areas of Reading/ELA, Mathematics, Science, Social Studies, Top 25 Percent Student Progress, Top 25 Percent Closing Achievement Gaps and Postsecondary Readiness. Districts are eligible to earn an Academic Achievement Distinction Designation in Postsecondary Readiness.

| <b><u>Campus Rating</u></b>     | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> |
|---------------------------------|--------------------|--------------------|--------------------|
| Met Standard                    | 23                 | 25                 | 26                 |
| Earned one or more Distinctions | 10                 | 5                  | 9                  |
| Total Distinctions Earned       | 15                 | 9                  | 14                 |
| Improvement Required            | 2                  | 0                  | 0                  |
| Not Rated (TYC Campus)          | 1                  | 1                  | 1                  |

| <b><u>District Rating</u></b> | Met Standard | Met Standard | Met Standard |
|-------------------------------|--------------|--------------|--------------|
|-------------------------------|--------------|--------------|--------------|

## **District, Student and Staff Accomplishments**

### **District/Campus Accomplishments.**

For the second consecutive year, Northwest ISD has been named to the College Board AP Honor Roll. NISD is one of 23 districts in Texas to receive this recognition.

Northwest ISD Board of Trustees received the Dr. John R. Hoyle Memorial Administrative Leadership Institute's Texas School Board Excellence Award for excellence in education.

Northwest ISD is a member of the Texas High Performance Schools Consortium, selected by the Texas Education Agency, which extends the ongoing work of the Public Education Visioning Institute. The vision encourages innovation, creativity and more meaningful assessment and accountability measures.

Northwest ISD ranks in 'Top 100' Best Food School Districts in America. NISD ranks 96<sup>th</sup> in the nation and eighth in the state of Texas.

Northwest ISD ranks fifth in Center for Digital Education's and National School Board Association's 2015-2016 Digital School District's Survey. The survey showcases exemplary school boards' and districts' use of technology to govern the district, communicate with students and the community, as well as improve district operations.

Northwest ISD received a School Safety Certification by the Texas School Safety Center at Texas State University.

Northwest ISD received high marks on a recent security audit. Results showed a significant amount of work and capital has been invested in the schools' physical security.

Samuel Back Elementary School and Byron Nelson High School are two of 91 schools in Texas to receive the Counselors Reinforcing Excellence for Students in Texas (CREST) award.

Byron Nelson High School and James M. Steele Accelerated High School has been named to the U.S. News & World Report 2016 Best High Schools ranking. Byron Nelson High School has been ranked silver and Steele Accelerated High School has been ranked bronze.

Northwest ISD Campus Crime Stoppers won the 2015-2016 Productivity Award for the greatest dollar recovery and most cases cleared for school district population served 15,001 to 25,000 for the third consecutive year. Additionally, they won the 2015-2016 Television Competition: Best Special Production/Public Service Announcement. Directed by Wilson Middle School and final production edits provided by Northwest High School AMAT.

NISD has been selected as a 2016 Best Communities for Music Education. This is the eighth consecutive year for Northwest ISD to be a member of such an elite group of districts who offer comprehensive, well-rounded music education.

Northwest ISD earned a 4.0 star rating in the Financial Allocation Study for Texas (FAST) report for low cost, high efficiency operations. The district received a rating of "Superior Achievement" under Texas' Schools FIRST financial accountability rating system.

The Northwest Independent School District budget document has been awarded the Meritorious Budget Award by ASBO for the fiscal years 2001-2002 through 2015-2016 and the Distinguished Budget Presentation Award by GFOA for the fiscal years 2002-2003 through 2015-2016.

The Northwest Independent School District Comprehensive Annual Financial Report has been awarded the Certificate of Excellence in Financial Reporting by ASBO for the fiscal year ended June 30, 2003 through 2009 and June 30, 2011 through 2015 and the Certificate of Achievement for Excellence in Financial Reporting by GFOA for the fiscal years ending June 30, 2002 through 2015.

Northwest ISD received the Award of Merit for Purchasing Operations with Recognized Status from the Texas Association of School Business Officials for the fifth consecutive year.

The NISD Partners in Education program has recognized 103 official partners this year with a dedicated commitment to Northwest ISD students and a partnership with the school district.

The NISD communications department received two awards from the National School Public Relations Association for the I Love NISD campaign and the On the Grow video production.

For the third consecutive year, NISD has been recognized as a Fit-Friendly Workplace by The American Heart Association.

Northwest ISD was recognized by Texas School Business Magazine's Texas Bragging Rights for the NISD Wellness Center.

Roanoke and Granger elementary schools and Medlin Middle School have been announced as recipients of a Promising Practices Award from the Character Education Partnership (CEP).

### **Student Accomplishments.**

The class of 2016 earned a combined total of more than \$32 million in scholarships.

Seventeen Northwest ISD students have been named Commended Students in the National Merit Scholarship Program.

As of April 2016, 55 Northwest ISD students received an athletic scholarship and signed their NCAA Letter of Intent to play collegiate sports.

Three Byron Nelson High School seniors and one Northwest High School senior are among the approximately 15,000 semifinalists in the 61th annual National Merit Scholarship Program.

The 2015-2016 school year marked great success for Northwest ISD athletes, with 14 teams qualifying for UIL State Playoffs. Twenty-six athletes qualified for state meets and tournaments. Out of the 26, there was two gold medalist, two silver medalists and two bronze medalist.

The NISD Culinary team is the Texas ProStart Culinary Champions for the fourth consecutive year. The culinary team received first place and the management team received second place.

The culinary arts team received third place at the National ProStart Invitational in Grapevine.

A Culinary Arts students' recipe has been selected for the PF Changs Kid's Menu as part of the Medical City Children's Hospital Kid Fit Menu program.

The Byron Nelson High School softball team has been recognized by the National Fastpitch Coaches Association for having the highest high school team grade point average in the nation.

Byron Nelson High School FFA team receives state honors and made NISD history by being the highest placing team and taking the most students to a state FFA Leadership Career Development Event.

The Veterinary Science Team from Byron Nelson High School received the first state championship win in NISD FFA veterinary tech history.

Three Byron Nelson High School students placed fourth in the management decision making competition at the Future Business Leaders of America's National Leadership Conference in Atlanta from June 29 to July 2.

Northwest ISD music groups accumulated a record-setting number of "Sweepstakes" awards during the 2015-2016 school year, with 40 ensembles receiving this high competition score.

The Gene Pike Varsity Women's Select Choir has been selected as one of only three treble choirs in the entire state to perform for the 2016 Middle School/Junior High National Conference for Choral Music.

Three NISD teams from Tidwell Middle School, Lakeview Elementary School, and Seven Hills Elementary School advanced to the Global Finals Destination Imagination Tournament. Tidwell Middle School received first place out of 57 teams in the Instant Challenge competition.

The Byron Nelson High School speech and debate team have received the National Speech and Debate Associations prestigious 100 Club title.

NHSTV has been named the 'Best Video Newscast' in Texas at the Technology Student Association Competition and Best Daily Live Show in the Southwest Region by the Student Television Network.

Four Academy of Media Arts and Technology students received second place at the National Convention of Student Television Network for "man on the street reporting."

BNHS business team earned first place in the commercial competition in the VEI South Region Trade Show and Business Plan Competition in South Carolina.

A Steele Accelerated High School's student participated in the national leadership conference in Washington, D.C. and will travel to Skills USA National Contest to compete in the Esthetics competition.

A Byron Nelson High School senior received the Texas Woman's University Chancellor's Endowed Scholarship Award.



### **Staff Accomplishments.**

Beck Elementary School Principal Sandy Conklin is the 2016 H-E-B Excellence in Education Elementary Principal winner, spotlighting some of the best educators in Texas for 15 years.

Byron Nelson High School Academy of Biomedical Sciences teachers Monica Valenta and Patrick Matouse have been selected to participate in a pilot program working with secondary biology students to map neurons in fly brains.

The Northwest ISD Education Foundation presented 29 grants to 14 campuses totaling \$100,000.

The Northwest ISD technology department is the recipient of an Honorable Mention for CoSN's 2016 Team Achievement Award.

Michael Griffin, Ed.D., Executive Director of Elementary Education, has been accepted as a member of Learning Forward's Academy Class of 2018.

Medlin Middle School Principal Eric Drewery, Ed.D., and V.R. Eaton High School Principal Carri Eddy, Ed.D., are two of 95 principals from 61 school districts and four charter schools selected to participate in a summer leadership program at The Principals' Center at the Harvard Graduate School of Education.

Northwest High School Principal Jason Childress has been named the Texas Association of Secondary School Principals (TASSP) Region XI Principal of the Year.

V.R. Eaton High School Associate Principal Philo Waters, Ed.D., has been named the TASSP Region XI Assistant Principal of the Year.

Roanoke Elementary School teacher Monica Lemke has been named the Region XI Elementary Teacher of the Year.

### **Awards**

**GFOA Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northwest Independent School District for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. The District has received a Certificate of Achievement for the last fourteen consecutive years.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

**ASBO Certificate of Excellence.** The Certificate of Excellence in Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Northwest Independent School District for its Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2003 – 2009; for the fiscal years ended June 30, 2011 – 2014; and for the year ended June 30, 2015.

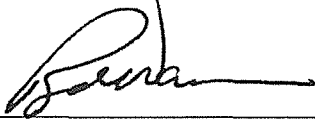
The GFOA and ASBO award is for school districts whose comprehensive annual financial reports substantially conform to the recommended principles and standards of financial reporting adopted by that organization. The award is granted only after an intensive review of financial reports by an expert panel of certified public accountants and practicing school business officials.

Management believes that the current year comprehensive annual report meets the Certificate of Achievement and Certificate of Excellence programs' requirements and will be submitted for review to determine award eligibility.

### Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the entire staff of the Financial Services Department. We would like to express our sincere appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to express appreciation to the Board of Trustees for their interest and support in the financial operations of the District. Finally, we would like to thank the residents of the District for their support of, and belief in, our public schools, and principals and teachers who provide the quality education for which the District has become known.

Respectfully submitted,



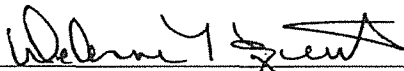
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Ryder Warren, Ed.D.  
Superintendent of Schools



---

Jon Gaswich, CPA  
Associate Superintendent for Business and Operations



---

DeAnne Hatfield, RTSB & RSBO  
Executive Director of Business Services



Government Finance Officers Association

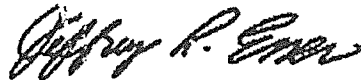
**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

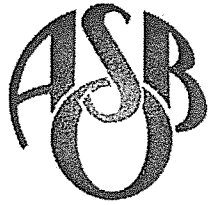
**Northwest Independent School District  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**



Executive Director/CEO



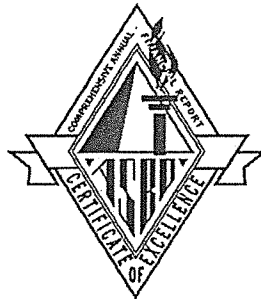
**ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting Award  
is presented to**

**Northwest Independent School District**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2015**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



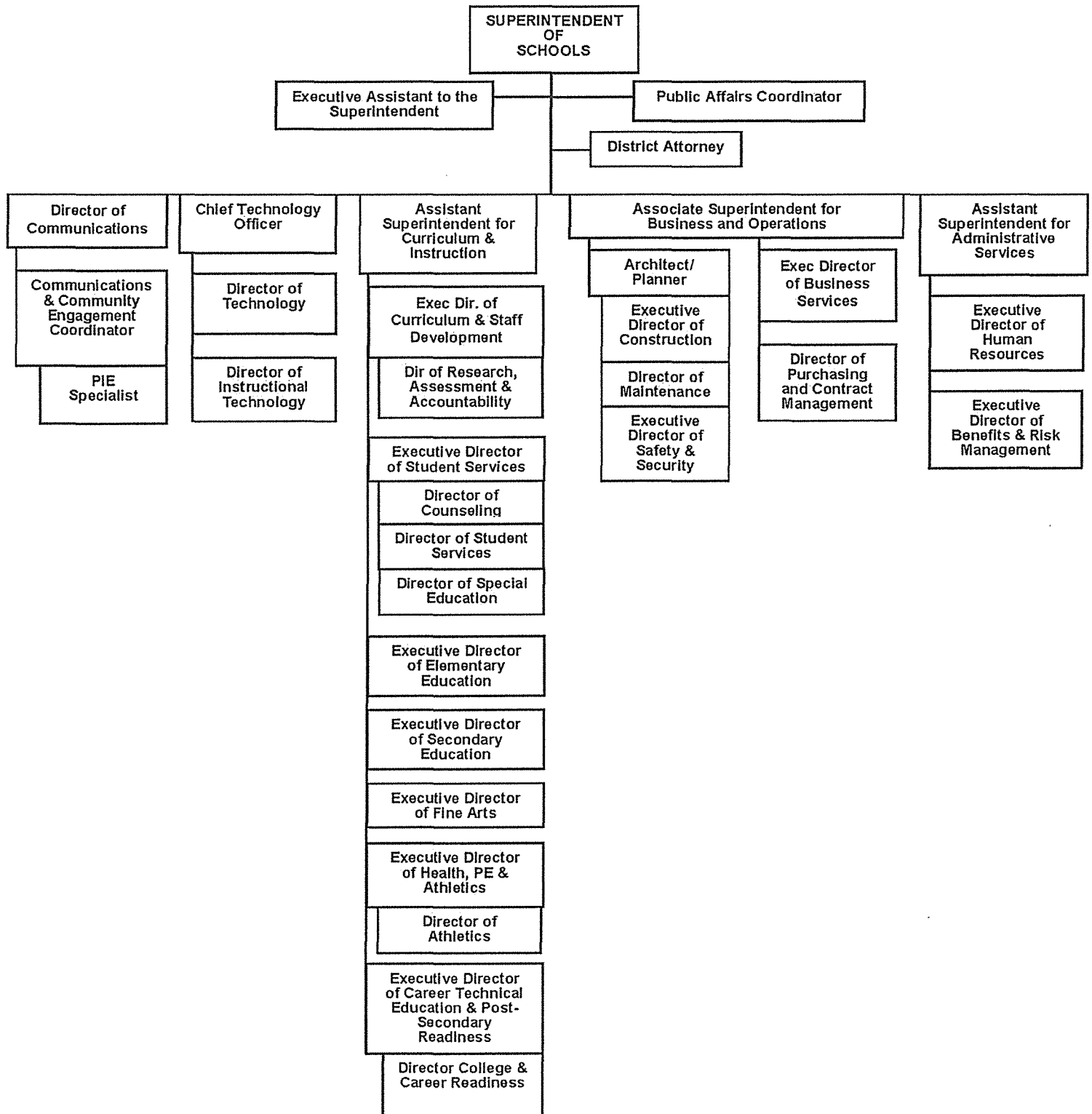
*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

John D. Musso, CAE, RSBA  
Executive Director

# Northwest Independent School District 2016 – 2017 Administrative Organizational Chart



# **NORTHWEST INDEPENDENT SCHOOL DISTRICT**

## **Board of Trustees**



**Mark Schluter**  
President, Place 2  
Regional Transportation  
Director  
Elected 2006  
Term Ends 2018



**Judy Copp**  
Vice President, Place 4  
Retired Educator  
Elected 2012  
Term Ends 2019



**Dr. Anne  
Davis-Simpson**  
Secretary, Place 3  
Professor  
Elected 2013  
Term Ends 2019



**Mel Fuller**  
Member, Place 7  
School Administrator  
Elected 2008  
Term ends 2017



**Devonna Holland**  
Member, Place 5  
Banking Center Manager  
Elected 2008  
Term Ends 2017



**Lillian Rauch**  
Member, Place 6  
Retired Educator  
Elected 2014  
Term ends 2017



**Josh Wright**  
Member, Place 1  
Education  
Elected 2009  
Term Ends 2018



**Ryder Warren, Ed.D.**  
Superintendent

### **Board Meetings:**

All Northwest ISD board meetings are open to the public. Regular meetings will be held at 7 p.m. on the second and fourth Monday of each month in the board room located at the NISD Administration Building at 2001 Texan Drive. With public notice, trustees will also hold special meetings and work sessions as needed.

Within the limits of the Texas Open Meetings Act, parts of the board meetings may be closed to the public for topics including, but not limited to real estate transactions, personnel matters, student hearings, and legal matters.

### **If You Wish to Address the Board:**

The public may address the board during the public participation portion of the board meeting. Remarks may be related to any topic, whether agenda items or non-agenda items, and are usually limited to three minutes. Those wishing to speak during public participation may sign the roster in the room within the hour preceding the meeting.

# NORTHWEST INDEPENDENT SCHOOL DISTRICT

## School Board and Administrators

### Board of Trustees

|                                |                |
|--------------------------------|----------------|
| Mark Schluter .....            | President      |
| Judy Copp .....                | Vice President |
| Anne Davis-Simpson, Ph.D ..... | Secretary      |
| Mel Fuller .....               | Member         |
| Devonna Holland .....          | Member         |
| Lillian Rauch .....            | Member         |
| Josh Wright .....              | Member         |

### Administration

|                             |   |
|-----------------------------|---|
| Ryder Warren, Ed.D .....    | Superintendent of Schools   |
| Robert Thornell, Ed.D ..... | Assistant Superintendent for Curriculum & Instruction               |
| Adam Feind .....            | Chief Technology Officer  |
| Kim Caley, Ed.D. ....       | Assistant Superintendent for Administrative Services                |
| Tim McClure .....           | District Architect and Planner, Facilities, Planning & Construction |
| Jon Graswich, CPA .....     | Associate Superintendent for Business & Operations                  |
| Emily Conklin .....         | Director of Communications  |

### Principals

|                            |                                |
|----------------------------|--------------------------------|
| Jason Childress .....      | Northwest High School          |
| Ron Myers, Ph.D .....      | Byron Nelson High School       |
| Carri Eddy, Ed.D .....     | V.R. Eaton High School         |
| Robin Ellis .....          | Steele Accelerated High School |
| Monty Brown, Ed.D .....    | Denton Creek                   |
| Susan Moore .....          | Alternative Education Program  |
| Eric Drewery, Ed.D .....   | Medlin Middle School           |
| Chris Jones .....          | Gene Pike Middle School        |
| Justin Vercher .....       | Chisholm Trail Middle School   |
| Kim Barker, Ed.D .....     | John M. Tidwell Middle School  |
| Mike Blankenship .....     | Truett Wilson Middle School    |
| Cynthia Webber .....       | Haslet Elementary School       |
| Lisa Ransleben, Ed.D ..... | Justin Elementary School       |
| Mary Seltzer .....         | Lakeview Elementary School     |
| Kristi King .....          | Roanoke Elementary School      |
| Kim Blackburn .....        | Seven Hills Elementary School  |
| Sandy Conklin .....        | Samuel Beck Elementary School  |

**NORTHWEST INDEPENDENT SCHOOL DISTRICT**  
**School Board and Administrators**

**Principals – continued**

|                             |   |
|-----------------------------|---|
| Carrie Pierce.....          | W.R. Hatfield Elementary School         |
| Yolanda Wallace .....       | Prairie View Elementary School          |
| Jessica McDonald.....       | J. Lyndal Hughes Elementary School      |
| Penny Bowles.....           | Sonny & Allegra Nance Elementary School |
| Michelle McAdams .....      | Kay Granger Elementary School           |
| John Booles .....           | Sendra Ranch Elementary School          |
| Jofee Tremain .....         | O.A. Peterson Elementary School         |
| Jaimie McAllister .....     | Clara Love Elementary School            |
| Leigh Anne Romer, Ed.D..... | J.C. Thompson Elementary School         |
| Amy Howell .....            | Carl E. Schluter Elementary School      |
| Kim Beacon.....             | Wayne A. Cox Elementary School          |

Northwest ISD offers an easy and free way to get the latest district information. Subscribe to the electronic mail list and stay informed about district activities and urgent news such as school closings. Join today by completing the *Northwest News* registration form on the District's homepage at [www.nisdtx.org](http://www.nisdtx.org)



**NORTHWEST INDEPENDENT SCHOOL DISTRICT**  
**Consultants and Advisors**

**ARCHITECTS**

Corgan Associates, Inc  
501 Elm Street, Suite 500  
Dallas, Texas 75202

PBK Architecture  
100 Throckmorton Street #1550  
Fort Worth, Texas 76102

Stantec Architecture, Inc  
5717 Legacy Drive, Suite 250  
Plano, Texas 75024

**OFFICIAL DEPOSITORY**

BBVA Compass Bank  
300 W 7<sup>th</sup> St.  
Fort Worth, Texas 76102

**TAX COLLECTION COUNSEL**

Linebarger Goggan Blair & Sampson, LLP  
309 W. 7th Street  
Fort Worth, Texas 76102-5113

**ACCOUNTANTS**

Hankins, Eastup, Deaton, Tonn & Seay  
902 N Locust St  
Denton, TX 76202-0977

**BOND COUNSEL**

McCall, Parkhurst & Horton, LLP  
717 North Harwood  
Dallas, Texas 75201

**BOND FISCAL AGENTS**

**SERIES 1990**

The Bank of New York Mellon  
Global Corporate Trust  
2001 Bryan Street – 10th Floor  
Dallas, Texas 75201

**SERIES 2005**

U.S. Bank Corporate Trust Services  
P. O. Box 7087  
St. Paul, Minnesota 55170

**FINANCIAL ADVISORS**

First Southwest Company  
A Division of Hilltop Securities  
1201 Elm Street, Suite 3500  
Dallas, Texas 75270

**SERIES 2006, 2007, 2008, 2009, 2010**

**2011, 2012, 2013, 2014, 2015 and 2016**

Regions Bank Corporate Trust  
1717 St. James Place, Suite 500  
Houston, Texas 77056

**GENERAL COUNSEL**

Abernathy, Roeder, Boyd & Joplin  
P.O. Box 1210  
1700 Redbud Boulevard, Suite 300  
McKinney, Texas 75069

The Fowler Law Firm  
919 Congress Avenue, Suite 1150  
Austin, Texas 78701

Buechler & Associates, P.C  
3660 Stoneridge Road, Suite D-101  
Austin, Texas 78746

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## FINANCIAL SECTION

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UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

To the Board of Trustees  
Northwest Independent School District  
Fort Worth, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Independent School District (the District), as of and for the year ended June 30, 2016, 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 Standard* 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Independent School District as of June 30, 2016, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 39 through 46, the budgetary comparison information on page 92 and the Teacher Retirement System schedules on pages 93 and 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwest Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents 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 the Title 2 CFR Part 200, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the schedules listed in the table of contents, 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the District. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of Northwest Independent School District's internal control over financial reporting and on our test 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 Northwest Independent School District's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

October 24, 2016

**NORTHWEST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

As management of Northwest Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2016. Please read this narrative in conjunction with the independent auditors' report on page 37, and the District's Basic Financial Statements that begin on page 48.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of Northwest Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$53,398,861 (net position). Included in the total is \$35,105,595 of unrestricted net position that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund designation and fiscal policies.
- The District's total net position increased by \$9,613,981 during the fiscal year from the results of current year operations. However, total net position also decreased by \$18,199,098 due to prior period adjustments to correct some prior year balances.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$233,676,144. Over 15% of this total amount (\$37,050,333) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$37,050,333 was 21.53% of the total general fund expenditures.
- The District is defined by Chapter 41 of the Texas Education Code (TEC) as a high wealth District but the District's wealth per student was less than the equalized wealth value; therefore, during 2016 the District did not pay anything for contracted instructional services between schools as part of the state wealth equalization requirements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 48 and 49). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 50) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 62) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Single Audit Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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

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

The analysis of the District's overall financial condition and operations begins on page 48. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

In the Statement of Net Position and the Statement of Activities, information is divided into two kinds of activities:

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

- Business-type activities—Activities in which the District charges a fee to “customers” to help cover the cost of services it provides are reported as business-type activities. The District had no business-type activities at June 30, 2016.

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

### **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 fund financial statements begin on page 50 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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 maintains thirty governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 48 through 61 of this report.
- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (one category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs and netbooks.
- **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. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities that can be found on page 61. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

## Governmental Activities

**Net Position.** The net position of the District's governmental activities at June 30, 2016 was \$53,398,861. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a deficit of \$23,184,957 at June 30, 2016. 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 are 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 governmental activities net position (\$41,478,223) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$35,105,595 which may be used to meet the District's ongoing obligations.

**Changes in Net Position.** The District's total revenues of its governmental activities were \$243,609,382. A significant portion, approximately 75.2 percent, of the revenue comes from property taxes. Another 11.1 percent comes from state aid - formula grants while only 3.1 percent relates to charges for services. This reflects a \$29.1 million increase in revenues from 2014-2015, primarily from increases in property taxes and state aid. The total revenues were used to fund the cost of all programs and services in the amount of \$232,784,959, and to pay down the District's debt. This reflects a \$2.8 million decrease in expenses from 2014-2015, or approximately 1.2%.

**Governmental Activities.** The District's total net position of its governmental activities increased \$9,613,981 from the results of current year operations. However, beginning net position decreased \$18,199,098 due to prior period adjustments to correct some prior year balances. The total cost of all government activities for the fiscal year ended June 30, 2016 was \$232,784,959. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$31,629,592 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$201,155,367, which were primarily funded by property taxes in the amount of \$183,308,384 and state revenue of \$27,014,580.

**Table I  
NET POSITION**

|   | Governmental Activities |                |                |
|---|-------------------------|----------------|----------------|
|   | 2015                    | 2016           | Change         |
| Current and other assets                            | \$ 247,202,716          | \$ 266,051,834 | \$ 18,849,118  |
| Capital and non-current assets                      | 654,091,097             | 671,907,443    | 17,816,346     |
| Total assets  | 901,293,813             | 937,959,277    | 36,665,464     |
| Deferred outflows of resources                      | 5,622,416               | 53,003,171     | 47,380,755     |
| Total assets and deferred outflows of resources     | 906,916,229             | 990,962,448    | 84,046,219     |
| Long-term liabilities                               | 782,179,324             | 891,184,671    | 109,005,347    |
| Other liabilities                                   | 51,662,320              | 38,201,582     | (13,460,738)   |
| Total liabilities                                   | 833,841,644             | 929,386,253    | 95,544,609     |
| Deferred inflows of resources                       | 11,090,607              | 8,177,334      | (2,913,273)    |
| Total liabilities and deferred inflows of resources | 844,932,251             | 937,563,587    | 92,631,336     |
| Net Position:                                       |                         |                |                |
| Net investments in capital assets                   | 27,255,585              | (23,184,957)   | (50,440,542)   |
| Restricted  | 27,001,501              | 41,478,223     | 14,476,722     |
| Unrestricted  | 7,726,892               | 35,105,595     | 27,378,703     |
| Total Net Position                                  | \$ 61,983,978           | \$ 53,398,861  | \$ (8,585,117) |

**Table II**  
**CHANGES IN NET POSITION**

|  | Governmental Activities |                      |                       |
|--|-------------------------|----------------------|-----------------------|
|  | 2015                    | 2016                 | Change                |
| Revenues:  |                         |                      |                       |
| Program Revenues:  |                         |                      |                       |
| Charges for services   | \$ 10,696,921           | \$ 7,472,561         | \$ (3,224,360)        |
| Operating grants and contributions                                     | 17,152,632              | 24,157,031           | 7,004,399             |
| General Revenues:  |                         |                      |                       |
| Maintenance and operations taxes                                       | 120,895,271             | 131,549,000          | 10,653,729            |
| Debt service taxes   | 47,952,873              | 51,759,384           | 3,806,511             |
| State aid - formula grants   | 17,140,982              | 27,014,580           | 9,873,598             |
| Interest earnings  | 645,145                 | 1,100,734            | 455,589               |
| Miscellaneous  | -                       | 556,092              | 556,092               |
| Total Revenue  | <u>214,483,824</u>      | <u>243,609,382</u>   | <u>29,125,558</u>     |
| Expenses:  |                         |                      |                       |
| Instruction, curriculum and media services                             | 124,401,706             | 130,735,264          | 6,333,558             |
| Instructional and school leadership                                    | 9,438,687               | 11,226,378           | 1,787,691             |
| Student support services   | 20,534,201              | 18,109,030           | (2,425,171)           |
| Food services  | 7,400,908               | 9,175,595            | 1,774,687             |
| Extracurricular activities   | 7,591,117               | 7,718,196            | 127,079               |
| General administration   | 4,019,764               | 4,458,804            | 439,040               |
| Plant maintenance, security and data processing                        | 21,997,542              | 23,255,203           | 1,257,661             |
| Community services   | 199,757                 | 154,935              | (44,822)              |
| Debt services  | 37,989,524              | 26,243,014           | (11,746,510)          |
| Intergovernmental charges  | <u>2,051,804</u>        | <u>1,708,540</u>     | <u>(343,264)</u>      |
| Total Expenses   | <u>235,625,010</u>      | <u>232,784,959</u>   | <u>(2,840,051)</u>    |
| Increase (Decrease) in Net Position before transfers and special items | (21,141,186)            | 10,824,423           | 31,965,609            |
| Transfers in (out)   | -                       | (1,210,442)          | (1,210,442)           |
| Increase (Decrease) in Net Position                                    | (21,141,186)            | 9,613,981            | 30,755,167            |
| Net Position - beginning of year                                       | 110,068,747             | 61,983,978           | (48,084,769)          |
| Prior period adjustment  | <u>(26,943,583)</u>     | <u>(18,199,098)</u>  | <u>8,744,485</u>      |
| Net Position - end of year   | <u>\$ 61,983,978</u>    | <u>\$ 53,398,861</u> | <u>\$ (8,585,117)</u> |

- The Board of Trustees maintained the maintenance and operation property tax rate of \$1.04 for the fiscal year 2015-2016. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.4125. The total tax rate necessary to fund the 2015-2016 budget was \$1.4525.
- The District continues to experience an increase in property values over the prior year. The actual increase in certified and under review values for fiscal year 2016 was \$1,310,766,000 or 10.28%.

The cost of all governmental activities for the current fiscal period was \$232,784,959. However, as shown in the Statement of Activities on page 49, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$183,308,384 because some of the costs were paid by those who directly benefited from the programs (\$7,472,561) or by other governments and organizations that subsidized certain programs with grants and contributions (\$24,157,031) or by State equalization funding (\$27,014,580).

## 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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$233,676,144 an increase of \$26,428,319. Approximately 50 percent of this total amount (\$116,725,476) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$39,323,668), or for capital projects (\$76,269,887), or for Federal grants (\$1,063,965), or already spent on prepaid items (\$293,148).

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 \$37,050,333, while the total fund balance was \$76,768,237. 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 21.53 percent of the total general fund expenditures, while the total fund balance represents 44.61 percent of that same amount.

The fund balance of the District's general fund increased by \$3,392,349 during the current fiscal year, compared to a \$1,777,491 increase in the previous year. Key factors related to this change are as follows:

- A \$9,900,987 increase in property tax and other local revenues combined with a \$2,741,457 increase in foundation, per capita and other state funding contributed to a \$12,177,842 overall increase in total revenues. Expenditures increased \$14,329,291 or 9.2% with increases in most functional categories.
- \$2,422,652 additional State foundation funding as a final receipt for 2014-2015 was received in 2015-2016 and shown as a prior period adjustment.

The debt service fund has a total fund balance of \$39,323,668, all of which is reserved for the payment of debt service. The net decrease in fund balance during the period from current year operations was \$2,606,061, compared to a \$3,196,160 increase in the previous year. Tax revenues were \$4,174,863 higher than the previous year, but debt service expenditures were \$11,252,600 higher as well.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$31,393,387 due primarily to \$75,242,359 proceeds from the sale of bonds, offset by \$45,158,249 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2015). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$76,768,237 reported on page 50 differs from the General Fund's budgetary fund balance of \$63,967,156 reported in the budgetary comparison schedule on page 92. For the year ended June 30, 2016, actual general fund expenditures on a budgetary basis were \$172,078,169, below the original budget expenditures of \$175,943,250. The actual expenditures were also below the revised final budget of \$178,823,625. The majority of the actual variance of \$6,745,456 consists of savings achieved in payroll costs in the instructional area and savings achieved in utilities costs in the facilities maintenance and operations area. Actual revenue on a budgetary basis was \$172,860,543 compared to the original budget of \$168,443,000 and a revised budget of \$169,433,333. The actual variance of \$3,427,210 was due primarily to higher than expected State revenue.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2016, the District had \$671,907,443 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$32,869,991, or 5.14 percent, above last year.

This fiscal year's major additions include:

|  |                     |
|--|---------------------|
| Continuing construction costs on a new high school, paid for with proceeds of general obligation bonds.          | \$19,253,799        |
| Continuing construction costs on an outdoor learning center, paid for with proceeds of general obligation bonds. | 13,019,123          |
| Initial construction costs on a transportation facility, paid for with proceeds of general obligation bonds.     | 2,743,158           |
| Totaling   | <u>\$35,016,080</u> |

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

### **Debt Administration**

At year-end, the District had \$746,061,688 in bonds outstanding (including accreted interest on bonds) versus \$731,933,019 last year—an increase of 1.93 percent. New debt was incurred during the fiscal period through the issuance of three refunding bond series and one building bond series. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$1,170,554,035, which is significantly in excess of the District's outstanding general obligation debt.

Other obligations include accrued vacation benefits and special termination benefits. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

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

The District's elected officials considered many factors when setting the fiscal year 2017 budget and tax rates, including the economy, student enrollment growth, and funding levels by the State of Texas.

The District has adopted a \$10,000,000 deficit budget for 2016-2017 for the general fund. Budgeted revenues for the general fund are \$8,635,897 higher than actual 2015-2016 revenues, but budgeted expenditures are \$19,418,271 higher than actual 2015-2016 expenditures. The June 30, 2016 general fund fund balance is sufficient to cover the anticipated deficit.

The District has adopted a \$458,844 deficit budget for 2016-2017 for the debt service fund. Budgeted revenues for the debt service fund are \$839,760 lower than actual 2015-2016 revenues and budgeted expenditures are \$3,892,003 lower than actual 2015-2016 expenditures. The June 30, 2016 debt service fund fund balance is sufficient to cover the anticipated deficit.

The 2016 tax rate was set at \$1.4525 per \$100 valuation (\$1.04 maintenance and operations and \$.4125 debt service) which is the same as the 2015 tax rate.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Northwest Independent School District, P.O. Box 77070, Fort Worth, Texas 76177-0070.

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NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

EXHIBIT A-1

| Data<br>Control<br>Codes                      | Primary Government<br><br>Governmental<br>Activities |
|---|--|
| <b>ASSETS</b>                                 |  |
| 1110 Cash and Cash Equivalents                | \$ 27,840,304  |
| 1120 Current Investments                      | 224,299,860  |
| 1220 Property Taxes Receivable (Delinquent)   | 6,053,209  |
| 1230 Allowance for Uncollectible Taxes        | (453,990)  |
| 1240 Due from Other Governments               | 7,026,304  |
| 1250 Accrued Interest                         | 432,251  |
| 1290 Other Receivables, net                   | 560,748  |
| 1410 Prepayments                              | 293,148  |
| Capital Assets:                               |  |
| 1510 Land                                     | 28,190,250   |
| 1520 Buildings, Net                           | 503,119,129  |
| 1530 Furniture and Equipment, Net             | 5,244,184  |
| 1540 Vehicles, Net                            | 844,652  |
| 1580 Construction in Progress                 | 134,509,228  |
| 1000 Total Assets                             | <u>937,959,277</u>                                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>         |  |
| 1701 Deferred Charge for Refunding            | 29,448,039   |
| 1705 Deferred Outflow Related to TRS          | 23,555,132   |
| 1700 Total Deferred Outflows of Resources     | <u>53,003,171</u>                                    |
| <b>LIABILITIES</b>                            |  |
| 2110 Accounts Payable                         | 3,481,819  |
| 2150 Payroll Deductions & Withholdings        | 1,119,762  |
| 2160 Accrued Wages Payable                    | 17,851,325   |
| 2180 Due to Other Governments                 | 408,343  |
| 2200 Accrued Expenses                         | 14,745,840   |
| 2300 Unearned Revenue                         | 594,493  |
| Noncurrent Liabilities                        |  |
| 2501 Due Within One Year                      | 23,944,470   |
| 2502 Due in More Than One Year                | 824,949,018  |
| 2540 Net Pension Liability (District's Share) | 42,291,183   |
| 2000 Total Liabilities                        | <u>929,386,253</u>                                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>          |  |
| 2605 Deferred Inflow Related to TRS           | 8,177,334  |
| 2600 Total Deferred Inflows of Resources      | <u>8,177,334</u>                                     |
| <b>NET POSITION</b>                           |  |
| 3200 Net Investment in Capital Assets         | (23,184,957)   |
| 3850 Restricted for Debt Service              | 39,323,668   |
| 3870 Restricted for Campus Activities         | 2,154,555  |
| 3900 Unrestricted                             | 35,105,595   |
| 3000 Total Net Position                       | <u><u>\$ 53,398,861</u></u>                          |

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



NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-1

FOR THE YEAR ENDED JUNE 30, 2016

| Data<br>Control<br>Codes                            | 1              | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |
|---|----------------|-------------------------|--|--|
|   |                | 3                       | 4  | 6  |
|   |                | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary Gov.<br>Governmental<br>Activities                 |
| <b>Primary Government:</b>                          |                |                         |  |  |
| GOVERNMENTAL ACTIVITIES:                            |                |                         |  |  |
| 11 Instruction                                      | \$ 122,168,515 | \$ 90,828               | \$ 12,556,834                            | \$ (109,520,853)   |
| 12 Instructional Resources and Media Services       | 2,681,310      | -                       | 140,676                                  | (2,540,634)  |
| 13 Curriculum and Staff Development                 | 5,885,439      | -                       | 453,784                                  | (5,431,655)  |
| 21 Instructional Leadership                         | 1,081,077      | -                       | 42,064                                   | (1,039,013)  |
| 23 School Leadership                                | 10,145,301     | -                       | 654,147                                  | (9,491,154)  |
| 31 Guidance, Counseling and Evaluation Services     | 7,941,408      | -                       | 1,237,310                                | (6,704,098)  |
| 32 Social Work Services                             | 904,931        | -                       | 606,349                                  | (298,582)  |
| 33 Health Services                                  | 2,009,949      | 921,133                 | 94,861                                   | (993,955)  |
| 34 Student (Pupil) Transportation                   | 7,252,742      | -                       | 3,069,980                                | (4,182,762)  |
| 35 Food Services                                    | 9,175,595      | 5,469,920               | 2,196,760                                | (1,508,915)  |
| 36 Extracurricular Activities                       | 7,718,196      | 476,021                 | 2,087,559                                | (5,154,616)  |
| 41 General Administration                           | 4,458,804      | -                       | 551,849                                  | (3,906,955)  |
| 51 Facilities Maintenance and Operations            | 17,255,030     | 514,659                 | 195,672                                  | (16,544,699)   |
| 52 Security and Monitoring Services                 | 1,248,060      | -                       | 27,050                                   | (1,221,010)  |
| 53 Data Processing Services                         | 4,752,113      | -                       | 190,047                                  | (4,562,066)  |
| 61 Community Services                               | 154,935        | -                       | 32,089                                   | (122,846)  |
| 72 Debt Service - Interest on Long Term Debt        | 23,170,568     | -                       | -  | (23,170,568)   |
| 73 Debt Service - Bond Issuance Cost and Fees       | 3,072,446      | -                       | -  | (3,072,446)  |
| 93 Payments related to Shared Services Arrangements | 20,000         | -                       | 20,000                                   | -  |
| 97 Payments to Tax Increment Fund                   | 839,876        | -                       | -  | (839,876)  |
| 99 Other Intergovernmental Charges                  | 848,664        | -                       | -  | (848,664)  |
| [TP] TOTAL PRIMARY GOVERNMENT:                      | \$ 232,784,959 | \$ 7,472,561            | \$ 24,157,031                            | (201,155,367)  |

|                          |  |               |
|--------------------------|--|---------------|
| Data<br>Control<br>Codes | General Revenues:                            |               |
|                          | Taxes:                                       |               |
| MT                       | Property Taxes, Levied for General Purposes  | 131,549,000   |
| DT                       | Property Taxes, Levied for Debt Service      | 51,759,384    |
| SF                       | State Aid - Formula Grants                   | 27,014,580    |
| IE                       | Investment Earnings                          | 1,100,734     |
| MI                       | Miscellaneous Local and Intermediate Revenue | 556,092       |
| FR                       | Transfers In (Out)                           | (1,210,442)   |
| TR                       | Total General Revenues & Transfers           | 210,769,348   |
| CN                       | Change in Net Position                       | 9,613,981     |
| NB                       | Net Position - Beginning                     | 61,983,978    |
| PA                       | Prior Period Adjustment                      | (18,199,098)  |
| NE                       | Net Position--Ending                         | \$ 53,398,861 |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

| Data<br>Control<br>Codes                                 | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|-----------------------|----------------------------|---------------------------|
| <b>ASSETS</b>  |                       |                            |                           |
| 1110 Cash and Cash Equivalents                           | \$ 7,926,778          | \$ 769,247                 | \$ 12,158,579             |
| 1120 Investments - Current                               | 83,221,043            | 38,414,692                 | 101,498,769               |
| 1220 Property Taxes - Delinquent                         | 4,520,897             | 1,532,312                  | -                         |
| 1230 Allowance for Uncollectible Taxes (Credit)          | (339,067)             | (114,923)                  | -                         |
| 1240 Receivables from Other Governments                  | 6,584,553             | -                          | -                         |
| 1250 Accrued Interest                                    | 122,803               | 48,165                     | 258,408                   |
| 1260 Due from Other Funds                                | 140,923               | -                          | 559,917                   |
| 1290 Other Receivables                                   | 128,724               | -                          | -                         |
| 1410 Prepayments   | 293,148               | -                          | -                         |
| 1000 Total Assets  | <u>\$ 102,599,802</u> | <u>\$ 40,649,493</u>       | <u>\$ 114,475,673</u>     |
| <b>LIABILITIES</b>                                       |                       |                            |                           |
| 2110 Accounts Payable                                    | \$ 2,408,812          | \$ -                       | \$ 93,930                 |
| 2150 Payroll Deductions and Withholdings Payable         | 1,119,762             | -                          | -                         |
| 2160 Accrued Wages Payable                               | 17,497,042            | -                          | 3,742                     |
| 2170 Due to Other Funds                                  | 571,158               | -                          | -                         |
| 2180 Due to Other Governments                            | 396,707               | -                          | -                         |
| 2200 Accrued Expenditures                                | 10,343                | -                          | 12,282                    |
| 2300 Unearned Revenues                                   | 108,227               | 90,607                     | -                         |
| 2000 Total Liabilities                                   | <u>22,112,051</u>     | <u>90,607</u>              | <u>109,954</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                       |                            |                           |
| 2601 Unavailable Revenue - Property Taxes                | 3,719,514             | 1,235,218                  | -                         |
| 2600 Total Deferred Inflows of Resources                 | <u>3,719,514</u>      | <u>1,235,218</u>           | <u>-</u>                  |
| <b>FUND BALANCES</b>                                     |                       |                            |                           |
| Nonspendable Fund Balance:                               |                       |                            |                           |
| 3430 Prepaid Items                                       | 293,148               | -                          | -                         |
| Restricted Fund Balance:                                 |                       |                            |                           |
| 3450 Federal or State Funds Grant Restriction            | -                     | -                          | -                         |
| 3470 Capital Acquisition and Contractual Obligation      | -                     | -                          | 76,269,887                |
| 3480 Retirement of Long-Term Debt                        | -                     | 39,323,668                 | -                         |
| Committed Fund Balance:                                  |                       |                            |                           |
| 3545 Other Committed Fund Balance                        | -                     | -                          | -                         |
| Assigned Fund Balance:                                   |                       |                            |                           |
| 3550 Construction  | 29,424,756            | -                          | 38,095,832                |
| 3560 2016-2017 Deficit Budget                            | 10,000,000            | -                          | -                         |
| 3600 Unassigned Fund Balance                             | 37,050,333            | -                          | -                         |
| 3000 Total Fund Balances                                 | <u>76,768,237</u>     | <u>39,323,668</u>          | <u>114,365,719</u>        |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 102,599,802</u> | <u>\$ 40,649,493</u>       | <u>\$ 114,475,673</u>     |

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

|       |           | Total        |             |
|-------|-----------|--------------|-------------|
| Other |           | Governmental |             |
| Funds |           | Funds        |             |
| \$    | 3,404,913 | \$           | 24,259,517  |
|       | 1,165,356 |              | 224,299,860 |
|       | -         |              | 6,053,209   |
|       | -         |              | (453,990)   |
|       | 441,751   |              | 7,026,304   |
|       | 2,875     |              | 432,251     |
|       | 11,241    |              | 712,081     |
|       | 58,080    |              | 186,804     |
|       | -         |              | 293,148     |
| \$    | 5,084,216 | \$           | 262,809,184 |
|       |           |              |             |
| \$    | 978,112   | \$           | 3,480,854   |
|       | -         |              | 1,119,762   |
|       | 339,241   |              | 17,840,025  |
|       | 140,923   |              | 712,081     |
|       | 11,636    |              | 408,343     |
|       | 125       |              | 22,750      |
|       | 395,659   |              | 594,493     |
|       | 1,865,696 |              | 24,178,308  |
|       |           |              |             |
|       | -         |              | 4,954,732   |
|       |           |              |             |
|       | -         |              | 4,954,732   |
|       |           |              |             |
|       | -         |              | 293,148     |
|       | 1,063,965 |              | 1,063,965   |
|       | -         |              | 76,269,887  |
|       | -         |              | 39,323,668  |
|       | 2,154,555 |              | 2,154,555   |
|       | -         |              | 67,520,588  |
|       | -         |              | 10,000,000  |
|       | -         |              | 37,050,333  |
|       | 3,218,520 |              | 233,676,144 |
| \$    | 5,084,216 | \$           | 262,809,184 |

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NORTHWEST INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2016

EXHIBIT C-2

|   |                       |
|---|-----------------------|
| <b>Total Fund Balances - Governmental Funds</b>   | <b>\$ 233,676,144</b> |
| 1 Assets and liabilities of the internal service funds are not included in the fund financial statements.   | 2,320,611             |
| 2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.   | 788,607,482           |
| 3 Accumulated depreciation is not reported in the fund financial statements.  | (116,700,039)         |
| 4 Bonds payable are not reported in the fund financial statements.  | (736,819,556)         |
| 5 Bond premiums are not recognized in the fund financial statements.  | (102,086,602)         |
| 6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.  | (13,101,235)          |
| 7 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.  | 4,954,732             |
| 8 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$42,291,183, a Deferred Resource Inflow related to TRS in the amount of \$8,177,334, and a Deferred Resource Outflow related to TRS in the amount of \$23,555,132. This amounted to a decrease in Net Position in the amount of \$26,913,385. | (26,913,385)          |
| 9 Deferred charge on bond refundings is not recognized in the fund financial statements.  | 29,448,039            |
| 10 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.  | (9,242,132)           |
| 11 Accrued vacation benefits have not been recorded in the fund financial statements.   | (745,198)             |
| <b>19 Net Position of Governmental Activities</b>   | <b>\$ 53,398,861</b>  |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

| Data<br>Control<br>Codes               |   | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|---|-----------------------|----------------------------|---------------------------|
| <b>REVENUES:</b>                       |   |                       |                            |                           |
| 5700                                   | Total Local and Intermediate Sources                      | \$ 134,463,136        | \$ 52,573,718              | \$ 520,262                |
| 5800                                   | State Program Revenues                                    | 36,498,439            | 651,712                    | 21,859                    |
| 5900                                   | Federal Program Revenues                                  | 1,898,968             | -                          | -                         |
| 5020                                   | Total Revenues  | 172,860,543           | 53,225,430                 | 542,121                   |
| <b>EXPENDITURES:</b>                   |   |                       |                            |                           |
| <b>Current:</b>                        |   |                       |                            |                           |
| 0011                                   | Instruction   | 103,656,537           | -                          | 1,183,504                 |
| 0012                                   | Instructional Resources and Media Services                | 2,400,835             | -                          | 710,645                   |
| 0013                                   | Curriculum and Instructional Staff Development            | 5,122,910             | -                          | -                         |
| 0021                                   | Instructional Leadership                                  | 978,152               | -                          | -                         |
| 0023                                   | School Leadership   | 8,925,092             | -                          | -                         |
| 0031                                   | Guidance, Counseling and Evaluation Services              | 6,125,647             | -                          | 4,607                     |
| 0032                                   | Social Work Services                                      | 209,767               | -                          | -                         |
| 0033                                   | Health Services   | 1,766,456             | -                          | 37,465                    |
| 0034                                   | Student (Pupil) Transportation                            | 7,335,213             | -                          | -                         |
| 0035                                   | Food Services   | -                     | -                          | -                         |
| 0036                                   | Extracurricular Activities                                | 5,615,284             | -                          | 2,394,686                 |
| 0041                                   | General Administration                                    | 4,626,190             | -                          | -                         |
| 0051                                   | Facilities Maintenance and Operations                     | 17,280,092            | -                          | -                         |
| 0052                                   | Security and Monitoring Services                          | 1,247,806             | -                          | 16,938                    |
| 0053                                   | Data Processing Services                                  | 4,448,888             | -                          | -                         |
| 0061                                   | Community Services  | 117,777               | -                          | -                         |
| <b>Debt Service:</b>                   |   |                       |                            |                           |
| 0071                                   | Principal on Long Term Debt                               | -                     | 16,862,238                 | -                         |
| 0072                                   | Interest on Long Term Debt                                | -                     | 38,855,162                 | -                         |
| 0073                                   | Bond Issuance Cost and Fees                               | -                     | 1,019,117                  | 242,250                   |
| <b>Capital Outlay:</b>                 |   |                       |                            |                           |
| 0081                                   | Facilities Acquisition and Construction                   | 532,983               | -                          | 40,568,154                |
| <b>Intergovernmental:</b>              |   |                       |                            |                           |
| 0093                                   | Payments to Fiscal Agent/Member Districts of SSA          | -                     | -                          | -                         |
| 0097                                   | Payments to Tax Increment Fund                            | 839,876               | -                          | -                         |
| 0099                                   | Other Intergovernmental Charges                           | 848,664               | -                          | -                         |
| 6030                                   | Total Expenditures  | 172,078,169           | 56,736,517                 | 45,158,249                |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | 782,374               | (3,511,087)                | (44,616,128)              |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |                       |                            |                           |
| 7911                                   | Capital Related Debt Issued (Regular Bonds)               | -                     | 253,448,475                | 67,435,000                |
| 7912                                   | Sale of Real and Personal Property                        | 107                   | -                          | 207,348                   |
| 7915                                   | Transfers In  | -                     | 109                        | 559,917                   |
| 7916                                   | Premium or Discount on Issuance of Bonds                  | -                     | 48,900,225                 | 7,807,359                 |
| 7949                                   | Other Resources   | -                     | -                          | -                         |
| 8911                                   | Transfers Out (Use)                                       | (578,460)             | -                          | (109)                     |
| 8949                                   | Other (Uses)  | -                     | (301,443,783)              | -                         |
| 7080                                   | Total Other Financing Sources (Uses)                      | (578,353)             | 905,026                    | 76,009,515                |
| 1200                                   | Net Change in Fund Balances                               | 204,021               | (2,606,061)                | 31,393,387                |
| 0100                                   | Fund Balance - July 1 (Beginning)                         | 73,375,888            | 25,723,034                 | 82,972,332                |
| 1300                                   | Prior Period Adjustment(s)                                | 3,188,328             | 16,206,695                 | -                         |
| 3000                                   | Fund Balance - June 30 (Ending)                           | \$ 76,768,237         | \$ 39,323,668              | \$ 114,365,719            |

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

|    | Other<br>Funds | Total<br>Governmental<br>Funds |
|----|----------------|--------------------------------|
| \$ | 8,795,305      | \$ 196,352,421                 |
|    | 3,301,299      | 40,473,309                     |
|    | 5,835,165      | 7,734,133                      |
|    | 17,931,769     | 244,559,863                    |
|    | 6,129,952      | 110,969,993                    |
|    | 33,870         | 3,145,350                      |
|    | 274,730        | 5,397,640                      |
|    | 2,404          | 980,556                        |
|    | 193,686        | 9,118,778                      |
|    | 942,242        | 7,072,496                      |
|    | 695,164        | 904,931                        |
|    | 603            | 1,804,524                      |
|    | -              | 7,335,213                      |
|    | 9,175,595      | 9,175,595                      |
|    | 1,754,344      | 9,764,314                      |
|    | 63,306         | 4,689,496                      |
|    | 108            | 17,280,200                     |
|    | 12,108         | 1,276,852                      |
|    | -              | 4,448,888                      |
|    | 25,576         | 143,353                        |
|    | -              | 16,862,238                     |
|    | -              | 38,855,162                     |
|    | -              | 1,261,367                      |
|    | -              | 41,101,137                     |
|    | 20,000         | 20,000                         |
|    | -              | 839,876                        |
|    | -              | 848,664                        |
|    | 19,323,688     | 293,296,623                    |
|    | (1,391,919)    | (48,736,760)                   |
|    | -              | 320,883,475                    |
|    | -              | 207,455                        |
|    | 18,543         | 578,569                        |
|    | -              | 56,707,584                     |
|    | 20,790         | 20,790                         |
|    | (1,210,442)    | (1,789,011)                    |
|    | -              | (301,443,783)                  |
|    | (1,171,109)    | 75,165,079                     |
|    | (2,563,028)    | 26,428,319                     |
|    | 5,781,548      | 187,852,802                    |
|    | -              | 19,395,023                     |
| \$ | 3,218,520      | \$ 233,676,144                 |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

|  |                      |
|--|----------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>  | <b>\$ 26,428,319</b> |
| Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position. | 46,109,646           |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.                              | (13,238,616)         |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.   | 3,105,460            |
| Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.  | (1,177,690)          |
| Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.   | 16,755,462           |
| Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.   | 1,682,567            |
| The net income of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.  | 765,437              |
| Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.   | 16,862,238           |
| The premium on the current year issuances of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.  | (58,518,663)         |
| Current year issuances of bonds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.  | (320,883,475)        |
| Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.   | 301,443,783          |

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



NORTHWEST INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

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|   |                          |
|---|--------------------------|
| Current year net decreases in accrued vacation benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.  | 20,478                   |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the ending net position to increase in the amount of \$3,101,573. Contributions made before the measurement but during the 2016 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This caused a decrease in the net position in the amount of \$314,186. These contributions were replaced with the District's pension expense for the year of \$6,668,421, which caused a decrease in net position. The impact of all of these is to decrease net position by \$3,881,034. | (3,881,034)              |
| Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.  | (5,858,895)              |
| <b>Change in Net Position of Governmental Activities</b>  | <hr/> \$ 9,613,981 <hr/> |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

|                           | Governmental<br>Activities -       |
|---------------------------|------------------------------------|
|                           | Total<br>Internal<br>Service Funds |
| <hr/>                     |                                    |
| ASSETS                    |                                    |
| Current Assets:           |                                    |
| Cash and Cash Equivalents | \$ 3,580,787                       |
| Other Receivables         | <u>373,944</u>                     |
| Total Assets              | <u>3,954,731</u>                   |
| LIABILITIES               |                                    |
| Current Liabilities:      |                                    |
| Accounts Payable          | 965                                |
| Accrued Wages Payable     | 11,300                             |
| Accrued Expenses          | <u>1,621,855</u>                   |
| Total Liabilities         | <u>1,634,120</u>                   |
| NET POSITION              |                                    |
| Unrestricted Net Position | <u>2,320,611</u>                   |
| Total Net Position        | <u><u>\$ 2,320,611</u></u>         |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|   | Governmental<br>Activities -       |
|---|------------------------------------|
|   | Total<br>Internal<br>Service Funds |
| OPERATING REVENUES:                     |                                    |
| Local and Intermediate Sources          | \$ 13,629,737                      |
| Total Operating Revenues                | <u>13,629,737</u>                  |
| OPERATING EXPENSES:                     |                                    |
| Payroll Costs                           | 31,057                             |
| Professional and Contracted Services    | 1,095,020                          |
| Supplies and Materials                  | 101,245                            |
| Other Operating Costs                   | <u>11,636,978</u>                  |
| Total Operating Expenses                | <u>12,864,300</u>                  |
| Transfer In                             | 1,253,648                          |
| Transfers Out                           | <u>(1,253,648)</u>                 |
| Operating Income                        | 765,437                            |
| Total Net Position - July 1 (Beginning) | <u>1,555,174</u>                   |
| Total Net Position - June 30 (Ending)   | <u><u>\$ 2,320,611</u></u>         |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|  | Governmental<br>Activities - |
|--|------------------------------|
|  | Total                        |
|  | Internal                     |
|  | Service Funds                |
| <hr/>  |                              |
| <u>Cash Flows from Operating Activities:</u>                         |                              |
| Cash Received from User Charges                                      | \$ 12,937,217                |
| Cash Payments to Employees for Services                              | (25,526)                     |
| Cash Payments for Insurance Claims                                   | (10,279,684)                 |
| Cash Payments for Suppliers  | (101,245)                    |
| Cash Payments for Other Operating Expenses                           | (1,617,796)                  |
| Net Cash Provided by Operating Activities                            | <u>912,966</u>               |
| <u>Cash Flows from Capital &amp; Related Financing Activities:</u>   |                              |
| Transfer In (Out)  | <u>-</u>                     |
| Net Increase in Cash and Cash Equivalents                            | 912,966                      |
| Cash and Cash Equivalents at Beginning of Year                       | <u>2,667,821</u>             |
| Cash and Cash Equivalents at End of Year                             | <u><u>\$ 3,580,787</u></u>   |
| <u>Reconciliation of Operating Income to Net Cash</u>                |                              |
| <u>Provided by Operating Activities:</u>                             |                              |
| Operating Income:  | \$ 765,437                   |
| Effect of Increases and Decreases in Current Assets and Liabilities: |                              |
| Decrease (increase) in Receivables                                   | (347,932)                    |
| Decrease (increase) in Due from Other Funds                          | 3,223,456                    |
| Increase (decrease) in Accounts Payable                              | (2,098,621)                  |
| Increase (decrease) in Accrued Wages Payable                         | 5,531                        |
| Increase (decrease) in Accrued Expenses                              | 229,482                      |
| Increase (decrease) in Due to Other Funds                            | (864,387)                    |
| Net Cash Provided by Operating Activities                            | <u><u>\$ 912,966</u></u>     |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2016

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|   | Agency<br>Funds   |
|---|-------------------|
| <hr/>                                       |                   |
| ASSETS                                      |                   |
| Cash and Cash Equivalents                   | \$ 135,884        |
| Total Assets                                | <u>\$ 135,884</u> |
| LIABILITIES                                 |                   |
| Payroll Deductions and Withholdings Payable | \$ 135,884        |
| Total Liabilities                           | <u>\$ 135,884</u> |

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

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

The Northwest Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

In 2002, the District implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB Statement No. 34), GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes. The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

Based on the aforementioned criteria, Northwest Independent School District has no component units.

**B. BASIS OF PRESENTATION**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements:**

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its NetBooks and various self-insurance plans.
3. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments or earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.



NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

**D. BUDGETS**

Legal requirements for school district budgets are formulated by the state, TEA, and the local district. The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund, debt service fund and child nutrition program (which is included in special revenue funds). At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

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

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

- Prior to June 19<sup>th</sup>, the District prepares a budget based on the planning-programming budgeting method for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to June 30<sup>th</sup> the Board of Trustees legally adopts the budget for the general fund, debt service fund and child nutrition program.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year. Budget amendments throughout the year were not significant.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or divisional administrator).

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of 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.

**E. CASH AND CASH EQUIVALENTS**

The cash and cash equivalents portion of this caption in the accompanying fund financial statements is comprised of demand accounts, imprest funds and money market savings accounts. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most government fund expenditures are pooled into one demand account.

All District's deposits are legally insured by the Federal Deposit Insurance Corporation and additionally protected by appropriate pledges of securities issued by the State of Texas, other Texas municipalities or the Federal government.

**F. PREPAID ITEMS**

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and prepaid items are shown as nonspendable fund balance to signify that they are not available for other subsequent expenditures. Prepaid balances are reported using the consumption method, in which the prepaid item is recorded as an asset when paid and is charged to expenditure or expense each fiscal year in an amount equal to the related benefits received that year.

**G. INVENTORIES**

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

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**H. CAPITAL ASSETS**

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the governmental activities column of the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

|                         |            |
|-------------------------|------------|
| Land                    | N/A        |
| Buildings               | 50 Years   |
| Building improvements   | 1-20 Years |
| Furniture and equipment | 7 Years    |
| Computer equipment      | 3 Years    |
| Vehicles                | 7 Years    |

**I. COMPENSATED ABSENCES**

The District requires overtime compensation to be paid or taken in the form of compensatory time off. The District generally does not allow hourly employees to carry forward unused vacation time. Effective July 1, 2000 the District's full-time employees in positions that require twelve months of service are eligible for two weeks of vacation with pay annually. This vacation is accrued at the rate of five-sixths of a day for each month of employment, for a maximum of forty days. As of June 30, 2016 the amount accrued and vested was \$745,198 and is reported as a long-term debt in the accompanying financial statements. Typically, the general fund is used to liquidate the liability for compensated absences.

| Beginning Balance    |                  |                  | Ending Balance       |
|----------------------|------------------|------------------|----------------------|
| <u>June 30, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2016</u> |
| <u>\$765,676</u>     | <u>\$400,469</u> | <u>\$420,947</u> | <u>\$745,198</u>     |

The District allows employees to carry forward unused sick leave to subsequent years. As of June 30, 2016 the contingent liability to the District for sick leave carried forward totaled approximately \$13,205,564. This amount is not paid to employees upon retirement or termination, therefore the District has not recorded a liability for accumulated sick leave.

**J. CASH EQUIVALENTS**

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

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**K. NET POSITION**

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**L. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 expensed in the year 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.

**M. FINANCIAL REPORTING MODEL**

The District follows the financial reporting model for state and local governments that includes the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

As a result, the financial statements include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column. The government-wide financial statements split the District programs between governmental and business-type activities.

**N. 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 2016, 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.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
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**O. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**P. DATA CONTROL CODES**

The data control codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**NOTE 2. FUND BALANCE**

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action 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. The Board of Trustees have committed resources as of June 30, 2016 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund and Capital Projects Fund as of June 30, 2016 as detailed below.

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- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

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, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 50 and 51) and are described below:

### **General Fund**

The General Fund has unassigned fund balance of \$37,050,333 at June 30, 2016. Deferred expenditures (prepaid items) of \$293,148 are considered nonspendable fund balance. The District has assigned general fund balance resources of \$10,000,000 as of June 30, 2016 to fund the 2016-2017 budget deficit, and \$29,424,756 for construction.

### **Other Major Funds**

The Debt Service Fund has restricted funds of \$39,323,668 at June 30, 2016 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$76,269,887 at June 30, 2016 consisting primarily of unspent bond funds and \$38,095,832 of non-bond funds assigned for future capital replacement projects.

### **Other Funds**

The fund balance of \$2,154,555 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$1,063,965 in the Child Nutrition Fund is shown as restricted for the food service program.

## **NOTE 3. DEPOSITS AND INVESTMENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

### **1. Cash Deposits:**

At June 30, 2016, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$27,965,686 and the bank balance was \$30,553,868. The District's deposits at June 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name, except for one instance. Funds held in certificates of deposit at one bank were collateralized at only 103.3% of the District's balances rather than the 110% of fair market value coverage required by law.

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2. Investments:

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

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. As of June 30, 2016, the District's cash balances totaled \$30,553,868. This entire amount was either secured by pledged securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- 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. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At June 30, 2016, the District held a portion of its investments in the Texpool investment pool. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investors Service. The District's policy manages credit risk by authorizing only the safest types of investments backed by the federal or state government or their obligations and/or with ratings from nationally recognized rating firms of at least AA or its equivalent. 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 (Standard & Poor's).

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- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District monitors interest rate risk using weighted average maturity and specific identification. 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 TexPool investments is less than 60 days. The District has no formal policy related to interest rate risk.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2016, the District was 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 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

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

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

The District's investments at June 30, 2016, are shown below:

| Name                       | Carrying<br>Amount   | Fair<br>Value        |
|----------------------------|----------------------|----------------------|
| TexPool investment pool    | \$ 15,792,389        | \$ 15,792,389        |
| Certificates of deposit    | 95,194,219           | 95,194,219           |
| U.S. Government securities | <u>113,313,252</u>   | <u>113,313,252</u>   |
| Total                      | <u>\$224,299,860</u> | <u>\$224,299,860</u> |



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**Fair Value Measurements**

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

|  |                                      | <u>Fair Value Measurements Using</u>   |   |  |
|--|--------------------------------------|--|---|--|
|  |                                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b><u>Investments by Fair Value level:</u></b> | <b><u>Balance at<br/>6/30/16</u></b> |  |   |  |
| Certificates of Deposit                        | \$ 95,194,219                        | \$ -   | \$ 95,194,219   | \$ -   |
| U.S. Government Securities                     | <u>113,313,252</u>                   | <u>-</u>   | <u>113,313,252</u>  | <u>-</u>   |
| Total  | <u>\$208,507,471</u>                 | <u>\$ -</u>  | <u>\$208,507,471</u>                                      | <u>\$ -</u>  |

The fair value of the certificates of deposit and U.S. Government securities at June 30, 2016 was determined based on level 2 inputs. The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the TexPool Investment Pool (a statewide 2a7-like external investment pool) is not required to be measured at fair value but is measured at amortized cost.

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

|   | Balance<br>(Adjusted) July 1 | Additions/<br>Completions | Retirement/<br>Sales  | Balance<br>June 30    |
|---|------------------------------|---------------------------|-----------------------|-----------------------|
| Governmental Activities:                    |                              |                           |                       |                       |
| Capital assets, not being depreciated:      |                              |                           |                       |                       |
| Land  | \$ 28,190,250                | \$ -                      | \$ -                  | \$ 28,190,250         |
| Construction in Progress                    | <u>94,221,083</u>            | <u>43,045,576</u>         | <u>(2,757,431)</u>    | <u>134,509,228</u>    |
| Total capital assets, not being depreciated | <u>122,411,333</u>           | <u>43,045,576</u>         | <u>(2,757,431)</u>    | <u>162,699,478</u>    |
| Capital assets, being depreciated:          |                              |                           |                       |                       |
| Buildings and Improvements                  | 607,583,074                  | 3,227,715                 | -                     | 610,810,789           |
| Furniture and Equipment                     | 11,147,129                   | 2,055,629                 | (8,729)               | 13,194,029            |
| Vehicles                                    | <u>1,365,029</u>             | <u>538,157</u>            | <u>-</u>              | <u>1,903,186</u>      |
| Total capital assets, being depreciated     | <u>620,095,232</u>           | <u>5,821,501</u>          | <u>(8,729)</u>        | <u>625,908,004</u>    |
| Less accumulated depreciation for:          |                              |                           |                       |                       |
| Buildings and Improvements                  | (95,573,024)                 | (12,118,636)              | -                     | (107,691,660)         |
| Furniture and Equipment                     | (6,981,208)                  | (976,327)                 | 7,690                 | (7,949,845)           |
| Vehicles                                    | <u>(914,881)</u>             | <u>(143,653)</u>          | <u>-</u>              | <u>(1,058,534)</u>    |
| Total accumulated depreciation              | <u>(103,469,113)</u>         | <u>(13,238,616)</u>       | <u>7,690</u>          | <u>(116,700,039)</u>  |
| Total capital assets being depreciated, net | <u>516,626,119</u>           | <u>(7,417,115)</u>        | <u>(1,039)</u>        | <u>509,207,965</u>    |
| Governmental activities capital assets, net | <u>\$ 639,037,452</u>        | <u>\$ 35,628,461</u>      | <u>\$ (2,758,470)</u> | <u>\$ 671,907,443</u> |

Construction in progress includes the following construction contract in progress as of June 30, 2016:

| Project                       | Estimated Cost<br>to Complete | Expended<br>to Date  | Balance<br>to Complete |
|-------------------------------|-------------------------------|----------------------|------------------------|
| High School Construction      | \$ 91,120,342                 | \$ 90,545,227        | \$ 575,115             |
| Outdoor Learning Center       | 16,663,208                    | 13,861,550           | 2,801,658              |
| Elementary School Renovations | 7,249,756                     | 325,302              | 6,924,454              |
| Bus Transportation Facility   | <u>3,470,709</u>              | <u>2,320,541</u>     | <u>1,150,168</u>       |
| Total                         | <u>\$118,504,015</u>          | <u>\$107,052,620</u> | <u>\$11,451,395</u>    |

Depreciation expense was charged as direct expense to programs of the District as follows:

|  |                     |
|--|---------------------|
| Governmental activities:                           |                     |
| Instruction  | \$ 9,744,628        |
| Instructional Resources & Media Services           | 191,780             |
| Curriculum & Instructional Staff Development       | 375,516             |
| Instructional Leadership                           | 78,925              |
| School Leadership                                  | 812,559             |
| Guidance, Counseling & Evaluation Services         | 641,952             |
| Health Services                                    | 161,970             |
| Cocurricular/Extracurricular Activities            | 286,094             |
| General Administration                             | 354,566             |
| Plant Maintenance and Operations                   | 282,438             |
| Data Processing Services                           | 298,390             |
| Community Services                                 | <u>9,798</u>        |
| Total depreciation expense-Governmental activities | <u>\$13,238,616</u> |

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**NOTE 5. LONG-TERM DEBT**

Long-term debt includes twenty series of general obligation bonds, accreted interest on capital appreciation bonds, premiums on issuance of debt, compensated absences, interest rate swap agreements, and special termination benefits. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

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

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2016:

| Description                   | Interest<br>Rate<br>Payable | Amount<br>Original<br>Issue | Amounts<br>Outstanding<br>7/1/15 | Additions            | Refunded/<br>Retired | Amounts<br>Outstanding<br>6/30/16 | Due<br>Within<br>One Year |
|-------------------------------|-----------------------------|-----------------------------|----------------------------------|----------------------|----------------------|-----------------------------------|---------------------------|
| <b>Bonded Indebtedness:</b>   |                             |                             |                                  |                      |                      |                                   |                           |
| 1990 Building CAB             | 7.05-7.25%                  | 14,319,316 \$               | 749,979 \$                       | -                    | 749,979 \$           | -                                 | -                         |
| 2005 Refunding                | 4.37-5.00%                  | 54,475,000                  | 54,475,000                       | -                    | 54,475,000           | -                                 | -                         |
| 2006 Building                 | 3.44%                       | 20,000,000                  | 13,820,000                       | -                    | -                    | 13,820,000                        | -                         |
| 2006 Building                 | 3.75-5.00%                  | 48,500,000                  | 235,000                          | -                    | 235,000              | -                                 | -                         |
| 2006 Refunding                | 4.25-5.00%                  | 102,600,000                 | 98,905,000                       | -                    | 98,905,000           | -                                 | -                         |
| 2007 Building                 | 3.63-5.00%                  | 95,020,000                  | 1,125,000                        | -                    | 260,000              | 865,000                           | 865,000                   |
| 2008 Bldg/Refunding           | 4.25-5.00%                  | 56,785,000                  | 56,785,000                       | -                    | 51,335,000           | 5,450,000                         | 1,350,000                 |
| 2008 Bldg/Ref CAB             | 2.43-4.89%                  | 209,661                     | 128,340                          | -                    | 34,017               | 94,323                            | 25,152                    |
| 2009 Building                 | 3.20-4.93%                  | 63,820,000                  | 63,820,000                       | -                    | 61,925,000           | 1,895,000                         | 770,000                   |
| 2010 Building                 | 3.95-4.70%                  | 51,805,000                  | 51,805,000                       | -                    | 29,040,000           | 22,765,000                        | 495,000                   |
| 2011 Building                 | 3.00-5.00%                  | 47,415,000                  | 47,415,000                       | -                    | -                    | 47,415,000                        | -                         |
| 2012 Bldg/Refunding           | 3.00-5.00%                  | 91,585,000                  | 91,585,000                       | -                    | 1,975,000            | 89,610,000                        | 2,255,000                 |
| 2013 Building                 | 3.00-5.00%                  | 47,625,000                  | 47,625,000                       | -                    | -                    | 47,625,000                        | -                         |
| 2013A Refunding               | 3.00-5.00%                  | 44,180,000                  | 44,180,000                       | -                    | -                    | 44,180,000                        | 1,100,000                 |
| 2014 Building                 | 2.00-5.00%                  | 66,300,000                  | 64,790,000                       | -                    | 200,000              | 64,590,000                        | 200,000                   |
| 2015 Refunding                | 2.00-5.00%                  | 83,565,000                  | 83,565,000                       | -                    | 375,000              | 83,190,000                        | -                         |
| 2015 Building                 | 1.00-5.00%                  | 67,435,000                  | -                                | 67,435,000           | 2,000,000            | 65,435,000                        | 2,000,000                 |
| 2015A Refunding               | 5.00%                       | 118,740,000                 | -                                | 118,740,000          | -                    | 118,740,000                       | -                         |
| 2015A Refunding CAB           | 0.30-1.48%                  | 3,083,475                   | -                                | 3,083,475            | 2,183,242            | 900,233                           | 477,376                   |
| 2015B Refunding               | 1.50-5.00%                  | 82,115,000                  | -                                | 82,115,000           | 1,380,000            | 80,735,000                        | 5,485,000                 |
| 2016 Refunding                | 1.00-5.00%                  | 49,510,000                  | -                                | 49,510,000           | -                    | 49,510,000                        | 965,000                   |
| Total Bonded Indebtedness     |                             |                             | <u>721,008,319</u>               | <u>320,883,475</u>   | <u>305,072,238</u>   | <u>736,819,556</u>                | <u>15,987,528</u>         |
| Accreted Interest             |                             |                             | 10,924,700                       | 3,940,194            | 5,622,762            | 9,242,132                         | 1,677,472                 |
| Premiums on Bond Issuance     |                             |                             | 28,303,812                       | 90,538,252           | 16,755,462           | 102,086,602                       | 6,279,740                 |
| Accrued Vacation Benefits     |                             |                             | 765,676                          | 400,469              | 420,947              | 745,198                           | -                         |
| Total Other Obligations       |                             |                             | <u>39,994,188</u>                | <u>94,878,915</u>    | <u>22,799,171</u>    | <u>112,073,932</u>                | <u>7,956,942</u>          |
| Total Obligations of District |                             |                             | <u>\$761,002,507</u>             | <u>\$415,762,390</u> | <u>\$327,871,409</u> | <u>\$848,893,488</u>              | <u>\$23,944,470</u>       |

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

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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, 2016.

**NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS**

Debt service requirements to maturity are as follows:

| <u>Year Ended</u><br><u>June 30</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u><br><u>Requirements</u> |
|-------------------------------------|----------------------|----------------------|-------------------------------------|
| 2017                                | \$ 15,987,528        | \$ 36,883,517        | \$ 52,871,045                       |
| 2018                                | 16,306,649           | 37,661,996           | 53,968,645                          |
| 2019                                | 17,949,905           | 37,675,415           | 55,625,320                          |
| 2020                                | 23,875,694           | 33,661,976           | 57,537,670                          |
| 2021                                | 25,553,041           | 32,644,978           | 58,198,019                          |
| 2022-2026                           | 164,501,739          | 142,040,886          | 306,542,625                         |
| 2027-2031                           | 199,160,000          | 94,677,025           | 293,837,025                         |
| 2032-2036                           | 151,580,000          | 51,694,550           | 203,274,550                         |
| 2037-2041                           | 87,275,000           | 18,955,500           | 106,230,500                         |
| 2042-2045                           | 34,630,000           | 4,491,250            | 39,121,250                          |
| Total                               | <u>\$736,819,556</u> | <u>\$490,387,093</u> | <u>\$1,227,206,649</u>              |

**NOTE 7. DEFEASED BONDS OUTSTANDING**

On August 27, 2015, the District issued \$118,740,000 (par value) in unlimited tax refunding bonds (current interest bonds) with an interest rate of 5.00% and \$3,083,475 capital appreciation bonds with interest rates ranging from 0.30% to 1.48% to advance refund \$143,595,000 of unlimited tax school building and tax refunding bonds. The unlimited tax refunding bonds were issued at a net premium of \$30,158,355, and, after paying issuance costs of \$1,140,293, the net proceeds were \$150,837,933. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$22,766,381 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$16,775,234.

On November 19, 2015, the District issued \$82,115,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 1.50% to 5.00% to advance refund \$93,055,000 of unlimited tax refunding bonds. The unlimited tax refunding bonds were issued at a net premium of \$13,723,356, and, after paying issuance costs of \$719,813, the net proceeds were \$95,114,794. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$13,904,656 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$12,059,928.

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On March 15, 2016, the District issued \$49,510,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 1.00% to 5.00% to advance refund \$51,560,000 of unlimited tax refunding bonds. The unlimited tax refunding bonds were issued at a net premium of \$6,479,699, and, after paying issuance costs of \$496,500, the net proceeds were \$55,491,057. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$10,748,113 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$6,862,636.

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2016, \$178,290,000 of bonds outstanding are considered defeased.

**NOTE 8. PROPERTY TAXES**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid \$848,664 in fiscal year 2016 for appraising property.

The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. The appraisal and recording of all property within the District is the responsibility of the Denton Central Appraisal District (DCAD), an independent government unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. DCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the DCAD Review Board through various appeals and, if necessary, legal action. 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 year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2015-16 fiscal year was based was \$11,705,540,348. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.4125 per \$100 valuation, respectively, for a total of \$1.4525 per \$ 100 valuation.

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Current tax collections for the year ended June 30, 2016 were 99.03% 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$4,181,830 and \$1,417,389 for the General and Debt Service Funds, respectively. The uncollectible allowance has been estimated at 7.5% of outstanding property taxes at June 30, 2016.

Property taxes are recorded as receivables and as unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as unavailable revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

**NOTE 9. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** Northwest Independent School 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. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

| <u>Net Pension Liability</u>                          | <u>Total</u>             |
|---|--------------------------|
| Total Pension Liability                               | \$163,887,375,172        |
| Less: Plan Fiduciary Net Position                     | <u>(128,538,706,212)</u> |
| Net Pension Liability                                 | <u>\$ 35,348,668,960</u> |
| Net Position as percentage of Total Pension Liability | 78.43%                   |

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**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 above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 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 2015 and 2016.

| <u>Contribution Rates</u>                       |             |             |
|---|-------------|-------------|
|   | <u>2015</u> | <u>2016</u> |
| Member  | 6.7%        | 7.2%        |
| Non-Employer Contributing Entity (State)        | 6.8%        | 6.8%        |
| Employers                                       | 6.8%        | 6.8%        |
|   |             |             |
| Northwest ISD 2015 Employer Contributions       | \$          | 3,703,805   |
| Northwest ISD 2015 Member Contributions         | \$          | 8,276,885   |
| Northwest ISD 2015 NECE On-Behalf Contributions | \$          | 5,208,915   |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public 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 source or a privately sponsored source.

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In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- 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.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

|  |                             |
|--|-----------------------------|
| Valuation Date                               | August 31, 2015             |
| Actuarial Cost Method                        | Individual Entry Age Normal |
| Asset Valuation Method                       | Market Value                |
| Single Discount Rate                         | 8.00%                       |
| Long-term expected Investment Rate of Return | 8.00%                       |
| Inflation                                    | 2.50%                       |
| Salary Increases Including Inflation         | 3.50% to 9.50%              |
| Payroll Growth Rate                          | 2.50%                       |
| Benefit Changes During the Year              | None                        |
| Ad hoc Post Employment Benefit Changes       | None                        |

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

**Discount Rate.** The single 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, 2015 are summarized below:



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| Asset Class                   | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return* |
|-------------------------------|-------------------|-----------------------------|---|
| <b>Global Equity</b>          |                   |                             |   |
| U.S.                          | 18%               | 4.6%                        | 1.0%  |
| Non-U.S. Developed            | 13%               | 5.1%                        | 0.8%  |
| Emerging Markets              | 9%                | 5.9%                        | 0.7%  |
| Directional Hedge Funds       | 4%                | 3.2%                        | 0.1%  |
| Private Equity                | 13%               | 7.0%                        | 1.1%  |
| <b>Stable Value</b>           |                   |                             |   |
| U.S. Treasuries               | 11%               | 0.7%                        | 0.1%  |
| Absolute Return               | 0%                | 1.8%                        | 0.0%  |
| Stable Value Hedge Funds      | 4%                | 3.0%                        | 0.1%  |
| Cash                          | 1%                | -0.2%                       | 0.0%  |
| <b>Real Return</b>            |                   |                             |   |
| Global Inflation Linked Bonds | 3%                | 0.9%                        | 0.0%  |
| Real Assets                   | 16%               | 5.1%                        | 1.1%  |
| Energy and Natural Resources  | 3%                | 6.6%                        | 0.2%  |
| Commodities                   | 0%                | 1.2%                        | 0.0%  |
| <b>Risk Parity</b>            |                   |                             |   |
| Risk Parity                   | 5%                | 6.7%                        | 0.3%  |
| Inflation Expectation         |                   |                             | 2.2%  |
| Alpha                         | 0%                |                             | 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 2015 Net Pension Liability.

|   | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|---|-------------------------------------|----------------------|-------------------------------------|
| Northwest ISD's proportionate share of the net pension liability: | \$66,262,313                        | \$42,291,183         | \$22,324,722                        |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2016, Northwest Independent School District reported a liability of \$42,291,183 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Northwest Independent School District. The amount recognized by Northwest Independent School 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 Northwest Independent School District were as follows:

|  |                             |
|--|-----------------------------|
| District's Proportionate share of the collective net pension liability | \$ 42,291,183               |
| State's proportionate share that is associated with the District       | <u>62,165,127</u>           |
| <b>Total</b>   | <b><u>\$104,456,310</u></b> |

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0821466%, an increase of 45.64% from its proportionate share of .1196401% at August 31, 2014.

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**Changes Since the Prior Actuarial Valuation** – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended June 30, 2016, Northwest Independent School District recognized pension expense of \$8,857,530 and revenue of \$8,857,530 for support provided by the State.

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At June 30, 2016, Northwest Independent School 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 282,224                           | \$1,625,288                         |
| Changes in actuarial assumptions   | 1,186,195                            | 1,508,764                           |
| Difference between projected and actual investment earnings  | 10,415,377                           | 5,029,892                           |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 8,569,763                            | 13,390                              |
| Contributions paid to TRS subsequent to the measurement date   | 3,101,573                            | -                                   |
| Total  | \$23,555,132                         | \$8,177,334                         |

\$3,101,573 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | Pension Expense Amount |
|---------------------|------------------------|
| 2017                | \$ 2,142,858           |
| 2018                | 2,142,858              |
| 2019                | 2,142,856              |
| 2020                | 3,819,489              |
| 2021                | 1,198,044              |
| 2022                | 830,120                |

**NOTE 10. SCHOOL DISTRICT RETIREE HEALTH PLAN**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2016, the contribution made on behalf of the District was \$345,276.

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**NOTE 11. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2016, were as follows:

| <u>Fund</u>                      | <u>Advances to<br/>Other Funds</u> | <u>Advances from<br/>Other Funds</u> |
|----------------------------------|------------------------------------|--------------------------------------|
| General Fund:                    |                                    |                                      |
| Special Revenue Fund:            |                                    |                                      |
| IDEA-Part B Preschool            | \$ 1,946                           | \$ -                                 |
| National Breakfast/Lunch         | 93,057                             | 11,241                               |
| Career and Technical-Basic Grant | 65                                 | -                                    |
| ESEA II Training and Recruiting  | 361                                | -                                    |
| Visually Impaired SSVI           | 7,764                              | -                                    |
| NISD Education Foundation        | 37,730                             | -                                    |
| Capital Projects Fund            | -                                  | 559,917                              |
| Special Revenue Fund:            |                                    |                                      |
| General Fund                     | 11,241                             | 140,923                              |
| Capital Projects Fund:           |                                    |                                      |
| General Fund                     | <u>559,917</u>                     | <u>-</u>                             |
| <b>TOTAL</b>                     | <b><u>\$712,081</u></b>            | <b><u>\$712,081</u></b>              |

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are not pooled into one account. There are no interfund balances that are not expected to be repaid within one year.

Interfunds transfers for the year ended June 30, 2016 consisted of the following individual amounts:

| <u>Fund</u>            | <u>Transfers to<br/>Other Funds</u> | <u>Transfers from<br/>Other Funds</u> |
|------------------------|-------------------------------------|---------------------------------------|
| General Fund:          |                                     |                                       |
| Special Revenue Fund   | \$ 18,543                           | \$ -                                  |
| Capital Projects Fund  | 559,917                             | -                                     |
| Special Revenue Fund:  |                                     |                                       |
| General Fund           | -                                   | 18,543                                |
| Debt Service Fund:     |                                     |                                       |
| Capital Projects Fund  | -                                   | 109                                   |
| Capital Projects Fund: |                                     |                                       |
| General Fund           | -                                   | 559,917                               |
| Debt Service Fund      | 109                                 | -                                     |
| Internal Service Fund: |                                     |                                       |
| Insurance              | -                                   | 1,253,648                             |
| Workers Compensation   | 954,650                             | -                                     |
| Unemployment           | <u>298,998</u>                      | <u>-</u>                              |
| <b>TOTAL</b>           | <b><u>\$1,832,217</u></b>           | <b><u>\$1,832,217</u></b>             |

The purpose of the \$18,543 transfer was to transfer local funds from the general fund to the child nutrition fund to cover negative student account balances and free meals served to employees. The purpose of the \$559,917 transfer was to transfer TIF (tax increment zone funds) from the general fund to the capital projects fund. The purpose of the \$109 transfer was to transfer accrued interest received on the sale of building bonds from the capital projects fund to the debt service fund. The purpose of the \$1,253,648 transfer was to transfer excess funds from the workers compensation and unemployment internal service funds to the insurance internal service fund.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 12. SELF-INSURANCE**

**Health Care.** The District sponsors a self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Self-Insurance Fund (the "Fund"), an internal service fund of the District. The District contributed \$270,000 to establish the plan. During fiscal year 2016 the District contributed \$275 per month, per employee to the plan. The total contribution was \$4,705,575. The employees at their option, authorizes payroll withholdings to pay contributions or premiums for dependent's health insurance. If the employee chose not to accept the health insurance, the District contributed \$50 per month, which provided an addition to the life insurance policy in the amount of \$50,000 and a hospitalization indemnity plan.

All contributions are retained by the District. Health claim payments are processed by a Third Party Administrator (TPA) acting on behalf of the District.

In September 2012, the District changed TPAs from UnitedHealth Care to Allegiance Benefits Plan Management, Inc., whose latest financial statements are available for the fiscal year ended December 31, 2015 and filed with the Texas State Board of Insurance, Austin, Texas and are public record. At June 30, 2016, a \$10,500 imprest balance due to the district's self-insurance fund is possessed by JI Specialties for workers comp.

**Methodology for establishment of District medical reserves.** The calculation of Medical Incurred but not Reported Claims (IBNR) is an estimate based on current claims data and future trend assumptions. Reports are provided by Allegiance Benefit Plan Management, Inc., the Claims Lag Report, Claims Turnaround Reports, and the Large Claims Reports. In our analysis of the large claim report, we netted out all of the Stop Loss Reimbursements over \$150,000 received by the District before estimating the IBNR. The data is then trended appropriately and converted into an estimated number of days outstanding.

Based upon calculation, our estimation is that there are 56 days of medical incurred but not reported claims of \$1,178,239. Due to the electronic billing of prescription drugs, these claims have a much lower required reserve than medical claims. Estimation of prescription drug claims incurred but not reported is \$174,200. The result is a total reserve of \$1,352,439. These unpaid claims are to be paid within one year.

Changes in the balances of claims liabilities for the District's medical insurance fund during the fiscal year are described below:

|                          | <b>Fiscal Year Ended<br/><u>June 30, 2015</u></b> | <b>Fiscal Year Ended<br/><u>June 30, 2016</u></b> |
|--------------------------|---|---|
| Unpaid claims, beginning | \$ 1,186,633                                      | \$ 1,149,882                                      |
| Incurred claim           | 8,191,907   | 9,471,741   |
| Claims payments          | <u>(8,228,658)</u>                                | <u>(9,269,184)</u>                                |
| Unpaid claims, ending    | <u>\$ 1,149,882</u>                               | <u>\$ 1,352,439</u>                               |

**Workers' Compensation.** Effective July 1, 2012 the District changed from a fully insured arrangement with Deep East Texas Insurance Company into a self-insurance plan to provide worker compensation benefits to staff.

Worker Compensation self-insured payments are currently processed by a third party administrator acting on behalf of the District. The District's third party administrator for workers' compensation is JI Companies. Changes in the balances of claims liabilities for the District's self-insured workers compensation insurance fund during the fiscal year are as follows:

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

|                                    | Fiscal Year Ended<br><u>June 30, 2015</u> | Fiscal Year Ended<br><u>June 30, 2016</u> |
|------------------------------------|---|---|
| Unpaid claims, beginning           | \$ 289,916                                | \$ 242,491                                |
| Incurred claims (including IBNR's) | 209,979                                   | 325,457                                   |
| Claims Payments                    | <u>(257,404)</u>                          | <u>(298,532)</u>                          |
| Unpaid claims, ending              | <u>\$ 242,491</u>                         | <u>\$ 269,416</u>                         |

Estimates of claims payable and of claims incurred, but not reported at June 30, 2016 are reflected as accounts payable and accrued expenses in the medical and workers compensation insurance fund. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The plan is funded to discharge liabilities of the Fund as they become due.

Based on the lag claim history of each fund, the unpaid claims liabilities are shown as current liabilities in the accompanying financial statements and are expected to result in actual payments in the subsequent year.

**NOTE 13. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2016, were as follows:

|   | <u>Property<br/>Taxes</u> | <u>Other<br/>Governments</u> | <u>Due From<br/>Other Funds</u> | <u>Other</u>     | <u>Total<br/>Receivables</u> |
|---|---------------------------|------------------------------|---------------------------------|------------------|------------------------------|
| Governmental Activities:  |                           |                              |                                 |                  |                              |
| General Fund  | \$4,520,897               | \$6,584,553                  | \$140,923                       | \$251,527        | \$11,497,900                 |
| Debt Service Fund   | 1,532,312                 | -                            | -                               | 48,165           | 1,580,477                    |
| Capital Projects Fund   | -                         | -                            | 559,917                         | 258,408          | 818,325                      |
| Special Revenue Fund  | -                         | 441,751                      | 11,241                          | 60,955           | 513,947                      |
| Total - Governmental Activities                                 | <u>\$6,053,209</u>        | <u>\$7,026,304</u>           | <u>\$712,081</u>                | <u>\$619,055</u> | <u>\$14,410,649</u>          |
| Amounts not scheduled for collection during the subsequent year | <u>\$ 439,990</u>         | <u>\$ -</u>                  | <u>\$ -</u>                     | <u>\$ -</u>      | <u>\$ 439,990</u>            |

Payables at June 30, 2016, were as follows:

|  | <u>Accounts</u>    | <u>Salaries<br/>and<br/>Benefits</u> | <u>Due To<br/>Other<br/>Funds</u> | <u>Other</u>     | <u>Total<br/>Payables</u> |
|--|--------------------|--------------------------------------|-----------------------------------|------------------|---------------------------|
| Governmental Activities:                                     |                    |                                      |                                   |                  |                           |
| General Fund   | \$2,408,812        | \$18,616,804                         | \$571,158                         | \$407,050        | \$22,003,824              |
| Debt Service Fund  | -                  | -                                    | -                                 | -                | -                         |
| Capital Projects Fund  | 93,930             | 3,742                                | -                                 | 12,282           | 109,954                   |
| Special Revenue Funds  | 978,112            | 339,241                              | 140,923                           | 11,761           | 1,470,037                 |
| Total-Governmental Activities                                | <u>\$3,480,854</u> | <u>\$18,959,787</u>                  | <u>\$712,081</u>                  | <u>\$431,093</u> | <u>\$23,583,815</u>       |
| Amounts not scheduled for payment during the subsequent year | <u>\$ -</u>        | <u>\$ -</u>                          | <u>\$ -</u>                       | <u>\$ -</u>      | <u>\$ -</u>               |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 14. 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, 2016, 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>State Grants &amp;<br/>Entitlements</u> | <u>Federal<br/>Grants</u> | <u>Local<br/>Governments</u> | <u>Total</u>       |
|-----------------|--|---------------------------|------------------------------|--------------------|
| General         | \$5,899,854                                | \$ 684,699                | \$ -                         | \$6,484,553        |
| Special Revenue | <u>114,321</u>                             | <u>327,430</u>            | <u>-</u>                     | <u>441,751</u>     |
| Total           | <u>\$6,014,175</u>                         | <u>\$1,012,129</u>        | <u>\$ -</u>                  | <u>\$7,026,304</u> |

**NOTE 15. CONTINGENT LIABILITIES**

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2016, the estimated rebate liability on outstanding bond series was zero.

**NOTE 16. 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.

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 17. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

|   | General<br>Fund      | Special<br>Revenue Fund | Debt<br>Service Fund | Capital<br>Projects Fund | Total                |
|---|----------------------|-------------------------|----------------------|--------------------------|----------------------|
| Property Taxes                                      | \$131,042,127        | \$ -                    | \$52,124,550         | \$ -                     | \$183,166,677        |
| Food sales  | -                    | 5,469,920               | -                    | -                        | 5,469,920            |
| Investment Income                                   | 432,262              | 16,084                  | 148,210              | 520,262                  | 1,116,818            |
| Penalties, interest and other<br>tax related income | 1,018,439            | -                       | 300,958              | -                        | 1,319,397            |
| Co-curricular student activities                    | 476,021              | 2,688,428               | -                    | -                        | 3,164,449            |
| TIF funds   | 559,917              | -                       | -                    | -                        | 559,917              |
| Tuition and fees                                    | 90,828               | 187,978                 | -                    | -                        | 278,806              |
| Gifts and bequests                                  | 46,526               | 373,172                 | -                    | -                        | 419,698              |
| Facilities rentals                                  | 509,311              | -                       | -                    | -                        | 509,311              |
| Insurance recovery                                  | 5,348                | -                       | -                    | -                        | 5,348                |
| Other   | 282,357              | 59,723                  | -                    | -                        | 342,080              |
| Total   | <u>\$134,463,136</u> | <u>\$8,795,305</u>      | <u>\$52,573,718</u>  | <u>\$ 520,262</u>        | <u>\$196,352,421</u> |

**NOTE 18. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

|                               | General<br>Fund  | Special<br>Revenue Fund | Debt<br>Service Fund | Total            |
|-------------------------------|------------------|-------------------------|----------------------|------------------|
| Technology Allotment          | \$108,227        | \$ -                    | \$ -                 | \$108,227        |
| Student Lunchroom Balances    | -                | 155,506                 | -                    | 155,506          |
| State Textbook Fund           | -                | 166,266                 | -                    | 166,266          |
| Read to Succeed               | -                | 178                     | -                    | 178              |
| Advanced Placement Incentives | -                | 29,105                  | -                    | 29,105           |
| Other Special Revenue Funds   | -                | 44,604                  | -                    | 44,604           |
| State ASAHE Funding           | -                | -                       | 90,607               | 90,607           |
| Total                         | <u>\$108,227</u> | <u>\$395,659</u>        | <u>\$ 90,607</u>     | <u>\$594,493</u> |

**NOTE 19. GENERAL FUND FEDERAL SOURCE REVENUES**

| <u>Program or Source</u>               | <u>Total Grant<br/>or Entitlement</u> |
|--|---------------------------------------|
| General Fund:                          |                                       |
| Medicaid Reimbursement (SHARS)         | \$ 921,133                            |
| Impact Aid                             | 684,699                               |
| Indirect Costs                         | 259,364                               |
| Medicaid Administrative Claiming (MAC) | 33,772                                |
| Total for General Fund                 | <u>\$1,898,968</u>                    |

**NOTE 20. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the Child Nutrition Fund for the year ended June 30, 2016.



NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 21. SHARED SERVICE ARRANGEMENTS**

The District participates in shared service arrangements for the Title I, Part C Migrant program. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region XI ESC, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Northwest Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangements.

Northwest ISD is a SSA member of the Fort Worth Independent School District's Regional Day School Program for the Deaf as well as, the Denton Regional Day School Program for the Deaf. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agents, Fort Worth ISD and Denton ISD, nor does the District have a net equity interest in the fiscal agents. The fiscal agents are neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Northwest Independent School District. The fiscal agent managers' are responsible for all financial activities of the shared services arrangements.

Northwest ISD served as the fiscal agent on behalf of Communities In Schools of North Texas, Inc. (CISNT) through August 31, 2015, at which time Lewisville ISD became fiscal agent. Communities In Schools of North Texas is a nonprofit corporation chartered in 1993 and is a program of the Texas Education Agency which is an in-school multi-disciplinary approach to decreasing the drop-out rate in Texas schools. The District is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden. The fiscal agent manager is responsible for all financial activities.

**NOTE 22. SUBSEQUENT EVENT**

On July 25, 2016 the District issued \$64,870,000 of unlimited tax refunding bonds and, after receipt of premium on the bonds less issuance costs, the proceeds of \$75,455,822 were deposited in escrow to defease some of the District's Series 2010 and Series 2011 unlimited tax school building bonds.

**NOTE 23. PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$3,188,328 in the general fund on Exhibit C-3 consists of a \$2,422,652 final payment of 2014-2015 State Foundation funding received by the District in fiscal year 2016 and a \$765,676 reclassification of accrued vacation benefits to long-term debt.

The prior period adjustment of \$16,206,695 in the debt service fund on Exhibit C-3 represents removal of the bond interest accrued in the fund financial statement at the end of fiscal year 2015.

The prior period adjustment of \$18,199,098 in the statement of activities on Exhibit B-1 consists of the net of the following items:

- Recording a deferred outflow of \$22,072,231 representing the deferred loss on bond refunding that existed at June 30, 2015.
- A \$32,018,669 correction to the bond premium liability at June 30, 2015.
- A \$1,773,370 addition to the land account to reverse the erroneous deletion of land cost in the prior year.
- A \$16,827,015 correction to the beginning balance of accumulated depreciation on buildings, to correct the depreciable life that had been assigned to some assets.
- A \$4,378,333 adjustment to recognize as revenue the portion of June 30, 2015 delinquent property taxes that were shown as unavailable at that date.
- Recognition as prior year revenue the \$2,422,652 final 2014-2015 State Foundation funding received in fiscal year 2016.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE 24. EXPENDITURES BY CHARACTER**

Section 21.256, Texas Education Code, requires an annual audit and authorizes the State Board of Education, with the approval of the State Auditor, to prescribe minimum regulations and report forms for the annual audit. The Financial Accounting System Resource Guide of the Texas Education Agency prescribes the forms and formats to be filed with the Texas Education Agency. The prescribed format of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds, requires expenditures to be classified by function, meaning capital outlay directly associated with a particular function is charged to that function.

Expenditures by fund and character are as follows:

|                             | Governmental Fund Types |                            |                         |                             | Total<br>(Memorandum<br>Only) |
|-----------------------------|-------------------------|----------------------------|-------------------------|-----------------------------|-------------------------------|
|                             | General<br>Fund         | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund |                               |
| Current                     | \$166,536,677           | \$19,323,688               | \$ -                    | \$ 4,590,095                | \$190,450,460                 |
| Capital Outlay              | 5,541,492               | -                          | -                       | 40,568,154                  | 46,109,646                    |
| Debt Service:               |                         |                            |                         |                             |                               |
| Principal                   | -                       | -                          | 16,862,238              | -                           | 16,862,238                    |
| Interest and Fiscal Charges | -                       | -                          | 39,874,279              | -                           | 39,874,279                    |
| Total Expenditures          | <u>\$172,078,169</u>    | <u>\$19,323,688</u>        | <u>\$56,736,517</u>     | <u>\$45,158,249</u>         | <u>\$293,296,623</u>          |

## REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

| Data<br>Control<br>Codes        |   | Budgeted Amounts |                | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---------------------------------|---|------------------|----------------|--------------------------------|--|
|                                 |   | Original         | Final          |                                |  |
| REVENUES:                       |   |                  |                |                                |  |
| 5700                            | Total Local and Intermediate Sources                      | \$ 141,642,389   | \$ 133,870,971 | \$ 134,463,136                 | \$ 592,165   |
| 5800                            | State Program Revenues                                    | 24,939,837       | 33,829,734     | 36,498,439                     | 2,668,705  |
| 5900                            | Federal Program Revenues                                  | 1,860,774        | 1,732,628      | 1,898,968                      | 166,340  |
| 5020                            | Total Revenues  | 168,443,000      | 169,433,333    | 172,860,543                    | 3,427,210  |
| EXPENDITURES:                   |   |                  |                |                                |  |
| Current:                        |   |                  |                |                                |  |
| 0011                            | Instruction   | 105,913,262      | 107,033,392    | 103,656,537                    | 3,376,855  |
| 0012                            | Instructional Resources and Media Services                | 2,435,273        | 2,408,793      | 2,400,835                      | 7,958  |
| 0013                            | Curriculum and Instructional Staff Development            | 5,395,703        | 5,275,367      | 5,122,910                      | 152,457  |
| 0021                            | Instructional Leadership                                  | 871,696          | 979,222        | 978,152                        | 1,070  |
| 0023                            | School Leadership   | 8,888,960        | 9,140,879      | 8,925,092                      | 215,787  |
| 0031                            | Guidance, Counseling and Evaluation Services              | 6,726,782        | 6,220,562      | 6,125,647                      | 94,915   |
| 0032                            | Social Work Services                                      | 100,773          | 247,767        | 209,767                        | 38,000   |
| 0033                            | Health Services   | 1,753,668        | 1,795,460      | 1,766,456                      | 29,004   |
| 0034                            | Student (Pupil) Transportation                            | 7,033,420        | 7,745,386      | 7,335,213                      | 410,173  |
| 0035                            | Food Services   | 17,500           | -              | -                              | -  |
| 0036                            | Extracurricular Activities                                | 5,731,129        | 5,861,808      | 5,615,284                      | 246,524  |
| 0041                            | General Administration                                    | 4,845,593        | 4,879,485      | 4,626,190                      | 253,295  |
| 0051                            | Facilities Maintenance and Operations                     | 18,704,069       | 18,765,120     | 17,280,092                     | 1,485,028  |
| 0052                            | Security and Monitoring Services                          | 1,003,513        | 1,275,949      | 1,247,806                      | 28,143   |
| 0053                            | Data Processing Services                                  | 4,086,836        | 4,521,822      | 4,448,888                      | 72,934   |
| 0061                            | Community Services  | 116,033          | 125,295        | 117,777                        | 7,518  |
| Capital Outlay:                 |   |                  |                |                                |  |
| 0081                            | Facilities Acquisition and Construction                   | 50,000           | 533,084        | 532,983                        | 101  |
| Intergovernmental:              |   |                  |                |                                |  |
| 0095                            | Payments to Juvenile Justice Alternative Ed. Prg.         | 10,000           | 10,000         | -                              | 10,000   |
| 0097                            | Payments to Tax Increment Fund                            | 1,109,040        | 839,876        | 839,876                        | -  |
| 0099                            | Other Intergovernmental Charges                           | 1,150,000        | 1,164,358      | 848,664                        | 315,694  |
| 6030                            | Total Expenditures  | 175,943,250      | 178,823,625    | 172,078,169                    | 6,745,456  |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | (7,500,250)      | (9,390,292)    | 782,374                        | 10,172,666   |
| OTHER FINANCING SOURCES (USES): |   |                  |                |                                |  |
| 7912                            | Sale of Real and Personal Property                        | -                | 107            | 107                            | -  |
| 7915                            | Transfers In  | 7,500,000        | -              | -                              | -  |
| 8911                            | Transfers Out (Use)                                       | (17,500)         | (18,547)       | (578,460)                      | (559,913)  |
| 7080                            | Total Other Financing Sources (Uses)                      | 7,482,500        | (18,440)       | (578,353)                      | (559,913)  |
| 1200                            | Net Change in Fund Balances                               | (17,750)         | (9,408,732)    | 204,021                        | 9,612,753  |
| 0100                            | Fund Balance - July 1 (Beginning)                         | 73,375,888       | 73,375,888     | 73,375,888                     | -  |
| 1300                            | Prior Period Adjustment(s)                                | -                | -              | 3,188,328                      | 3,188,328  |
| 3000                            | Fund Balance - June 30 (Ending)                           | \$ 73,358,138    | \$ 63,967,156  | \$ 76,768,237                  | \$ 12,801,081  |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT G-6

|  | 2016           | 2015           |
|--|----------------|----------------|
| District's Proportion of the Net Pension Liability (Asset)   | 0.1196401%     | 0.0821466%     |
| District's Proportionate Share of Net Pension Liability (Asset)  | \$ 42,291,183  | \$ 21,942,493  |
| State's Proportionate Share of the Net Pension Liability (Asset)<br>associated with the District                       | 62,165,127     | 26,943,583     |
| Total  | \$ 104,456,310 | \$ 48,886,076  |
| District's Covered-Employee Payroll  | \$ 116,272,847 | \$ 109,517,942 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a<br>Percentage of its Covered-Employee Payroll | 36.37%         | 20.04%         |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 78.43%         | 83.25%         |

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "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."

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2016

EXHIBIT G-7

|   | <u>2016</u>    | <u>2015</u>    |
|---|----------------|----------------|
| Contractually Required Contribution                                 | \$ 3,703,805   | \$ 3,291,771   |
| Contribution in Relation to the Contractually Required Contribution | (3,703,805)    | (3,291,771)    |
| Contribution Deficiency (Excess)                                    | <u>\$ -0-</u>  | <u>\$ -0-</u>  |
| District's Covered-Employee Payroll                                 | \$ 116,272,847 | \$ 109,517,942 |
| Contributions as a Percentage of Covered-Employee Payroll           | 3.19%          | 3.01%          |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "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."

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

*Changes of benefit terms.*

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

*Changes of assumptions.*

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

## **NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for particular purposes. Most, but not all, of these funds must be applied for through the Standard Application System (SAS).

**211 ESEA, Title I, Part A Improving Basic Programs** – Provide opportunities for children served to acquire knowledge and skills to meet the challenging state performance standards developed for all children.

**224 IDEA – Part B, Formula** – Operate educational programs for children with disabilities.

**225 IDEA – Part B, Preschool** – Support programs for preschool children with disabilities.

**240 National School Breakfast and Lunch Program** – Support programs using federal reimbursement revenues from the United States Department of Agriculture (USDA).

**244 Career and Technical – Basic Grant** – Provide career and technical education to develop new and/or improved marketable skills for paid and unpaid employment.

**255 ESEA, Title II, Part A Teacher and Principal Training and Recruiting** – Provide financial assistance to increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals.

**263 Title III, Part A - English Language Acquisition and Language Enhancement** - Funds granted to improve the education of limited English proficient children by assisting the children to learn English and meet challenging State academic content and student academic achievement standards.

**289 Summer School LEP** – Funds granted for summer education of limited English proficient students.

**385 Visually Impaired** – Funds granted for visually impaired students.

**396 Communities in Schools** - Provide funds for an in-school multi-disciplinary approach to decreasing the dropout rate in the school district by increasing each participant's chance of being successful in school.

**397 Advanced Placement Incentives** – Support professional development of teachers teaching advanced classes.

**410 State Textbook Fund** – To purchase instructional materials, technological equipment and technology-related services that contributes to student learning or training for educational personnel involved in the use of such materials.

**429 Other State Special Revenue Fund** – State funded special revenue funds not listed above are to be accounted for in this fund.

**461 Campus Activity** – To account for transactions related to a campus activity fund.

**465 Campus Activity** – To account for transactions related to a principal's discretionary activity fund.



**NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS**

**481 Education Foundation** – Funds granted through the Northwest Education Foundation.

**499 Other Local Special Revenue Funds** – These fund classifications are used, at the option of the school district to classify locally funded special revenue funds such as grants by corporations to specific campuses not defined elsewhere.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

| Data<br>Control<br>Codes |  | 211<br>ESEA I, A<br>Improving<br>Basic Program | 224<br>IDEA - Part B<br>Formula | 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program |
|--------------------------|--|--|---------------------------------|-----------------------------------|---|
| <b>ASSETS</b>            |  |  |                                 |                                   |   |
| 1110                     | Cash and Cash Equivalents                | \$ 25,518                                      | \$ 27,743                       | \$ -                              | \$ 2,234,215                                      |
| 1120                     | Investments - Current                    | -  | -                               | -                                 | -   |
| 1240                     | Receivables from Other Governments       | 78,654   | 223,439                         | 13,582                            | -   |
| 1250                     | Accrued Interest                         | -  | -                               | -                                 | -   |
| 1260                     | Due from Other Funds                     | -  | -                               | -                                 | 11,241  |
| 1290                     | Other Receivables                        | -  | -                               | -                                 | 9,082   |
| 1000                     | Total Assets                             | <u>\$ 104,172</u>                              | <u>\$ 251,182</u>               | <u>\$ 13,582</u>                  | <u>\$ 2,254,538</u>                               |
| <b>LIABILITIES</b>       |  |  |                                 |                                   |   |
| 2110                     | Accounts Payable                         | \$ -   | \$ 28,462                       | \$ -                              | \$ 942,010  |
| 2160                     | Accrued Wages Payable                    | 104,172  | 222,720                         | -                                 | -   |
| 2170                     | Due to Other Funds                       | -  | -                               | 1,946                             | 93,057  |
| 2180                     | Due to Other Governments                 | -  | -                               | 11,636                            | -   |
| 2200                     | Accrued Expenditures                     | -  | -                               | -                                 | -   |
| 2300                     | Unearned Revenues                        | -  | -                               | -                                 | 155,506   |
| 2000                     | Total Liabilities                        | <u>104,172</u>                                 | <u>251,182</u>                  | <u>13,582</u>                     | <u>1,190,573</u>                                  |
| <b>FUND BALANCES</b>     |  |  |                                 |                                   |   |
| Restricted Fund Balance: |  |  |                                 |                                   |   |
| 3450                     | Federal or State Funds Grant Restriction | -  | -                               | -                                 | 1,063,965   |
| Committed Fund Balance:  |  |  |                                 |                                   |   |
| 3545                     | Other Committed Fund Balance             | -  | -                               | -                                 | -   |
| 3000                     | Total Fund Balances                      | <u>-</u>                                       | <u>-</u>                        | <u>-</u>                          | <u>1,063,965</u>                                  |
| 4000                     | Total Liabilities and Fund Balances      | <u>\$ 104,172</u>                              | <u>\$ 251,182</u>               | <u>\$ 13,582</u>                  | <u>\$ 2,254,538</u>                               |

| 244<br>Career and<br>Technical -<br>Basic Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 263<br>Title III, A<br>English Lang.<br>Acquisition | 289<br>Summer<br>School LEP | 385<br>Visually<br>Impaired<br>SSVI | 396<br>Communities<br>in Schools | 397<br>Advanced<br>Placement<br>Incentives | 410<br>State<br>Textbook<br>Fund |
|---|--|---|-----------------------------|-------------------------------------|----------------------------------|--|----------------------------------|
| \$ -  | \$ -   | \$ 3,765  | \$ -                        | \$ -                                | \$ 1,410                         | \$ 29,105                                  | \$ 51,959                        |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| 65  | 361  | 11,329  | -                           | -                                   | -                                | -  | 114,296                          |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | 150   | -                           | 7,764                               | -                                | -  | 11                               |
| <u>\$ 65</u>                                    | <u>\$ 361</u>                                  | <u>\$ 15,244</u>                                    | <u>\$ -</u>                 | <u>\$ 7,764</u>                     | <u>\$ 1,410</u>                  | <u>\$ 29,105</u>                           | <u>\$ 166,266</u>                |
| \$ -  | \$ -   | \$ 2,895  | \$ -                        | \$ -                                | \$ 1,410                         | \$ -                                       | \$ -                             |
| -   | -  | 12,349  | -                           | -                                   | -                                | -  | -                                |
| 65  | 361  | -   | -                           | 7,764                               | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | 29,105                                     | 166,266                          |
| <u>65</u>                                       | <u>361</u>                                     | <u>15,244</u>                                       | <u>-</u>                    | <u>7,764</u>                        | <u>1,410</u>                     | <u>29,105</u>                              | <u>166,266</u>                   |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| <u>\$ 65</u>                                    | <u>\$ 361</u>                                  | <u>\$ 15,244</u>                                    | <u>\$ -</u>                 | <u>\$ 7,764</u>                     | <u>\$ 1,410</u>                  | <u>\$ 29,105</u>                           | <u>\$ 166,266</u>                |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

| Data<br>Control<br>Codes |  | 429<br>Other State<br>Special<br>Revenue Funds | 461<br>Campus<br>Activity<br>Funds | 465<br>Campus<br>Activity<br>Fund | 481<br>NISD<br>Education<br>Foundation |
|--------------------------|--|--|------------------------------------|-----------------------------------|--|
| <b>ASSETS</b>            |  |  |                                    |                                   |  |
| 1110                     | Cash and Cash Equivalents                | \$ 190   | \$ 691,268                         | \$ 294,981                        | \$ -                                   |
| 1120                     | Investments - Current                    | -  | 1,165,356                          | -                                 | -                                      |
| 1240                     | Receivables from Other Governments       | 25   | -                                  | -                                 | -                                      |
| 1250                     | Accrued Interest                         | -  | 2,875                              | -                                 | -                                      |
| 1260                     | Due from Other Funds                     | -  | -                                  | -                                 | -                                      |
| 1290                     | Other Receivables                        | -  | 200                                | -                                 | 40,873                                 |
| 1000                     | Total Assets                             | <u>\$ 215</u>                                  | <u>\$ 1,859,699</u>                | <u>\$ 294,981</u>                 | <u>\$ 40,873</u>                       |
| <b>LIABILITIES</b>       |  |  |                                    |                                   |  |
| 2110                     | Accounts Payable                         | \$ 37  | \$ -                               | \$ -                              | \$ 3,143                               |
| 2160                     | Accrued Wages Payable                    | -  | -                                  | -                                 | -                                      |
| 2170                     | Due to Other Funds                       | -  | -                                  | -                                 | 37,730                                 |
| 2180                     | Due to Other Governments                 | -  | -                                  | -                                 | -                                      |
| 2200                     | Accrued Expenditures                     | -  | 125                                | -                                 | -                                      |
| 2300                     | Unearned Revenues                        | 178  | -                                  | -                                 | -                                      |
| 2000                     | Total Liabilities                        | <u>215</u>                                     | <u>125</u>                         | <u>-</u>                          | <u>40,873</u>                          |
| <b>FUND BALANCES</b>     |  |  |                                    |                                   |  |
| Restricted Fund Balance: |  |  |                                    |                                   |  |
| 3450                     | Federal or State Funds Grant Restriction | -  | -                                  | -                                 | -                                      |
| Committed Fund Balance:  |  |  |                                    |                                   |  |
| 3545                     | Other Committed Fund Balance             | -  | 1,859,574                          | 294,981                           | -                                      |
| 3000                     | Total Fund Balances                      | <u>-</u>                                       | <u>1,859,574</u>                   | <u>294,981</u>                    | <u>-</u>                               |
| 4000                     | Total Liabilities and Fund Balances      | <u>\$ 215</u>                                  | <u>\$ 1,859,699</u>                | <u>\$ 294,981</u>                 | <u>\$ 40,873</u>                       |

| 499           |               | Total        |                  |
|---------------|---------------|--------------|------------------|
| Other Local   |               | Nonmajor     |                  |
| Special       |               | Governmental |                  |
| Revenue Funds |               | Funds        |                  |
| \$            | 44,759        | \$           | 3,404,913        |
|               | -             |              | 1,165,356        |
|               | -             |              | 441,751          |
|               | -             |              | 2,875            |
|               | -             |              | 11,241           |
|               | -             |              | 58,080           |
| <u>\$</u>     | <u>44,759</u> | <u>\$</u>    | <u>5,084,216</u> |
|               |               |              |                  |
| \$            | 155           | \$           | 978,112          |
|               | -             |              | 339,241          |
|               | -             |              | 140,923          |
|               | -             |              | 11,636           |
|               | -             |              | 125              |
|               | 44,604        |              | 395,659          |
|               | <u>44,759</u> |              | <u>1,865,696</u> |
|               |               |              |                  |
|               | -             |              | 1,063,965        |
|               | -             |              | 2,154,555        |
|               | <u>-</u>      |              | <u>3,218,520</u> |
|               |               |              |                  |
| <u>\$</u>     | <u>44,759</u> | <u>\$</u>    | <u>5,084,216</u> |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

| Data<br>Control<br>Codes        |   | 211<br>ESEA I, A<br>Improving<br>Basic Program | 224<br>IDEA - Part B<br>Formula | 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program |
|---------------------------------|---|--|---------------------------------|-----------------------------------|---|
| REVENUES:                       |   |  |                                 |                                   |   |
| 5700                            | Total Local and Intermediate Sources                      | \$ -   | \$ -                            | \$ -                              | \$ 5,482,777                                      |
| 5800                            | State Program Revenues                                    | -  | -                               | -                                 | 27,474  |
| 5900                            | Federal Program Revenues                                  | 726,284  | 2,134,884                       | 13,582                            | 2,156,429   |
| 5020                            | Total Revenues  | 726,284  | 2,134,884                       | 13,582                            | 7,666,680   |
| EXPENDITURES:                   |   |  |                                 |                                   |   |
| Current:                        |   |  |                                 |                                   |   |
| 0011                            | Instruction   | 659,838  | 1,173,232                       | 13,582                            | -   |
| 0012                            | Instructional Resources and Media Services                | -  | -                               | -                                 | -   |
| 0013                            | Curriculum and Instructional Staff Development            | 430  | -                               | -                                 | -   |
| 0021                            | Instructional Leadership                                  | -  | -                               | -                                 | -   |
| 0023                            | School Leadership   | 440  | -                               | -                                 | -   |
| 0031                            | Guidance, Counseling and Evaluation Services              | -  | 941,652                         | -                                 | -   |
| 0032                            | Social Work Services                                      | 40,000   | -                               | -                                 | -   |
| 0033                            | Health Services   | -  | -                               | -                                 | -   |
| 0035                            | Food Services   | -  | -                               | -                                 | 9,175,595   |
| 0036                            | Extracurricular Activities                                | -  | -                               | -                                 | -   |
| 0041                            | General Administration                                    | -  | -                               | -                                 | -   |
| 0051                            | Facilities Maintenance and Operations                     | -  | -                               | -                                 | -   |
| 0052                            | Security and Monitoring Services                          | -  | -                               | -                                 | -   |
| 0061                            | Community Services  | 25,576   | -                               | -                                 | -   |
| Intergovernmental:              |   |  |                                 |                                   |   |
| 0093                            | Payments to Fiscal Agent/Member Districts of SSA          | -  | 20,000                          | -                                 | -   |
| 6030                            | Total Expenditures  | 726,284  | 2,134,884                       | 13,582                            | 9,175,595   |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | -  | -                               | -                                 | (1,508,915)                                       |
| OTHER FINANCING SOURCES (USES): |   |  |                                 |                                   |   |
| 7915                            | Transfers In  | -  | -                               | -                                 | 18,543  |
| 7949                            | Other Resources   | -  | -                               | -                                 | -   |
| 8911                            | Transfers Out (Use)                                       | -  | -                               | -                                 | -   |
| 7080                            | Total Other Financing Sources (Uses)                      | -  | -                               | -                                 | 18,543  |
| 1200                            | Net Change in Fund Balance                                | -  | -                               | -                                 | (1,490,372)                                       |
| 0100                            | Fund Balance - July 1 (Beginning)                         | -  | -                               | -                                 | 2,554,337   |
| 3000                            | Fund Balance - June 30 (Ending)                           | \$ -   | \$ -                            | \$ -                              | \$ 1,063,965                                      |

| 244<br>Career and<br>Technical -<br>Basic Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 263<br>Title III, A<br>English Lang.<br>Acquisition | 289<br>Summer<br>School LEP | 385<br>Visually<br>Impaired<br>SSVI | 396<br>Communities<br>in Schools | 397<br>Advanced<br>Placement<br>Incentives | 410<br>State<br>Textbook<br>Fund |
|---|--|---|-----------------------------|-------------------------------------|----------------------------------|--|----------------------------------|
| \$ -  | \$ -   | \$ -  | \$ -                        | \$ -                                | \$ 77,451                        | \$ -                                       | \$ (11)                          |
| -   | -  | -   | -                           | 7,764                               | 31,805                           | 36,558                                     | 3,186,039                        |
| 99,009  | 138,545  | 105,391   | 4,452                       | -                                   | 456,589                          | -  | -                                |
| 99,009  | 138,545  | 105,391   | 4,452                       | 7,764                               | 565,845                          | 36,558                                     | 3,186,028                        |
| 54,653  | -  | 29,379  | 4,452                       | 7,764                               | -                                | 4,448                                      | 3,186,028                        |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| 27,633  | 138,545  | 76,012  | -                           | -                                   | -                                | 32,110                                     | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| 80  | -  | -   | -                           | -                                   | -                                | -  | -                                |
| 95  | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | 654,660                          | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| 16,548  | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| 99,009  | 138,545  | 105,391   | 4,452                       | 7,764                               | 654,660                          | 36,558                                     | 3,186,028                        |
| -   | -  | -   | -                           | -                                   | (88,815)                         | -  | -                                |
| -   | -  | -   | -                           | -                                   | -                                | -  | -                                |
| -   | -  | -   | -                           | -                                   | 20,790                           | -  | -                                |
| -   | -  | -   | -                           | -                                   | (1,210,442)                      | -  | -                                |
| -   | -  | -   | -                           | -                                   | (1,189,652)                      | -  | -                                |
| -   | -  | -   | -                           | -                                   | (1,278,467)                      | -  | -                                |
| -   | -  | -   | -                           | -                                   | 1,278,467                        | -  | -                                |
| \$ -  | \$ -   | \$ -  | \$ -                        | \$ -                                | \$ -                             | \$ -                                       | \$ -                             |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

| Data<br>Control<br>Codes        |   | 429<br>Other State<br>Special<br>Revenue Funds | 461<br>Campus<br>Activity<br>Funds | 465<br>Campus<br>Activity<br>Fund | 481<br>NISD<br>Education<br>Foundation |
|---------------------------------|---|--|------------------------------------|-----------------------------------|--|
| REVENUES:                       |   |  |                                    |                                   |  |
| 5700                            | Total Local and Intermediate Sources                      | \$ -   | \$ 2,905,376                       | \$ 183,722                        | \$ 119,560                             |
| 5800                            | State Program Revenues                                    | 11,659   | -                                  | -                                 | -                                      |
| 5900                            | Federal Program Revenues                                  | -  | -                                  | -                                 | -                                      |
| 5020                            | Total Revenues  | 11,659   | 2,905,376                          | 183,722                           | 119,560                                |
| EXPENDITURES:                   |   |  |                                    |                                   |  |
| Current:                        |   |  |                                    |                                   |  |
| 0011                            | Instruction   | 11,470   | 913,763                            | 309                               | 60,108                                 |
| 0012                            | Instructional Resources and Media Services                | 189  | 33,447                             | -                                 | 234                                    |
| 0013                            | Curriculum and Instructional Staff Development            | -  | -                                  | -                                 | -                                      |
| 0021                            | Instructional Leadership                                  | -  | -                                  | -                                 | -                                      |
| 0023                            | School Leadership   | -  | 570                                | 192,492                           | -                                      |
| 0031                            | Guidance, Counseling and Evaluation Services              | -  | -                                  | -                                 | -                                      |
| 0032                            | Social Work Services                                      | -  | -                                  | -                                 | -                                      |
| 0033                            | Health Services   | -  | 603                                | -                                 | -                                      |
| 0035                            | Food Services   | -  | -                                  | -                                 | -                                      |
| 0036                            | Extracurricular Activities                                | -  | 1,711,785                          | 10,786                            | 10,225                                 |
| 0041                            | General Administration                                    | -  | 7,424                              | -                                 | 48,993                                 |
| 0051                            | Facilities Maintenance and Operations                     | -  | -                                  | -                                 | -                                      |
| 0052                            | Security and Monitoring Services                          | -  | 1,839                              | 10,269                            | -                                      |
| 0061                            | Community Services  | -  | -                                  | -                                 | -                                      |
| Intergovernmental:              |   |  |                                    |                                   |  |
| 0093                            | Payments to Fiscal Agent/Member Districts of SSA          | -  | -                                  | -                                 | -                                      |
| 6030                            | Total Expenditures  | 11,659   | 2,669,431                          | 213,856                           | 119,560                                |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | -  | 235,945                            | (30,134)                          | -                                      |
| OTHER FINANCING SOURCES (USES): |   |  |                                    |                                   |  |
| 7915                            | Transfers In  | -  | -                                  | -                                 | -                                      |
| 7949                            | Other Resources   | -  | -                                  | -                                 | -                                      |
| 8911                            | Transfers Out (Use)                                       | -  | -                                  | -                                 | -                                      |
| 7080                            | Total Other Financing Sources (Uses)                      | -  | -                                  | -                                 | -                                      |
| 1200                            | Net Change in Fund Balance                                | -  | 235,945                            | (30,134)                          | -                                      |
| 0100                            | Fund Balance - July 1 (Beginning)                         | -  | 1,623,629                          | 325,115                           | -                                      |
| 3000                            | Fund Balance - June 30 (Ending)                           | \$ -   | \$ 1,859,574                       | \$ 294,981                        | \$ -                                   |



| 499           |        | Total        |             |
|---------------|--------|--------------|-------------|
| Other Local   |        | Nonmajor     |             |
| Special       |        | Governmental |             |
| Revenue Funds |        | Funds        |             |
| \$            | 26,430 | \$           | 8,795,305   |
|               | -      |              | 3,301,299   |
|               | -      |              | 5,835,165   |
|               | 26,430 |              | 17,931,769  |
|               | 10,926 |              | 6,129,952   |
|               | -      |              | 33,870      |
|               | -      |              | 274,730     |
|               | 2,404  |              | 2,404       |
|               | 104    |              | 193,686     |
|               | 495    |              | 942,242     |
|               | 504    |              | 695,164     |
|               | -      |              | 603         |
|               | -      |              | 9,175,595   |
|               | 5,000  |              | 1,754,344   |
|               | 6,889  |              | 63,306      |
|               | 108    |              | 108         |
|               | -      |              | 12,108      |
|               | -      |              | 25,576      |
|               | -      |              | 20,000      |
|               | 26,430 |              | 19,323,688  |
|               | -      |              | (1,391,919) |
|               | -      |              | 18,543      |
|               | -      |              | 20,790      |
|               | -      |              | (1,210,442) |
|               | -      |              | (1,171,109) |
|               | -      |              | (2,563,028) |
|               | -      |              | 5,781,548   |
| \$            | -      | \$           | 3,218,520   |

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## INTERNAL SERVICE FUNDS

**711 Netbooks** – account for funds related to the issuance and maintenance of netbooks to District students.

**753 Insurance** – account for the District's self-insurance activities concerning health insurance coverage for District employees.

**771 Workers Compensation** – account for the District's self-insurance activities concerning workers compensation insurance coverage provided to District employees.

**772 Unemployment** – account for the District's self-insurance activities concerning unemployment insurance coverage provided to District employees.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2016

|                           | 711          | 753          | 771                         | 772                              |                                    |
|---------------------------|--------------|--------------|-----------------------------|----------------------------------|------------------------------------|
|                           | Netbooks     | Insurance    | Work Comp<br>Self<br>Funded | Unemploy-<br>ment Self<br>Funded | Total<br>Internal<br>Service Funds |
| <b>ASSETS</b>             |              |              |                             |                                  |                                    |
| Current Assets:           |              |              |                             |                                  |                                    |
| Cash and Cash Equivalents | \$ 1,328,593 | \$ 1,782,417 | \$ 461,793                  | \$ 7,984                         | \$ 3,580,787                       |
| Other Receivables         | -            | 373,944      | -                           | -                                | 373,944                            |
| Total Assets              | 1,328,593    | 2,156,361    | 461,793                     | 7,984                            | 3,954,731                          |
| <b>LIABILITIES</b>        |              |              |                             |                                  |                                    |
| Current Liabilities:      |              |              |                             |                                  |                                    |
| Accounts Payable          | -            | 965          | -                           | -                                | 965                                |
| Accrued Wages Payable     | 11,300       | -            | -                           | -                                | 11,300                             |
| Accrued Expenses          | -            | 1,352,439    | 269,416                     | -                                | 1,621,855                          |
| Total Liabilities         | 11,300       | 1,353,404    | 269,416                     | -                                | 1,634,120                          |
| <b>NET POSITION</b>       |              |              |                             |                                  |                                    |
| Unrestricted Net Position | \$ 1,317,293 | \$ 802,957   | \$ 192,377                  | \$ 7,984                         | \$ 2,320,611                       |
| Total Net Position        | \$ 1,317,293 | \$ 802,957   | \$ 192,377                  | \$ 7,984                         | \$ 2,320,611                       |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

|   | 711          | 753           | 771                         | 772                              | Total                     |
|---|--------------|---------------|-----------------------------|----------------------------------|---------------------------|
|   | Netbooks     | Insurance     | Work Comp<br>Self<br>Funded | Unemploy-<br>ment Self<br>Funded | Internal<br>Service Funds |
| <b>OPERATING REVENUES:</b>              |              |               |                             |                                  |                           |
| Local and Intermediate Sources          | \$ 163,311   | \$ 11,908,374 | \$ 1,251,865                | \$ 306,187                       | \$ 13,629,737             |
| Total Operating Revenues                | 163,311      | 11,908,374    | 1,251,865                   | 306,187                          | 13,629,737                |
| <b>OPERATING EXPENSES:</b>              |              |               |                             |                                  |                           |
| Payroll Costs                           | 31,057       | -             | -                           | -                                | 31,057                    |
| Professional and Contracted Services    | 3,781        | 1,091,239     | -                           | -                                | 1,095,020                 |
| Supplies and Materials                  | 39,771       | 61,474        | -                           | -                                | 101,245                   |
| Other Operating Costs                   | 2,977        | 11,206,352    | 411,680                     | 15,969                           | 11,636,978                |
| Total Operating Expenses                | 77,586       | 12,359,065    | 411,680                     | 15,969                           | 12,864,300                |
| Income (Loss) Before Transfers          | 85,725       | (450,691)     | 840,185                     | 290,218                          | 765,437                   |
| Transfer In                             | -            | 1,253,648     | -                           | -                                | 1,253,648                 |
| Transfers Out                           | -            | -             | (954,650)                   | (298,998)                        | (1,253,648)               |
| Change in Net Position                  | 85,725       | 802,957       | (114,465)                   | (8,780)                          | 765,437                   |
| Total Net Position - July 1 (Beginning) | 1,231,568    | -             | 306,842                     | 16,764                           | 1,555,174                 |
| Total Net Position - June 30 (Ending)   | \$ 1,317,293 | \$ 802,957    | \$ 192,377                  | \$ 7,984                         | \$ 2,320,611              |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|  | 711          | 753           | 771                         | 772                              | Total                     |
|--|--------------|---------------|-----------------------------|----------------------------------|---------------------------|
|  | Netbooks     | Insurance     | Work Comp<br>Self<br>Funded | Unemploy-<br>ment Self<br>Funded | Internal<br>Service Funds |
| <u>Cash Flows from Operating Activities:</u>                         |              |               |                             |                                  |                           |
| Cash Received from User Charges                                      | \$ 163,311   | \$ 11,560,442 | \$ 907,277                  | \$ 306,187                       | \$ 12,937,217             |
| Cash Payments to Employees for Services                              | (25,526)     | -             | -                           | -                                | (25,526)                  |
| Cash Payments for Insurance Claims                                   | -            | (9,878,960)   | (384,755)                   | (15,969)                         | (10,279,684)              |
| Cash Payments for Suppliers  | (39,771)     | (61,474)      | -                           | -                                | (101,245)                 |
| Cash Payments for Other Operating Expenses                           | (6,758)      | (1,091,239)   | -                           | (519,799)                        | (1,617,796)               |
| Net Cash Provided by (Used for) Operating Activities                 | 91,256       | 528,769       | 522,522                     | (229,581)                        | 912,966                   |
| <u>Cash Flows from Capital &amp; Related Financing Activities:</u>   |              |               |                             |                                  |                           |
| Transfer In (Out)  | -            | 1,253,648     | (954,650)                   | (298,998)                        | -                         |
| Net Increase (Decrease) in Cash and Cash Equivalents                 | 91,256       | 1,782,417     | (432,128)                   | (528,579)                        | 912,966                   |
| Cash and Cash Equivalents at Beginning of Year                       | 1,237,337    | -             | 893,921                     | 536,563                          | 2,667,821                 |
| Cash and Cash Equivalents at End of Year                             | \$ 1,328,593 | \$ 1,782,417  | \$ 461,793                  | \$ 7,984                         | \$ 3,580,787              |
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u>         |              |               |                             |                                  |                           |
| <u>Provided by (Used for) Operating Activities:</u>                  |              |               |                             |                                  |                           |
| Operating Income (Loss):   | \$ 85,725    | \$ (450,691)  | \$ 840,185                  | \$ 290,218                       | \$ 765,437                |
| Effect of Increases and Decreases in Current Assets and Liabilities: |              |               |                             |                                  |                           |
| Decrease (increase) in Receivables                                   | -            | (347,932)     | -                           | -                                | (347,932)                 |
| Decrease (increase) in Due from Other Funds                          | -            | 3,223,456     | -                           | -                                | 3,223,456                 |
| Increase (decrease) in Accounts Payable                              | -            | (2,098,621)   | -                           | -                                | (2,098,621)               |
| Increase (decrease) in Accrued Wages Payable                         | 5,531        | -             | -                           | -                                | 5,531                     |
| Increase (decrease) in Accrued Expenses                              | -            | 202,557       | 26,925                      | -                                | 229,482                   |
| Increase (decrease) in Due to Other Funds                            | -            | -             | (344,588)                   | (519,799)                        | (864,387)                 |
| Net Cash Provided by (Used for) Operating Activities                 | \$ 91,256    | \$ 528,769    | \$ 522,522                  | \$ (229,581)                     | \$ 912,966                |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

|                                 | BALANCE<br>JULY 1<br>2015 | ADDITIONS         | DEDUCTIONS        | BALANCE<br>JUNE 30<br>2016 |
|---------------------------------|---------------------------|-------------------|-------------------|----------------------------|
| <b>STUDENT ACTIVITY ACCOUNT</b> |                           |                   |                   |                            |
| Assets:                         |                           |                   |                   |                            |
| Cash and Temporary Investments  | <u>\$ 129,770</u>         | <u>\$ 374,727</u> | <u>\$ 368,613</u> | <u>\$ 135,884</u>          |
| Liabilities:                    |                           |                   |                   |                            |
| Due to Student Groups           | <u>\$ 129,770</u>         | <u>\$ 374,727</u> | <u>\$ 368,613</u> | <u>\$ 135,884</u>          |
| <b>TOTAL AGENCY FUNDS</b>       |                           |                   |                   |                            |
| Assets:                         |                           |                   |                   |                            |
| Cash and Temporary Investments  | <u>\$ 129,770</u>         | <u>\$ 374,727</u> | <u>\$ 368,613</u> | <u>\$ 135,884</u>          |
| Liabilities:                    |                           |                   |                   |                            |
| Due to Student Groups           | <u>\$ 129,770</u>         | <u>\$ 374,727</u> | <u>\$ 368,613</u> | <u>\$ 135,884</u>          |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes   | Budgeted Amounts |              | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|--|------------------|--------------|-----------------------------|---|
|  | Original         | Final        |                             |   |
| REVENUES:  |                  |              |                             |   |
| 5700 Total Local and Intermediate Sources                      | \$ 5,595,745     | \$ 5,552,272 | \$ 5,482,777                | \$ (69,495)                                       |
| 5800 State Program Revenues                                    | 31,500           | 27,473       | 27,474                      | 1   |
| 5900 Federal Program Revenues                                  | 2,118,328        | 2,103,983    | 2,156,429                   | 52,446  |
| 5020 Total Revenues  | 7,745,573        | 7,683,728    | 7,666,680                   | (17,048)  |
| EXPENDITURES:  |                  |              |                             |   |
| 0035 Food Services   | 7,695,573        | 8,955,058    | 9,175,595                   | (220,537)   |
| 6030 Total Expenditures  | 7,695,573        | 8,955,058    | 9,175,595                   | (220,537)   |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 50,000           | (1,271,330)  | (1,508,915)                 | (237,585)   |
| OTHER FINANCING SOURCES (USES):                                |                  |              |                             |   |
| 7915 Transfers In  | -                | 18,547       | 18,543                      | (4)   |
| 1200 Net Change in Fund Balances                               | 50,000           | (1,252,783)  | (1,490,372)                 | (237,589)   |
| 0100 Fund Balance - July 1 (Beginning)                         | 2,554,337        | 2,554,337    | 2,554,337                   | -   |
| 3000 Fund Balance - June 30 (Ending)                           | \$ 2,604,337     | \$ 1,301,554 | \$ 1,063,965                | \$ (237,589)                                      |



NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2016

| Data<br>Control<br>Codes        |   | Budgeted Amounts |               | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---------------------------------|---|------------------|---------------|--------------------------------|--|
|                                 |   | Original         | Final         |                                |  |
| REVENUES:                       |   |                  |               |                                |  |
| 5700                            | Total Local and Intermediate Sources                      | \$ 47,165,116    | \$ 52,084,082 | \$ 52,573,718                  | \$ 489,636   |
| 5800                            | State Program Revenues                                    | -                | 742,319       | 651,712                        | (90,607)   |
| 5020                            | Total Revenues  | 47,165,116       | 52,826,401    | 53,225,430                     | 399,029  |
| EXPENDITURES:                   |   |                  |               |                                |  |
| Debt Service:                   |   |                  |               |                                |  |
| 0071                            | Principal on Long Term Debt                               | 9,383,410        | 16,862,238    | 16,862,238                     | -  |
| 0072                            | Interest on Long Term Debt                                | 35,345,861       | 35,764,424    | 38,855,162                     | (3,090,738)  |
| 0073                            | Bond Issuance Cost and Fees                               | 75,000           | 55,673,737    | 1,019,117                      | 54,654,620   |
| 6030                            | Total Expenditures  | 44,804,271       | 108,300,399   | 56,736,517                     | 51,563,882   |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,360,845        | (55,473,998)  | (3,511,087)                    | 51,962,911   |
| OTHER FINANCING SOURCES (USES): |   |                  |               |                                |  |
| 7911                            | Capital Related Debt Issued (Regular Bonds)               | -                | 253,448,475   | 253,448,475                    | -  |
| 7915                            | Transfers In  | -                | -             | 109                            | 109  |
| 7916                            | Premium or Discount on Issuance of Bonds                  | -                | 48,900,225    | 48,900,225                     | -  |
| 8949                            | Other (Uses)  | -                | (246,832,467) | (301,443,783)                  | (54,611,316)   |
| 7080                            | Total Other Financing Sources (Uses)                      | -                | 55,516,233    | 905,026                        | (54,611,207)   |
| 1200                            | Net Change in Fund Balances                               | 2,360,845        | 42,235        | (2,606,061)                    | (2,648,296)  |
| 0100                            | Fund Balance - July 1 (Beginning)                         | 25,723,034       | 25,723,034    | 25,723,034                     | -  |
| 1300                            | Prior Period Adjustment(s)                                | -                | -             | 16,206,695                     | 16,206,695   |
| 3000                            | Fund Balance - June 30 (Ending)                           | \$ 28,083,879    | \$ 25,765,269 | \$ 39,323,668                  | \$ 13,558,399  |

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## OTHER COMPLIANCE SCHEDULES

Other Compliance Schedules includes various schedules required by the Texas Education Agency that are not required disclosures in the Comprehensive Annual Financial Report.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2016

| Last 10 Years   | (1)         | (2)          | (3)  |
|---|-------------|--------------|--|
|   | Tax Rates   |              | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|   | Maintenance | Debt Service |  |
| 2007 and prior years  | Various     | Various      | \$ Various   |
| 2008  | 1.000050    | 0.335000     | 8,423,850,343  |
| 2009  | 1.000000    | 0.335000     | 10,099,641,423   |
| 2010  | 1.020000    | 0.335000     | 10,991,418,500   |
| 2011  | 1.040000    | 0.335000     | 10,557,293,945   |
| 2012  | 1.040000    | 0.335000     | 10,712,617,600   |
| 2013  | 1.040000    | 0.335000     | 10,610,204,200   |
| 2014  | 1.040000    | 0.412500     | 10,548,852,117   |
| 2015  | 1.040000    | 0.412500     | 11,616,927,849   |
| 2016 (School year under audit)  | 1.040000    | 0.412500     | 11,705,540,348   |
| 1000 TOTALS   |             |              |  |
| 9000 Portion of Row 1000 for Taxes Paid into Tax Increment Zone<br>(See Footnote) |             |              | \$ -   |

| (10)<br>Beginning<br>Balance<br>7/1/2015 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>6/30/2016 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 1,485,840                             | \$ -                                    | \$ 13,462                          | \$ 2,523                            | \$ (427,416)                            | \$ 1,042,439                           |
| 369,939                                  | -                                       | 3,709                              | 1,243                               | (134,274)                               | 230,713                                |
| 1,894,834                                | -                                       | 6,516                              | 2,183                               | (1,660,121)                             | 226,014                                |
| (363,916)                                | -                                       | 80,054                             | 26,292                              | 847,448                                 | 377,186                                |
| 508,455                                  | -                                       | 303,124                            | 97,641                              | 263,795                                 | 371,485                                |
| 688,181                                  | -                                       | 317,838                            | 102,381                             | 116,734                                 | 384,696                                |
| (391,704)                                | -                                       | 317,986                            | 102,428                             | 1,255,004                               | 442,886                                |
| 1,414,582                                | -                                       | 392,153                            | 155,542                             | (355,122)                               | 511,765                                |
| 1,443,056                                | -                                       | 986,266                            | 391,187                             | 648,890                                 | 714,493                                |
| -  | 181,578,346                             | 128,757,237                        | 51,069,577                          | -                                       | 1,751,532                              |
| <u>\$ 7,049,267</u>                      | <u>\$ 181,578,346</u>                   | <u>\$ 131,178,345</u>              | <u>\$ 51,950,997</u>                | <u>\$ 554,938</u>                       | <u>\$ 6,053,209</u>                    |
| \$ -                                     | \$ -                                    | \$ 839,876                         | \$ -                                | \$ -                                    | \$ -                                   |

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## STATISTICAL SECTION

This part of the Northwest Independent School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information. The statistical section includes nineteen schedules. These schedules fall within the following categories:

### **Financial Trend Data**

These schedules contain trend information on how the District's financial performance and well-being have changed over time.

### **Revenue Capacity Data**

These schedules contain information on the District's most significant local revenue source, the property tax.

### **Debt Capacity Data**

These schedules present information to help assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help understand the environment within the District's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

SCHEDULE 1

| Fiscal Year:                          | 2016                 | 2015                 | 2014                  | 2013                  |
|---------------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>Governmental activities</b>        |                      |                      |                       |                       |
| Net investment in capital assets      | \$ (23,184,957)      | \$ 27,255,585        | \$ 32,114,051         | \$ 71,686,971         |
| Restricted                            | 41,478,223           | 31,406,785           | 27,791,565            | 23,917,265            |
| Unrestricted                          | 35,105,595           | 3,321,608            | 50,163,131            | 9,363,707             |
| Total primary government net position | <u>\$ 53,398,861</u> | <u>\$ 61,983,978</u> | <u>\$ 110,068,747</u> | <u>\$ 104,967,943</u> |

Note: FYE 2015 ending net position includes a prior period adjustment due to the implementation of GASB #68 in the amount of (\$26,943,583).

Source: District's financial records.



| 2012          | 2011          | 2010          | 2009          | 2008          | 2007          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 51,865,489 | \$ 65,756,190 | \$ 46,213,837 | \$ 31,486,012 | \$ 3,982,694  | \$ 29,231,862 |
| 26,262,955    | 8,843,840     | 7,454,524     | 5,733,598     | 4,538,497     | 173,029,404   |
| 9,312,999     | 7,545,212     | 4,903,015     | 54,226,594    | 81,390,169    | (138,834,103) |
| \$ 87,441,443 | \$ 82,145,242 | \$ 58,571,376 | \$ 91,446,204 | \$ 89,911,360 | \$ 63,427,163 |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
EXPENSES, PROGRAM REVENUES AND NET (EXPENSE)/REVENUE  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

SCHEDULE 2

| Fiscal Year:   | 2016             | 2015             | 2014             | 2013             |
|--|------------------|------------------|------------------|------------------|
| <b>Expenses</b>  |                  |                  |                  |                  |
| Governmental activities:                                   |                  |                  |                  |                  |
| Instruction  | \$ 122,168,515   | \$ 103,989,026   | \$ 96,263,169    | \$ 88,337,904    |
| Instruction Resources & Media Services                     | 2,681,310        | 2,394,024        | 2,427,968        | 2,430,659        |
| Curriculum and Staff Development                           | 5,885,439        | 5,018,657        | 4,661,666        | 4,981,051        |
| Instructional Leadership                                   | 1,081,077        | 946,675          | 813,526          | 772,331          |
| School Leadership  | 10,145,301       | 8,492,012        | 7,623,396        | 7,083,647        |
| Guidance, Counseling & Evaluation Services                 | 7,941,408        | 6,354,112        | 6,274,031        | 5,331,059        |
| Social Work Services                                       | 904,931          | 6,124,147        | 5,632,064        | 4,275,156        |
| Health Services  | 2,009,949        | 1,860,771        | 1,837,993        | 1,744,190        |
| Student (Pupil) Transportation                             | 7,252,742        | 6,195,171        | 5,982,137        | 5,725,520        |
| Food Services  | 9,175,595        | 7,400,908        | 7,519,565        | 6,072,684        |
| Cocurricular/Extracurricular Activities                    | 7,718,196        | 7,591,117        | 6,933,964        | 7,403,320        |
| General Administration                                     | 4,458,804        | 17,019,764       | 14,769,632       | 14,427,412       |
| Plant Maintenance and Operations                           | 17,255,030       | 17,227,868       | 15,991,385       | 14,685,098       |
| Security and Monitoring Services                           | 1,248,060        | 892,184          | 655,209          | 725,247          |
| Data Processing Services                                   | 4,752,113        | 3,877,489        | 3,354,317        | 2,962,845        |
| Community Services   | 154,935          | 199,757          | 159,556          | 152,640          |
| Debt Service - Interest on Long-Term Debt                  | 23,170,568       | 37,578,564       | 37,115,936       | 34,900,424       |
| Debt Service - Bond Issuance Cost & Fees                   | 3,072,446        | 410,960          | 123,047          | 2,568,119        |
| Contracted Instructional Services                          | -                | -                | 84,867           | 10,981,987       |
| Payments to Fiscal Agent/Member Districts of SSA           | 20,000           | 65,200           | 73,400           | 85,250           |
| Payments to Juvenile Justice Alternative Education Program | -                | 4,628            | -                | -                |
| Payments to Tax Increment Fund                             | 839,876          | 888,460          | 904,351          | 884,261          |
| Other Intergovernmental Charges                            | 848,664          | 1,093,516        | 1,074,773        | 1,191,691        |
| Total primary government expenses                          | 232,784,959      | 235,625,010      | 220,275,953      | 217,722,495      |
| <b>Program Revenues</b>                                    |                  |                  |                  |                  |
| Governmental activities:                                   |                  |                  |                  |                  |
| Charges for services                                       |                  |                  |                  |                  |
| Instruction  | 90,828           | 134,603          | 107,923          | 111,895          |
| Health services  | 921,133          | 1,545,525        | 1,367,146        | 1,338,109        |
| Student transportation                                     | -                | 270              | -                | -                |
| Food services  | 5,469,920        | 5,157,545        | 5,065,661        | 4,618,097        |
| Extracurricular activities                                 | 476,021          | 3,077,228        | 2,807,383        | 2,831,437        |
| General administration                                     | -                | 220,789          | -                | 71,366           |
| Facilities maintenance                                     | 514,659          | 553,506          | 613,751          | 540,097          |
| Community services   | -                | 7,455            | 8,132            | 9,073            |
| Operating grants and contributions                         | 24,157,031       | 17,152,632       | 20,615,411       | 17,516,788       |
| Total primary government program revenues                  | 31,629,592       | 27,849,553       | 30,585,407       | 27,036,862       |
| <b>Net (Expense)/Revenue</b>                               |                  |                  |                  |                  |
| Total primary government net expense                       | \$ (201,155,367) | \$ (207,775,457) | \$ (189,690,546) | \$ (190,685,633) |

Source: District's financial records.

|    | 2012        | 2011          | 2010          | 2009          | 2008          | 2007          |
|----|-------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 80,922,877  | \$ 78,633,567 | \$ 74,785,911 | \$ 65,062,528 | \$ 57,324,361 | \$ 47,921,489 |
|    | 2,325,843   | 2,329,969     | 2,471,979     | 2,036,498     | 1,433,652     | 1,266,133     |
|    | 4,123,336   | 4,982,855     | 4,463,416     | 3,752,400     | 3,546,253     | 3,075,564     |
|    | 715,094     | 760,835       | 765,217       | 591,184       | 550,320       | 544,094       |
|    | 6,455,946   | 6,347,367     | 5,405,205     | 4,721,937     | 4,003,079     | 3,434,469     |
|    | 4,879,777   | 4,979,758     | 4,410,180     | 3,711,492     | 3,413,603     | 2,710,088     |
|    | 3,696,246   | 2,107,638     | 161,178       | 142,139       | 146,416       | 90,841        |
|    | 1,573,018   | 1,436,412     | 1,211,628     | 1,122,546     | 938,084       | 741,643       |
|    | 5,695,937   | 6,348,667     | 5,889,088     | 5,194,852     | 4,375,783     | 3,540,291     |
|    | 6,431,326   | 6,422,370     | 6,115,240     | 5,676,437     | 4,683,983     | 3,995,179     |
|    | 6,190,684   | 7,810,215     | 7,488,020     | 5,363,726     | 4,196,584     | 3,740,547     |
|    | 13,165,216  | 13,572,609    | 10,526,018    | 9,101,600     | 9,316,812     | 8,660,505     |
|    | 24,072,929  | 472,410       | 52,243,642    | 21,450,859    | 9,846,358     | 22,055,209    |
|    | 551,453     | 488,373       | 471,897       | 446,041       | 371,461       | 269,466       |
|    | 2,752,765   | 2,632,703     | 2,501,806     | 2,729,536     | 1,778,938     | 1,459,456     |
|    | 139,215     | 214,400       | 213,633       | 200,271       | 243,931       | 238,940       |
|    | 32,088,442  | 31,010,642    | 28,297,159    | 25,052,026    | 23,885,720    | 18,867,558    |
|    | 326,950     | 126,648       | 53,891        | 104,874       | 76,472        | 326,222       |
|    | 21,665,083  | 25,061,695    | 28,049,228    | 29,402,497    | 25,750,715    | 35,630,381    |
|    | 48,000      | 56,213        | -             | 964,741       | -             | -             |
|    | -           | 29,103        | 17,800        | 34,888        | 5,162         | 10,191        |
|    | 893,326     | 897,797       | 868,901       | 999,909       | 914,695       | 1,191,213     |
|    | 1,220,953   | 1,294,857     | 1,125,355     | 1,101,553     | -             | -             |
|    | 219,934,416 | 198,017,104   | 237,536,392   | 188,964,534   | 156,802,382   | 159,769,479   |

|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
|  | 91,712     | 3,915,823  | 3,108,878  | 3,456,324  | 2,713,561  | 2,285,066  |
|  | 1,025,092  | -          | -          | -          | -          | -          |
|  | -          | -          | -          | -          | -          | -          |
|  | 4,488,326  | 4,022,476  | 4,162,786  | 3,966,761  | 3,511,901  | 3,026,322  |
|  | 2,596,139  | -          | -          | -          | -          | -          |
|  | 105,138    | -          | -          | -          | -          | -          |
|  | 469,421    | -          | -          | -          | -          | -          |
|  | 6,153      | -          | -          | -          | -          | -          |
|  | 20,021,223 | 26,982,510 | 20,964,616 | 15,450,890 | 13,910,720 | 11,653,548 |
|  | 28,803,204 | 34,920,809 | 28,236,280 | 22,873,975 | 20,136,182 | 16,964,936 |

\$ (191,131,212) \$ (163,096,295) \$ (209,300,112) \$ (166,090,559) \$ (136,666,200) \$ (142,804,543)

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

SCHEDULE 3

| Fiscal Year:  | 2016             | 2015             | 2014             | 2013             |
|---|------------------|------------------|------------------|------------------|
| <b>Net (Expense)/Revenue</b>                              |                  |                  |                  |                  |
| Total primary government net expense                      | \$ (201,155,367) | \$ (207,775,457) | \$ (189,690,546) | \$ (190,685,633) |
| <b>General Revenues and Other Changes in Net Position</b> |                  |                  |                  |                  |
| Governmental activities:                                  |                  |                  |                  |                  |
| Taxes   |                  |                  |                  |                  |
| Property taxes levied for general purposes                | 131,549,000      | 120,895,271      | 110,045,806      | 110,555,045      |
| Property taxes levied for capital projects                | 51,759,384       | 47,952,873       | 43,649,455       | 34,912,120       |
| Unrestricted grants and contributions                     | -                | -                | 6,896,560        | -                |
| State aid - formula grants                                | 27,014,580       | 17,140,982       | 29,415,905       | 31,601,844       |
| Miscellaneous   | 556,092          | -                | 4,269,919        | 30,333,823       |
| Investment earnings                                       | 1,100,734        | 645,145          | 513,705          | 809,301          |
| Transfers in (out)  | (1,210,442)      | -                | -                | -                |
| Total primary government                                  | 210,769,348      | 186,634,271      | 194,791,350      | 208,212,133      |
| <b>Change in Net Position</b>                             |                  |                  |                  |                  |
| Total primary government                                  | \$ 9,613,981     | \$ (21,141,186)  | \$ 5,100,804     | \$ 17,526,500    |

Source: District's financial records.

| 2012             | 2011             | 2010             | 2009             | 2008             | 2007             |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ (191,131,212) | \$ (163,096,294) | \$ (209,300,112) | \$ (166,090,559) | \$ (136,666,200) | \$ (142,804,543) |
| 112,034,483      | 109,929,304      | 126,743,916      | 104,902,416      | 112,276,391      | 109,213,582      |
| 35,379,311       | 36,542,449       | 36,757,605       | 34,967,471       | 29,362,056       | 28,392,542       |
| -                | 1,010,219        | 6,971,388        | 6,574,851        | -                | -                |
| 33,156,117       | 33,438,435       | -                | 10,629,847       | 2,792,735        | 12,399,899       |
| 15,036,005       | 4,849,405        | 3,845,504        | 6,231,396        | 8,807,167        | -                |
| 821,497          | 900,348          | 2,106,871        | 4,319,422        | 9,912,048        | 9,867,870        |
| -                | -                | -                | -                | -                | -                |
| 196,427,413      | 186,670,160      | 176,425,284      | 167,625,403      | 163,150,397      | 159,873,893      |
| \$ 5,296,201     | \$ 23,573,866    | \$ (32,874,828)  | \$ 1,534,844     | \$ 26,484,197    | \$ 17,069,350    |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

SCHEDULE 4

| Fiscal Year:                                   | 2016                  | 2015                  | 2014                  | 2013                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>General Fund</b>                            |                       |                       |                       |                       |
| Reserved                                       | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Unreserved, designated                         | -                     | -                     | -                     | -                     |
| Unreserved                                     | -                     | -                     | -                     | -                     |
| Nonspendable                                   | 293,148               | -                     | -                     | -                     |
| Assigned                                       | 39,424,756            | 29,424,756            | 29,424,756            | 29,424,756            |
| Unassigned                                     | 37,050,333            | 43,951,132            | 42,173,641            | 31,093,987            |
| Total general fund                             | <u>\$ 76,768,237</u>  | <u>\$ 73,375,888</u>  | <u>\$ 71,598,397</u>  | <u>\$ 60,518,743</u>  |
| <b>All Other Governmental Funds</b>            |                       |                       |                       |                       |
| Reserved                                       | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Unreserved, reported in:                       |                       |                       |                       |                       |
| Capital projects funds                         | -                     | -                     | -                     | -                     |
| Debt service funds                             | -                     | -                     | -                     | -                     |
| Special revenue funds                          | -                     | 97,797                | -                     | -                     |
| Restricted                                     |                       |                       |                       |                       |
| Federal or State Funds Grant Restriction       | 1,063,965             | 2,456,540             | 2,456,540             | 2,231,779             |
| Capital Acquisition and Contractual Obligation | 76,269,887            | 43,323,635            | 44,009,918            | 56,984,655            |
| Retirement of Long-Term Debt                   | 39,323,668            | 25,723,034            | 22,526,879            | 19,173,538            |
| Other Restricted                               | -                     | 1,278,467             | 1,110,408             | 894,488               |
| Committed                                      |                       |                       |                       |                       |
| Other Committed                                | 2,154,555             | 1,948,744             | 1,697,738             | 1,617,460             |
| Assigned                                       |                       |                       |                       |                       |
| Construction                                   | 38,095,832            | 39,648,697            | 36,700,973            | 36,010,011            |
| Total all other governmental funds             | <u>\$ 156,907,907</u> | <u>\$ 114,476,914</u> | <u>\$ 108,502,456</u> | <u>\$ 116,911,931</u> |

Note: During 2011, the District implemented GASB 54, which changed the classifications for fund balances.

Source: District's financial records.

| 2012                  | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ 420,309            | \$ 420,309            |
| -                     | -                     | 10,931,087            | 33,609,424            | 27,166,773            | 26,709,991            |
| -                     | -                     | 29,743,954            | 37,853,057            | 38,525,741            | 24,148,506            |
| -                     | -                     | -                     | -                     | -                     | -                     |
| 25,922,849            | 17,173,729            | -                     | -                     | -                     | -                     |
| 30,150,497            | 32,204,471            | -                     | -                     | -                     | -                     |
| <u>\$ 56,073,346</u>  | <u>\$ 49,378,200</u>  | <u>\$ 40,675,041</u>  | <u>\$ 71,462,481</u>  | <u>\$ 66,112,823</u>  | <u>\$ 51,278,806</u>  |
| \$ -                  | \$ -                  | \$ 1,315,514          | \$ 1,315,514          | \$ 1,215,514          | \$ 2,543,604          |
| -                     | -                     | 87,690,624            | 121,442,926           | 141,776,043           | 156,923,378           |
| -                     | -                     | 23,964,937            | 19,722,527            | 15,246,035            | 11,757,421            |
| -                     | -                     | 2,185,299             | 2,003,145             | 1,740,805             | 1,384,692             |
| 1,205,944             | 809,542               | -                     | -                     | -                     | -                     |
| 106,289,480           | 53,645,146            | -                     | -                     | -                     | -                     |
| 22,882,344            | 25,299,911            | -                     | -                     | -                     | -                     |
| 718,799               | 372,147               | -                     | -                     | -                     | -                     |
| 1,455,868             | 1,264,129             | -                     | -                     | -                     | -                     |
| 35,819,479            | 34,510,579            | -                     | -                     | -                     | -                     |
| <u>\$ 168,371,914</u> | <u>\$ 115,901,454</u> | <u>\$ 115,156,374</u> | <u>\$ 144,484,112</u> | <u>\$ 159,978,397</u> | <u>\$ 172,609,095</u> |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
GOVERNMENTAL FUNDS REVENUES  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

SCHEDULE 5

| Fiscal Year:                           | 2016           | 2015           | 2014           | 2013           |
|--|----------------|----------------|----------------|----------------|
| <b>Local and Intermediate Sources</b>  |                |                |                |                |
| Local maintenance and debt service tax | \$ 184,486,074 | \$ 168,848,144 | \$ 156,652,150 | \$ 148,220,114 |
| Food service sales                     | 5,469,920      | 5,168,771      | 3,077,273      | 4,625,703      |
| Other local revenue                    | 6,396,427      | 9,122,029      | 6,488,164      | 4,731,123      |
| Total Local and Intermediate Sources   | 196,352,421    | 183,138,944    | 166,217,587    | 157,576,940    |
| <b>State Programs Revenues</b>         | 40,473,309     | 35,409,112     | 41,248,007     | 36,004,504     |
| <b>Federal Sources</b>                 |                |                |                |                |
| Federal Program Revenues               | 5,577,704      | 9,430,583      | 8,983,639      | 6,548,919      |
| Food services                          | 2,156,429      | 2,064,862      | 2,449,650      | 2,264,884      |
| Total Federal Sources                  | 7,734,133      | 11,495,445     | 11,433,289     | 8,813,803      |
| Total Revenues                         | \$ 244,559,863 | \$ 230,043,501 | \$ 218,898,883 | \$ 202,395,247 |

Note: This table includes all governmental fund types of the Northwest Independent School District.  
Expenditure classifications are in accordance with those prescribed by the Texas Education Agency.

Source: District's financial records.



| 2012           | 2011           | 2010           | 2009           | 2008           | 2007           |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 150,436,519 | \$ 153,438,209 | \$ 155,372,824 | \$ 140,640,767 | \$ 114,724,649 | \$ 141,025,245 |
| 8,174,543      | 4,035,928      | 6,521,753      | 6,443,470      | 3,511,901      | 3,026,322      |
| 522,822        | 206,761        | 439,669        | 1,887,530      | 13,406,193     | 1,904,986      |
| 159,133,884    | 157,680,898    | 162,334,246    | 148,971,767    | 131,642,743    | 145,956,553    |
| 37,382,303     | 39,348,994     | 25,531,776     | 29,505,955     | 37,433,603     | 15,498,815     |
| 6,416,491      | 12,845,347     | 7,058,740      | 3,993,839      | 3,396,500      | 2,836,269      |
| 2,126,303      | 1,938,667      | 1,845,337      | 5,028          | 64,586         | 1,022,570      |
| 8,542,794      | 14,784,014     | 8,904,077      | 3,998,867      | 3,461,086      | 3,858,839      |
| \$ 205,058,981 | \$ 211,813,906 | \$ 196,770,099 | \$ 182,476,589 | \$ 172,537,432 | \$ 165,314,207 |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

SCHEDULE 6

| Fiscal Year:   | 2016                  | 2015                  | 2014                  | 2013                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Expenditures by Function</b>                            |                       |                       |                       |                       |
| Instruction  | \$ 110,969,993        | \$ 99,340,245         | \$ 88,845,925         | \$ 81,913,913         |
| Instruction Resources & Media Services                     | 3,145,350             | 2,280,870             | 2,299,588             | 2,316,797             |
| Curriculum and Staff Development                           | 5,397,640             | 5,078,147             | 4,659,861             | 4,981,051             |
| Instructional Leadership                                   | 980,556               | 959,164               | 813,526               | 772,331               |
| School Leadership  | 9,118,778             | 8,293,810             | 7,311,633             | 6,811,870             |
| Guidance, Counseling & Evaluation Services                 | 7,072,496             | 6,447,695             | 6,261,874             | 5,321,287             |
| Social Work Services                                       | 904,931               | 6,151,355             | 5,632,064             | 4,275,156             |
| Health Services  | 1,804,524             | 1,654,747             | 1,602,472             | 1,539,804             |
| Student (Pupil) Transportation                             | 7,335,213             | 6,189,360             | 5,976,326             | 5,719,709             |
| Food Services  | 9,175,595             | 7,182,534             | 7,336,590             | 5,899,623             |
| Cocurricular/Extracurricular Activities                    | 9,764,314             | 7,016,227             | 6,334,044             | 6,861,271             |
| General Administration                                     | 4,689,496             | 4,815,439             | 4,491,760             | 4,006,196             |
| Plant Maintenance and Operations                           | 17,280,200            | 16,568,143            | 15,361,345            | 14,127,127            |
| Security and Monitoring Services                           | 1,276,852             | 889,197               | 650,935               | 720,355               |
| Data Processing Services                                   | 4,448,888             | 3,876,089             | 3,328,248             | 2,945,960             |
| Community Services   | 143,353               | 203,849               | 159,556               | 152,640               |
| Debt Service - Principal on Long-Term Debt                 | 16,862,238            | 7,494,393             | 3,234,679             | 4,391,876             |
| Debt Service - Interest on Long-Term Debt                  | 38,855,162            | 37,578,564            | 37,115,936            | 34,900,424            |
| Debt Service - Bond Issuance Cost & Fees                   | 1,261,367             | 410,960               | 123,047               | 2,568,119             |
| Facilities Acquisition and Construction                    | 41,101,137            | 72,772,494            | 62,759,061            | 48,515,352            |
| Contracted Instructional Services                          | -                     | -                     | 84,867                | 10,981,987            |
| Payments to Fiscal Agent/Member Districts of SSA           | 20,000                | 65,200                | 73,400                | 85,250                |
| Payments to Juvenile Justice Alternative Education Program | -                     | 4,628                 | -                     | -                     |
| Payments to Tax Increment Fund                             | 839,876               | 888,460               | 904,351               | 884,261               |
| Other Governmental Charges                                 | 848,664               | 1,093,516             | 1,074,774             | 1,191,691             |
| <b>Total Expenditures</b>                                  | <b>\$ 293,296,623</b> | <b>\$ 297,255,086</b> | <b>\$ 266,435,862</b> | <b>\$ 251,884,050</b> |
| Debt service as a percentage of noncapital expenditures    | 23.05%                | 18.43%                | 19.27%                | 21.29%                |

Note: This table includes all governmental fund types of the Northwest Independent School District.  
Expenditure classifications are in accordance with those prescribed by the Texas Education Agency.

Source: District's financial records.

| 2012           | 2011           | 2010           | 2009           | 2008           | 2007           |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 75,675,709  | \$ 77,987,324  | \$ 71,102,583  | \$ 61,075,048  | \$ 53,333,764  | \$ 44,534,680  |
| 2,217,098      | 2,226,494      | 2,390,406      | 1,938,698      | 1,335,951      | 1,170,022      |
| 4,123,336      | 4,982,810      | 4,463,371      | 3,752,355      | 3,546,208      | 3,075,519      |
| 715,094        | 760,835        | 765,217        | 591,184        | 550,320        | 544,094        |
| 6,210,188      | 6,129,689      | 5,264,764      | 4,552,448      | 3,833,483      | 3,271,525      |
| 4,869,877      | 4,969,855      | 4,401,191      | 3,700,951      | 3,403,072      | 2,699,568      |
| 3,696,246      | 2,107,638      | 161,178        | 142,139        | 146,416        | 90,841         |
| 1,392,399      | 1,284,949      | 1,133,606      | 1,022,043      | 837,434        | 647,509        |
| 5,690,126      | 6,342,856      | 5,883,277      | 5,190,884      | 4,371,983      | 3,536,491      |
| 6,263,709      | 6,249,386      | 5,961,880      | 5,498,310      | 4,504,926      | 3,816,818      |
| 5,562,646      | 7,199,299      | 6,902,440      | 4,709,169      | 3,619,986      | 3,178,068      |
| 3,674,787      | 4,123,906      | 4,018,154      | 3,808,704      | 4,343,658      | 3,793,512      |
| 12,644,068     | 13,922,303     | 12,136,274     | 10,250,954     | 9,516,347      | 8,797,614      |
| 546,770        | 478,787        | 461,894        | 436,038        | 361,458        | 259,586        |
| 2,709,039      | 2,529,294      | 2,403,590      | 2,646,525      | 1,749,004      | 1,434,969      |
| 139,215        | 214,400        | 213,633        | 200,271        | 223,851        | 217,510        |
| 6,398,021      | 4,983,216      | 4,930,453      | 4,777,382      | 2,988,603      | 5,671,361      |
| 32,088,442     | 31,010,642     | 28,297,159     | 25,052,026     | 23,885,720     | 18,867,558     |
| 326,953        | 126,648        | 53,891         | 104,874        | 76,472         | 326,222        |
| 42,909,725     | 52,807,041     | 65,832,290     | 85,501,224     | 74,867,945     | 25,794,215     |
| 21,665,083     | 25,061,695     | 28,049,228     | 29,402,497     | 25,750,715     | 35,630,381     |
| 48,000         | 56,212         | -              | 964,741        | -              | -              |
| -              | 29,103         | 17,800         | 34,888         | 5,162          | 10,191         |
| 893,326        | 897,797        | 868,901        | 999,909        | 914,695        | 1,191,213      |
| 1,220,953      | 1,294,857      | 1,125,355      | 1,101,553      | -              | -              |
| \$ 241,680,810 | \$ 257,777,036 | \$ 256,838,535 | \$ 257,454,815 | \$ 224,167,173 | \$ 168,559,467 |
| 18.35%         | 14.37%         | 14.40%         | 16.39%         | 23.60%         | 15.76%         |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES,  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

SCHEDULE 7

| Fiscal Year:                             | 2016          | 2015          | 2014         | 2013            |
|--|---------------|---------------|--------------|-----------------|
| <b>Other Financing Sources (Uses)</b>    |               |               |              |                 |
| General long-term debt issued            | 320,883,475   | 149,863,125   | 47,625,000   | 44,180,000      |
| Sale of capital assets                   | 207,455       | 1,810,385     | 17,158       | 18,784          |
| Transfers in                             | 578,569       | 607,649       | 605,607      | 592,997         |
| Premium or Discount on Issuance of Bonds | 56,707,584    | 27,025,012    | 2,565,000    | 6,037,411       |
| Other Resources                          | 20,790        | -             | -            | (2)             |
| Transfers out                            | (1,789,011)   | (2,966,717)   | (605,607)    | (592,995)       |
| Other (Uses)                             | (301,443,783) | (101,375,915) | -            | (47,761,979)    |
| Total other financing sources (uses)     | 75,165,079    | 74,963,539    | 50,207,158   | 2,474,216       |
| Net change in fund balances              | \$ 26,428,319 | \$ 7,751,954  | \$ 2,670,179 | \$ (47,014,587) |

Source: District's financial records.

| 2012          | 2011         | 2010            | 2009            | 2008         | 2007          |
|---------------|--------------|-----------------|-----------------|--------------|---------------|
| 139,000,000   | 51,802,829   | -               | 63,820,000      | 56,994,661   | 202,679,954   |
| 21,451        | 33,193       | 321,854         | 36,727          | 1,500        | 61,903        |
| 12,493        | -            | 34,045,478      | 145,744         | -            | 129           |
| 18,980,151    | 3,387,171    | -               | 1,380,000       | 2,146,370    | 10,398,442    |
| 1,993,276     | -            | (34,407,774)    | -               | 4,543        | -             |
| (1,755,855)   | -            | -               | (472,391)       | (401,876)    | (205,874)     |
| (62,464,077)  | 100,000      | (6,300)         | -               | (4,912,136)  | (112,478,413) |
| 95,787,439    | 55,323,193   | (46,742)        | 64,910,080      | 53,833,062   | 100,456,141   |
| \$ 59,165,610 | \$ 9,360,063 | \$ (60,115,178) | \$ (10,068,146) | \$ 2,203,320 | \$ 97,210,881 |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

SCHEDULE 8

| Fiscal<br>Year | Real Property<br>Assessed<br>Value | Personal Property<br>Assessed<br>Value | Minerals<br>Assessed<br>Value |
|----------------|------------------------------------|--|-------------------------------|
| 2016           | \$ 9,644,355,000                   | \$ 3,118,392,000                       | \$ 1,296,365,000              |
| 2015           | 8,634,101,000                      | 2,576,109,000                          | 1,538,136,000                 |
| 2014           | 7,866,040,000                      | 2,688,113,117                          | 1,380,696,000                 |
| 2013           | 7,984,354,200                      | 2,487,855,000                          | 2,035,974,000                 |
| 2012           | 7,624,521,600                      | 2,299,100,000                          | 2,562,364,000                 |
| 2011           | 6,781,551,000                      | 2,378,372,000                          | 2,876,879,000                 |
| 2010           | 6,589,809,000                      | 2,448,217,000                          | 3,044,536,000                 |
| 2009           | 6,117,443,835                      | 2,551,601,000                          | 2,508,978,000                 |
| 2008           | 5,170,913,492                      | 3,041,457,835                          | 2,023,535,610                 |
| 2007           | 4,714,730,527                      | 2,084,967,826                          | 2,404,215,530                 |

Source: Denton Central Appraisal District.

| Less:<br>Exemptions | Total<br>Taxable<br>Value | Total<br>Direct<br>Rate |
|---------------------|---------------------------|-------------------------|
| \$ 2,353,571,652    | \$ 11,705,540,348         | 1.4525                  |
| 1,131,418,151       | 11,616,927,849            | 1.4525                  |
| 1,385,997,000       | 10,548,852,117            | 1.4525                  |
| 1,897,979,000       | 10,610,204,200            | 1.3750                  |
| 1,773,368,000       | 10,712,617,600            | 1.3750                  |
| 1,479,508,055       | 10,557,293,945            | 1.3750                  |
| 1,091,143,500       | 10,991,418,500            | 1.3550                  |
| 1,078,381,412       | 10,099,641,423            | 1.3350                  |
| 1,812,056,594       | 8,423,850,343             | 1.3351                  |
| 1,434,131,541       | 7,769,782,342             | 1.6650                  |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

SCHEDULE 9

| Fiscal<br>Year | District Direct Rates |                     |            |
|----------------|-----------------------|---------------------|------------|
|                | General<br>Purposes   | Capital<br>Purposes | Total      |
| 2016           | \$ 1.04000            | \$ 0.41250          | \$ 1.45250 |
| 2015           | 1.04000               | 0.41250             | 1.45250    |
| 2014           | 1.04000               | 0.41250             | 1.45250    |
| 2013           | 1.04000               | 0.33500             | 1.37500    |
| 2012           | 1.04000               | 0.33500             | 1.37500    |
| 2011           | 1.04000               | 0.33500             | 1.37500    |
| 2010           | 1.02000               | 0.33500             | 1.35500    |
| 2009           | 1.00000               | 0.33500             | 1.33500    |
| 2008           | 1.00005               | 0.33500             | 1.33505    |
| 2007           | 1.33000               | 0.33500             | 1.66500    |

Note: Per \$100 of assessed valuation

Source: Denton Central Appraisal District and other assessors.



| Overlapping Rates |                          |                   |                              |                                |                |                       |                      |
|-------------------|--------------------------|-------------------|------------------------------|--------------------------------|----------------|-----------------------|----------------------|
| Denton<br>County  | City<br>of<br>Fort Worth | Tarrant<br>County | Town<br>of<br>Trophy<br>Club | Trophy<br>Club<br>MUD<br>1 & 2 | Wise<br>County | City<br>of<br>Roanoke | City<br>of<br>Haslet |
| \$ 0.2484         | \$ 0.8350                | \$ 0.2540         | \$ 0.4730                    | \$ 0.1311                      | \$ 0.3464      | \$ 0.3751             | \$ 0.2903            |
| 0.2620            | 0.8550                   | 0.2640            | 0.4840                       | 0.1311                         | 0.3139         | 0.3751                | 0.2857               |
| 0.2722            | 0.8550                   | 0.2640            | 0.4900                       | 0.1334                         | 0.2989         | 0.3751                | 0.2928               |
| 0.2849            | 0.8550                   | 0.2640            | 0.4993                       | 0.1334                         | 0.2889         | 0.3751                | 0.3209               |
| 0.2829            | 0.8550                   | 0.2640            | 0.5185                       | 0.1334                         | 0.2889         | 0.3751                | 0.3209               |
| 0.2774            | 0.8550                   | 0.2640            | 0.5300                       | 0.1750                         | 0.2900         | 0.3751                | 0.3046               |
| 0.2739            | 0.8550                   | 0.2640            | 0.5150                       | 0.1950                         | 0.2900         | 0.3751                | 0.3046               |
| 0.2498            | 0.8550                   | 0.2640            | 0.4700                       | 0.4100                         | 0.2887         | 0.3751                | 0.2672               |
| 0.2358            | 0.8550                   | 0.2640            | 0.4555                       | 0.4892                         | 0.2831         | 0.3751                | 0.2792               |
| 0.2359            | 0.8550                   | 0.2665            | 0.4305                       | 0.5092                         | 0.4119         | 0.3751                | 0.2903               |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 10

| 2016                             |                               |                                 |                                  |   |
|----------------------------------|-------------------------------|---------------------------------|----------------------------------|---|
| Name of Taxpayer                 | Nature of Property            | Total Market Assessed Valuation | Total Taxable Assessed Valuation | Percent of Total Taxable Assessed Valuation |
| Amerisource Bergen Drug Corp     | Pharmaceutical Industry       | \$ 257,983,741                  | \$ 230,230,090                   | 1.97%                                       |
| Devon Energy Production Co LP    | Oil & Gas                     | 207,680,797                     | 207,680,797                      | 1.77%                                       |
| Citicorp Technology Inc - 2695   | Technology/Financial Services | 149,229,569                     | 149,229,569                      | 1.27%                                       |
| Galderma Laboratories            | Pharmaceutical Industry       | 85,323,857                      | 85,323,857                       | 0.73%                                       |
| Cardinal Health 110 LLC          | Healthcare                    | 76,471,059                      | 64,838,540                       | 0.55%                                       |
| Quicksilver Resources Inc        | Oil & Gas                     | 61,839,610                      | 61,839,610                       | 0.53%                                       |
| Dry Creek Apartments LTD         | Commercial                    | 50,388,200                      | 50,388,200                       | 0.43%                                       |
| Oncor Electric Delivery Co       | Utility                       | 49,201,580                      | 49,201,580                       | 0.42%                                       |
| PR III/Crow Building B&D LP      | Commercial & Industrial       | 48,436,206                      | 48,436,206                       | 0.41%                                       |
| AT Industrial Owner 4 LLC        | Commercial & Industrial       | 47,101,500                      | 47,101,500                       | 0.40%                                       |
| Total                            |                               | \$ 1,033,656,119                | \$ 994,269,949                   | 8.49%                                       |
| Total Assessed Taxable Valuation |                               |                                 | \$ 11,705,540,348                | 100.00%                                     |

Note: County reduced reporting to top ten in year 2016  
Source: County Property Appraiser

2007

| Name of Taxpayer                   | Nature of Property      | Total Market Assessed Valuation | Total Taxable Assessed Valuation | Percent of Total Taxable Assessed Valuation |
|------------------------------------|-------------------------|---------------------------------|----------------------------------|---|
| Devon Energy Operating Co LP       | Mineral                 | \$ 1,038,770,770                | \$ 1,038,770,770                 | 12.75%                                      |
| XTO Energy                         | Mineral                 | 219,771,230                     | 219,771,230                      | 2.70%                                       |
| Honeywell International Inc        | Commercial & Industrial | 135,456,258                     | 135,456,258                      | 1.66%                                       |
| Alliance NO 1 Building Partners LP | Real Estate             | 131,280,936                     | 131,280,936                      | 1.61%                                       |
| Devon Energy Prod Co (Chief)       | Mineral                 | 102,077,110                     | 102,077,110                      | 1.25%                                       |
| Encana Oil & Gas (USA)             | Mineral                 | 95,838,510                      | 95,838,510                       | 1.18%                                       |
| Citicorp Technology Inc            | Commercial & Industrial | 95,665,966                      | 95,665,966                       | 1.17%                                       |
| Cardinal Health 301 Inc            | Healthcare              | 92,921,152                      | 87,070,246                       | 1.07%                                       |
| Amerisource Bergen                 | Commercial & Industrial | 123,736,956                     | 84,575,741                       | 1.04%                                       |
| Alliance NO 3 Building Partners LP | Real Estate             | 73,090,505                      | 73,090,505                       | 0.90%                                       |
| Alliance NO 2 Building Partners LP | Real Estate             | 71,621,072                      | 71,621,072                       | 0.88%                                       |
| TXU Electric Delivery Company      | Utility                 | 52,085,400                      | 52,085,400                       | 0.64%                                       |
| J.C. Penney Company Inc            | Commercial & Industrial | 51,770,115                      | 51,770,115                       | 0.64%                                       |
| Bell Helicopter Textron            | Commercial & Industrial | 67,185,962                      | 43,604,861                       | 0.54%                                       |
| J.C. Penney Company Inc            | Commercial & Industrial | 79,531,244                      | 40,844,605                       | 0.50%                                       |
| Chief Operating LLC                | Mineral                 | 37,776,710                      | 37,776,710                       | 0.46%                                       |
| Randall's Beverage Company Inc     | Commercial & Industrial | 36,010,915                      | 36,010,915                       | 0.44%                                       |
| W.W. Grainger Inc                  | Commercial & Industrial | 46,564,993                      | 35,518,237                       | 0.44%                                       |
| AIG Technologies Inc               | Commercial & Industrial | 34,137,284                      | 34,137,284                       | 0.42%                                       |
| AT&T Mobility LLC                  | Commercial & Industrial | 217,027,893                     | 32,923,132                       | 0.40%                                       |
| Total                              |                         | \$ 2,802,320,981                | \$ 2,499,889,603                 | 30.68%                                      |
| Total Assessed Taxable Valuation   |                         |                                 | \$ 8,147,472,710                 | 100.00%                                     |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

SCHEDULE 11

| Fiscal<br>Year | Tax<br>Levy    | Current Tax<br>Collections | Percent of<br>Levy<br>Collected | Collections<br>In Subsequent<br>Years and<br>Cumulative<br>Adjustments | Total Collections To Date |                       |
|----------------|----------------|----------------------------|---------------------------------|--|---------------------------|-----------------------|
|                |                |                            |                                 |  | Amount                    | Percentage<br>of Levy |
| 2016           | \$ 181,578,346 | \$ 179,826,814             | 99.03%                          | \$ -   | \$ 179,826,814            | 99.03%                |
| 2015           | 168,735,877    | 167,292,821                | 99.14%                          | 728,563  | 168,021,384               | 99.58%                |
| 2014           | 153,222,077    | 152,202,959                | 99.33%                          | 507,353  | 152,710,312               | 99.67%                |
| 2013           | 145,890,308    | 145,167,154                | 99.50%                          | 280,268  | 145,447,422               | 99.70%                |
| 2012           | 147,298,492    | 146,628,209                | 99.54%                          | 285,767  | 146,913,976               | 99.74%                |
| 2011           | 145,162,778    | 143,780,603                | 99.05%                          | 1,010,690  | 144,791,293               | 99.74%                |
| 2010           | 148,933,720    | 147,540,861                | 99.06%                          | 1,015,673  | 148,556,534               | 99.75%                |
| 2009           | 134,830,213    | 133,034,372                | 98.67%                          | 1,569,827  | 134,604,199               | 99.83%                |
| 2008           | 112,462,614    | 109,952,474                | 97.77%                          | 2,279,427  | 112,231,901               | 99.79%                |
| 2007           | 129,366,876    | 125,140,445                | 96.73%                          | 4,004,128  | 129,144,573               | 99.83%                |

Source: Denton Central Appraisal District and Denton County Tax Assessor-Collector.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

SCHEDULE 12

|             | Governmental Activities |               |  |  |                      |                       |  |
|-------------|-------------------------|---------------|--|--|----------------------|-----------------------|--|
| Fiscal Year |                         | Bonds Payable | General Obligation Net Bonded Debt Outstanding | Total Debt Percentage of Personal Income | Estimated Population | Total Debt Per Capita | Bonded Debt to Value of Taxable Property |
| 2016        | \$                      | 848,148,290   | \$ 779,376,583                                 | 3.56%                                    | 106,780              | \$ 7,943              | 13.80                                    |
| 2015        |                         | 760,236,831   | 734,513,797                                    | 2.84%                                    | 106,780              | 6,879                 | 15.28                                    |
| 2014        |                         | 685,086,490   | 671,947,713                                    | 2.98%                                    | 100,992              | 6,653                 | 15.49                                    |
| 2013        |                         | 637,633,346   | 627,557,392                                    | 3.12%                                    | 100,992              | 6,214                 | 16.64                                    |
| 2012        |                         | 641,949,477   | 641,949,477                                    | 2.98%                                    | 99,146               | 6,475                 | 16.69                                    |
| 2011        |                         | 566,316,046   | 556,532,288                                    | 3.37%                                    | 98,508               | 5,650                 | 18.64                                    |
| 2010        |                         | 519,312,098   | 509,710,505                                    | 3.60%                                    | 92,909               | 5,486                 | 21.17                                    |
| 2009        |                         | 524,053,094   | 514,640,958                                    | 3.50%                                    | 86,595               | 5,943                 | 2.10                                     |
| 2008        |                         | 464,782,856   | 455,598,340                                    | 3.88%                                    | 77,895               | 5,849                 | 18.12                                    |
| 2007        |                         | 413,304,890   | 404,307,768                                    | 3.92%                                    | 68,315               | 5,918                 | 18.80                                    |

Note: Net bonded debt consists of general obligation bonds, accreted interest, and premiums on bond issuance, less the deferred loss on bond refunding and the debt service fund balance.

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

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NORTHWEST INDEPENDENT SCHOOL DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2016

SCHEDULE 13

| Taxing Jurisdiction   | Taxable<br>Assessed<br>Value | Total<br>Tax<br>Supported<br>Debt | Estimated<br>%<br>Applicable | District's<br>Overlapping<br>Tax<br>Supported<br>Debt |
|---|------------------------------|-----------------------------------|------------------------------|---|
| Corral City, Town of  | \$ 4,404,317                 | \$ 12,478                         | 100.00%                      | \$ 12,478   |
| Denton County   | 63,594,441,842               | 613,455,000                       | 9.75%                        | 59,811,863  |
| Flower Mound, Town of   | 7,842,322,272                | 127,955,000                       | 1.24%                        | 1,586,642   |
| Fort Worth, City of   | 47,384,979,784               | 786,030,000                       | 9.35%                        | 73,493,805  |
| Grapevine, City of  | 6,593,129,832                | 151,067,182                       | 0.14%                        | 211,494   |
| Haslet, City of   | 563,201,135                  | 4,745,000                         | 100.00%                      | 4,745,000   |
| Justin, City of   | 216,685,904                  | 9,845,000                         | 100.00%                      | 9,845,000   |
| Keller, City of   | 4,451,413,925                | 87,787,000                        | 0.39%                        | 342,369   |
| Newark, City of   | 38,831,861                   | 828,000                           | 100.00%                      | 828,000   |
| Northlake Town of   | 241,142,050                  | 6,255,000                         | 88.81%                       | 5,555,066   |
| Rhome, City of  | 120,300,295                  | 2,310,000                         | 100.00%                      | 2,310,000   |
| Roanoke, City of  | 1,443,716,657                | 41,990,000                        | 100.00%                      | 41,990,000  |
| Southlake, City of  | 6,329,516,736                | 146,095,000                       | 3.55%                        | 5,186,373   |
| Tarrant County  | 132,971,955,288              | 317,820,000                       | 4.26%                        | 13,539,132  |
| Tarrant County College District   | 133,754,637,419              | 7,935,000                         | 4.26%                        | 338,031   |
| Tarrant County Hospital District  | 133,230,920,130              | 24,425,000                        | 4.26%                        | 1,040,505   |
| Trophy Club MUD #1  | 1,127,913,176                | 11,285,000                        | 79.22%                       | 8,939,977   |
| Trophy Club, Town of  | 1,225,516,256                | 14,727,000                        | 100.00%                      | 14,727,000  |
| Westlake, Town of   | 904,126,123                  | 29,304,000                        | 20.72%                       | 6,071,789   |
| Wise County   | 7,627,329,457                | 14,335,000                        | 14.59%                       | 2,091,477   |
| Total Overlapping Debt  |                              |                                   |                              | <u>\$ 252,666,001</u>                                 |
| Northwest ISD   | \$ 11,705,540,348            | \$ 848,148,290                    | 100.00%                      | <u>848,148,290</u>                                    |
| Total Direct Debt   |                              |                                   |                              | <u>\$ 848,148,290</u>                                 |
| Total Direct and Overlapping Tax Supported Debt                               |                              |                                   |                              | <u>\$ 1,100,814,291</u>                               |
| Total Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation |                              |                                   |                              | <u>9.40%</u>  |
| Per Capita Direct and Overlapping Tax Supported Debt                          |                              |                                   |                              | <u>\$ 10,309</u>                                      |

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of Northwest Independent School District.

Note: The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the District's boundaries and dividing it by each unit's total taxable value.

Source: Northwest Independent School District OFFICIAL STATEMENT dated October 15, 2015.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

SCHEDULE 14

| Fiscal Year:   | 2016             | 2015             | 2014             | 2013             |
|--|------------------|------------------|------------------|------------------|
| Debt Limit   | \$ 1,170,554,035 | \$ 1,161,692,785 | \$ 1,054,885,212 | \$ 1,061,020,420 |
| Total net debt applicable to limit                                   | 697,495,888      | 695,285,286      | 649,420,834      | 608,383,854      |
| Legal debt margin  | \$ 473,058,147   | \$ 466,407,499   | \$ 405,464,378   | \$ 452,636,566   |
| Total net debt applicable to the limit as a percentage of debt limit | 59.59%           | 59.85%           | 61.56%           | 57.34%           |

**Current Fiscal Year: Legal debt margin calculation**

|  |                   |
|--|-------------------|
| Taxable Assessed Value - October 2015 (100% of Actual) | \$ 11,705,540,348 |
| Debt limit (10% of assessed value)                     | 1,170,554,035     |
| Total bonded debt                                      | \$ 736,819,556    |
| Less restricted for retirement of bonded debt          | 39,323,668        |
| Total amount of debt applicable to debt limit          | 697,495,888       |
| Legal debt margin                                      | \$ 473,058,147    |

Note: Under state finance law, Northwest Independent School District's outstanding general obligation debt should not exceed 10 percent of the total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Note: Debt limit percentage is in accordance with the Texas Education Code, Bulletin 721, Section 20.04.

Source: Denton Central Appraisal District, Northwest Independent School District.



| 2012             | 2011             | 2010             | 2009             | 2008           | 2007           |
|------------------|------------------|------------------|------------------|----------------|----------------|
| \$ 1,071,261,760 | \$ 1,055,729,395 | \$ 1,099,141,850 | \$ 1,009,964,142 | \$ 842,385,034 | \$ 776,978,234 |
| 609,156,923      | 531,232,377      | 509,710,505      | 514,640,958      | 455,598,340    | 404,307,768    |
| \$ 462,104,837   | \$ 524,497,018   | \$ 589,431,345   | \$ 495,323,184   | \$ 386,786,694 | \$ 372,670,466 |
| 56.86%           | 50.32%           | 46.37%           | 50.96%           | 54.08%         | 52.04%         |

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NORTHWEST INDEPENDENT SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

SCHEDULE 15

| Fiscal<br>Year | Population | Personal<br>Income | Per Capita<br>Personal<br>Income | Unemployment<br>Rate |
|----------------|------------|--------------------|----------------------------------|----------------------|
| 2016           | 106,780    | \$ 23,841,776,244  | \$ 223,279                       | 3.6%                 |
| 2015           | 106,780    | 22,400,315,915     | 209,780                          | 3.8%                 |
| 2014           | 100,992    | 21,046,005,463     | 208,393                          | 4.8%                 |
| 2013           | 100,992    | 19,773,575,857     | 195,793                          | 5.9%                 |
| 2012           | 99,146     | 18,578,076,626     | 187,381                          | 6.3%                 |
| 2011           | 98,508     | 18,458,527,548     | 187,381                          | 7.0%                 |
| 2010           | 92,909     | 17,068,033,663     | 183,707                          | 7.5%                 |
| 2009           | 86,595     | 15,596,213,888     | 180,105                          | 7.2%                 |
| 2008           | 77,895     | 13,774,881,000     | 176,839                          | 4.5%                 |
| 2007           | 68,315     | 10,827,817,000     | 158,498                          | 3.9%                 |

Source: Northwest Metroport Chamber of Commerce and Dallas Business Journal

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

SCHEDULE 16

| <u>Employer</u>                        | 2016             |   |
|--|------------------|---|
|  | <u>Employees</u> | <u>Percentage<br/>of Average Total<br/>Employment</u> |
| Fidelity Investments                   | 5,000 - 7,499    | 19.74%  |
| Amazon                                 | 2,500 - 4,999    | 13.16%  |
| GENCO ATC Logistics & Electronics      | 2,500 - 4,999    | 13.16%  |
| DynCorp International - GSDS           | 1,000 - 2,499    | 6.58%   |
| Flextronics                            | 1,000 - 2,499    | 6.58%   |
| Northwest ISD                          | 1,000 - 2,499    | 6.58%   |
| TD Ameritrade, Inc                     | 1,000 - 2,499    | 6.58%   |
| Texas Motor Speedway                   | 1,000 - 2,499    | 6.58%   |
| A T & T                                | 500 - 999        | 2.63%   |
| Burlington Northern & Santa Fe Railway | 500 - 999        | 2.63%   |
| Deloitte University                    | 500 - 999        | 2.63%   |
| Federal Express Corp - So Regional     | 500 - 999        | 2.63%   |
| GE Manufacturing Solutions             | 500 - 999        | 2.63%   |
| LG Electronics Alabama, Inc            | 500 - 999        | 2.63%   |
| Mercedes-Benz Financial Services, LLC  | 500 - 999        | 2.63%   |
| Walmart.com                            | 500 - 999        | 2.63%   |
|  |                  | 100.00%   |

Source: Hillwood Alliance Development and Demographic Data from Tarrant, Denton and Wise Counties

| <u>Employer</u>                                 | <u>2007</u>      |   |
|---|------------------|---|
|   | <u>Employees</u> | <u>Percentage<br/>of Average Total<br/>Employment</u> |
| Sabre Holdings                                  | 3,300            | 15.24%  |
| Motorola Fulfillment Center                     | 3,200            | 14.78%  |
| Fidelity Investments                            | 3,100            | 14.32%  |
| First American Real Estate Information Services | 2,400            | 11.09%  |
| American Airlines Alliance                      | 2,100            | 9.70%   |
| ATC Logistics & Electronics                     | 1,550            | 7.16%   |
| United Parcel Service                           | 1,200            | 5.54%   |
| Baylor Medical Center                           | 1,000            | 4.62%   |
| Daimler Chrysler                                | 850              | 3.93%   |
| Nokia Inc. Corp                                 | 700              | 3.23%   |
| Bell Helicopter                                 | 650              | 3.00%   |
| GameStop  | 600              | 2.77%   |
| J.C. Penney Retail Distribution Center          | 500              | 2.31%   |
| TD Ameritrade                                   | <u>500</u>       | <u>2.31%</u>  |
|   | 21,650           | 100.00%   |

Source: Northwest ISD's Comprehensive Annual Financial Report dated June 30, 2007.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
FULL-TIME-EQUIVALENT DISTRICT EMPLOYEES BY TYPE  
LAST TEN FISCAL YEARS

SCHEDULE 17

|  | Full-Time-Equivalent Employees as of June 30 |       |       |       |       |       |       |       |       |       |
|--|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 2016   | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  |
| <b>Supervisory</b>                     |  |       |       |       |       |       |       |       |       |       |
| Instructional administrators           | 18   | 17    | 20    | 22    | 19    | 17    | 16    | 13    | 11    | 9     |
| Noninstructional administrators        | 64   | 63    | 56    | 53    | 49    | 51    | 49    | 48    | 38    | 35    |
| Consultants/supervisors of instruction | -  | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Principals                             | 32   | 27    | 26    | 25    | 25    | 22    | 22    | 21    | 18    | 16    |
| Assistant principals                   | 39   | 36    | 27    | 26    | 24    | 27    | 25    | 24    | 19    | 14    |
| Total Supervisory                      | 153  | 143   | 129   | 126   | 117   | 117   | 112   | 106   | 86    | 74    |
| <b>Instruction</b>                     |  |       |       |       |       |       |       |       |       |       |
| Elementary teachers                    | 715  | 683   | 634   | 608   | 564   | 564   | 525   | 482   | 418   | 375   |
| Secondary teachers                     | 713  | 646   | 604   | 592   | 544   | 549   | 477   | 394   | 358   | 313   |
| Other teachers (adult)                 | -  | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Other professionals (instructional)    | -  | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Aides                                  | 218  | 196   | 172   | 160   | 143   | 134   | 111   | 96    | 87    | 77    |
| Total Instruction                      | 1,646  | 1,524 | 1,410 | 1,360 | 1,251 | 1,247 | 1,113 | 972   | 863   | 765   |
| <b>Student Services</b>                |  |       |       |       |       |       |       |       |       |       |
| Guidance counselors                    | 49   | 46    | 45    | 39    | 38    | 37    | 31    | 27    | 24    | 21    |
| Visiting teachers/social workers       | -  | -     | -     | -     | -     | -     | 1     | 1     | 1     | 1     |
| Psychologists                          | 16   | 18    | 17    | 16    | 16    | 15    | 15    | 12    | 13    | 10    |
| Librarians                             | 25   | 24    | 24    | 23    | 22    | 20    | 19    | 17    | 15    | 15    |
| Other professionals (noninstructional) | 72   | 67    | 61    | 58    | 53    | 55    | 52    | 45    | 40    | 33    |
| Technicians                            | 22   | 20    | 13    | 13    | 11    | 11    | 10    | 9     | 9     | 9     |
| Total Student Services                 | 184  | 175   | 160   | 149   | 140   | 138   | 128   | 111   | 102   | 89    |
| <b>Support and Administration</b>      |  |       |       |       |       |       |       |       |       |       |
| Clerical/secretarial                   | 157  | 149   | 137   | 135   | 129   | 123   | 114   | 108   | 98    | 88    |
| Service workers                        | 9  | 8     | 17    | 18    | 17    | 15    | 12    | 12    | 6     | 11    |
| Skilled crafts                         | 25   | 22    | 20    | 20    | 20    | 20    | 16    | 14    | 12    | 12    |
| Unskilled laborers                     | -  | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Total support and administration       | 191  | 179   | 174   | 173   | 166   | 158   | 142   | 134   | 116   | 111   |
| <b>Total</b>                           | 2,174  | 2,021 | 1,872 | 1,807 | 1,673 | 1,660 | 1,495 | 1,323 | 1,167 | 1,039 |

Source: Northwest Independent School District, Human Resource Department.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
EXPENDITURES, ENROLLMENT AND PER PUPIL COST  
LAST TEN FISCAL YEARS

SCHEDULE 18

| Fiscal Year | Enrollment | Operating Expenditures | Cost Per Pupil | Expenses       | Cost Per Pupil | Teaching Staff | Pupil-Teacher Ratio | Percentage of Students Receiving Free or Reduced-Price Meals |
|-------------|------------|------------------------|----------------|----------------|----------------|----------------|---------------------|--|
| 2016        | 20,900     | \$ 190,868,874         | \$ 9,132       | \$ 232,784,959 | \$ 11,138      | 1,428          | 14.64               | 21.6%  |
| 2015        | 19,760     | 177,059,866            | 8,961          | 235,625,010    | 11,924         | 1,329          | 14.87               | 21.7%  |
| 2014        | 18,893     | 160,560,636            | 8,498          | 220,275,953    | 11,659         | 1,238          | 15.26               | 22.7%  |
| 2013        | 17,752     | 146,695,788            | 8,264          | 217,722,495    | 12,265         | 1,200          | 14.79               | 25.5%  |
| 2012        | 16,556     | 135,353,401            | 8,175          | 219,934,416    | 13,284         | 1,108          | 14.94               | 23.4%  |
| 2011        | 15,293     | 138,940,670            | 9,085          | 198,017,104    | 12,948         | 1,113          | 13.74               | 23.1%  |
| 2010        | 14,088     | 124,054,930            | 8,806          | 237,536,392    | 16,861         | 1,002          | 14.06               | 22.9%  |
| 2009        | 12,935     | 106,558,422            | 8,238          | 188,964,534    | 14,609         | 876            | 14.77               | 21.2%  |
| 2008        | 11,824     | 95,130,277             | 8,046          | 156,802,382    | 13,261         | 776            | 15.24               | 20.6%  |
| 2007        | 10,334     | 81,068,454             | 7,845          | 159,769,479    | 15,461         | 688            | 15.02               | 20.2%  |

Note: Expenditures for computing per pupil cost are a total of actual expenditures as prescribed by the Texas Education Agency's Financial Accountability System Resource Guide. These include the General and Special Revenue Funds excluding objects of Debt Service, Capital Outlay and Intergovernmental charges.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

SCHEDULE 19

| Schools            | Original<br>Construction | Fiscal Year Ended |        |        |        |        |        |        |        |        |        |
|--------------------|--------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                    |                          | 2016              | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   | 2007   |
| Elementary Schools |                          |                   |        |        |        |        |        |        |        |        |        |
| Beck               | 1998                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 87,032            | 87,032 | 87,032 | 79,603 | 79,603 | 61,652 | 61,652 | 61,652 | 61,652 | 61,652 |
| Capacity           |                          | 850               | 850    | 850    | 650    | 650    | 450    | 450    | 450    | 450    | 450    |
| Enrollment         |                          | 816               | 744    | 737    | 701    | 711    | 569    | 519    | 500    | 500    | 447    |
| Cox                | 2013                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 98,866            | 98,866 | 98,866 | -      | -      | -      | -      | -      | -      | -      |
| Capacity           |                          | 850               | 850    | 850    | -      | -      | -      | -      | -      | -      | -      |
| Enrollment         |                          | 447               | 351    | 345    | -      | -      | -      | -      | -      | -      | -      |
| Granger            | 2007                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 95,418            | 95,418 | 95,418 | 95,418 | 95,418 | 83,083 | 81,545 | 81,545 | 81,545 | -      |
| Capacity           |                          | 850               | 850    | 850    | 850    | 850    | 700    | 650    | 650    | 650    | -      |
| Enrollment         |                          | 922               | 908    | 903    | 869    | 878    | 708    | 633    | 640    | 554    | -      |
| Haslet             | 1992                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 78,420            | 78,420 | 78,420 | 78,420 | 78,420 | 78,420 | 78,420 | 78,420 | 78,420 | 78,420 |
| Capacity           |                          | 650               | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    |
| Enrollment         |                          | 445               | 420    | 404    | 504    | 498    | 509    | 507    | 492    | 500    | 523    |
| Hatfield           | 1998                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 61,652            | 61,652 | 61,652 | 61,652 | 61,652 | 61,652 | 61,652 | 72,332 | 72,332 | 69,332 |
| Capacity           |                          | 450               | 450    | 450    | 450    | 450    | 450    | 450    | 800    | 800    | 750    |
| Enrollment         |                          | 456               | 410    | 371    | 452    | 442    | 389    | 309    | 916    | 786    | 692    |
| Hughes             | 2005                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 80,124            | 80,124 | 80,124 | 80,124 | 80,124 | 80,124 | 80,124 | 80,124 | 80,124 | 80,124 |
| Capacity           |                          | 650               | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    |
| Enrollment         |                          | 585               | 570    | 541    | 571    | 574    | 570    | 567    | 550    | 521    | 728    |
| Justin             | 1992                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 81,760            | 81,760 | 81,760 | 81,760 | 81,760 | 81,760 | 81,760 | 81,760 | 81,760 | 80,260 |
| Capacity           |                          | 650               | 650    | 650    | 650    | 650    | 700    | 700    | 700    | 700    | 650    |
| Enrollment         |                          | 540               | 522    | 507    | 516    | 514    | 532    | 589    | 575    | 652    | 667    |
| Lakeview           | 1983                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 85,671            | 85,671 | 85,671 | 85,671 | 56,312 | 54,774 | 54,774 | 54,774 | 54,774 | 54,774 |
| Capacity           |                          | 650               | 650    | 650    | 650    | 500    | 450    | 450    | 450    | 450    | 450    |
| Enrollment         |                          | 569               | 568    | 566    | 520    | 489    | 428    | 327    | 315    | 298    | 316    |
| Love               | 2009                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet        |                          | 97,924            | 97,924 | 97,924 | 97,924 | 81,203 | 81,203 | 81,203 | -      | -      | -      |
| Capacity           |                          | 850               | 850    | 850    | 850    | 650    | 650    | 650    | -      | -      | -      |
| Enrollment         |                          | 717               | 715    | 680    | 576    | 571    | 621    | 626    | -      | -      | -      |



NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION,  
LAST TEN FISCAL YEARS

SCHEDULE 19 (Continued)

| Schools                        | Original<br>Construction | Fiscal Year Ended |        |        |        |        |        |        |        |        |        |
|--------------------------------|--------------------------|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                |                          | 2016              | 2015   | 2014   | 2013   | 2012   | 2011   | 2010   | 2009   | 2008   | 2007   |
| Elementary Schools (Continued) |                          |                   |        |        |        |        |        |        |        |        |        |
| Nance                          | 2005                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 80,124            | 80,124 | 80,124 | 80,124 | 80,124 | 84,732 | 84,732 | 80,124 | 80,124 | 80,124 |
| Capacity                       |                          | 650               | 650    | 650    | 650    | 650    | 806    | 806    | 650    | 650    | 650    |
| Enrollment                     |                          | 499               | 481    | 452    | 461    | 459    | 780    | 747    | 718    | 684    | 643    |
| Peterson                       | 2008                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 98,142            | 98,142 | 98,142 | 81,000 | 81,000 | 81,000 | 81,000 | 81,000 | -      | -      |
| Capacity                       |                          | 850               | 850    | 850    | 650    | 650    | 650    | 650    | 650    | -      | -      |
| Enrollment                     |                          | 866               | 807    | 761    | 628    | 623    | 493    | 322    | 317    | -      | -      |
| Prairie View                   | 1998                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 78,000            | 78,000 | 78,000 | 78,000 | 78,000 | 73,944 | 73,944 | 65,000 | 85,898 | 92,042 |
| Capacity                       |                          | 650               | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 900    |
| Enrollment                     |                          | 423               | 437    | 450    | 451    | 443    | 413    | 414    | 395    | 375    | 660    |
| Roanoke*                       | 2010                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 97,411            | 97,411 | 97,411 | 97,411 | 97,411 | 84,000 | -      | -      | -      | -      |
| Capacity                       |                          | 850               | 850    | 850    | 850    | 850    | 650    | -      | -      | -      | -      |
| Enrollment                     |                          | 709               | 752    | 725    | 805    | 804    | 709    | -      | -      | -      | -      |
| Seven Hills                    | 1998                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 75,968            | 75,968 | 75,968 | 75,968 | 75,968 | 75,968 | 75,968 | 75,968 | 75,968 | 75,968 |
| Capacity                       |                          | 650               | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    | 650    |
| Enrollment                     |                          | 534               | 568    | 553    | 527    | 522    | 488    | 519    | 513    | 503    | 442    |
| Sendera Ranch                  | 2008                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 81,000            | 81,000 | 81,000 | 81,000 | 81,000 | 85,632 | 85,632 | 81,000 | -      | -      |
| Capacity                       |                          | 650               | 650    | 650    | 650    | 650    | 806    | 806    | 650    | -      | -      |
| Enrollment                     |                          | 590               | 603    | 596    | 560    | 557    | 812    | 729    | 696    | -      | -      |
| Schluter                       | 2011                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 83,099            | 83,099 | 83,099 | 83,099 | 83,099 | -      | -      | -      | -      | -      |
| Capacity                       |                          | 650               | 650    | 650    | 650    | 650    | -      | -      | -      | -      | -      |
| Enrollment                     |                          | 635               | 543    | 526    | 425    | 413    | -      | -      | -      | -      | -      |
| Thompson                       | 2011                     |                   |        |        |        |        |        |        |        |        |        |
| Square feet                    |                          | 83,099            | 83,099 | 83,099 | 83,099 | 83,099 | -      | -      | -      | -      | -      |
| Capacity                       |                          | 650               | 650    | 650    | 650    | 650    | -      | -      | -      | -      | -      |
| Enrollment                     |                          | 566               | 543    | 532    | 479    | 435    | -      | -      | -      | -      | -      |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION,  
LAST TEN FISCAL YEARS

SCHEDULE 19 (Continued)

| Schools        | Original<br>Construction | Fiscal Year Ended |         |         |         |         |         |         |         |         |         |
|----------------|--------------------------|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                |                          | 2016              | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    | 2009    | 2008    | 2007    |
| Middle Schools |                          |                   |         |         |         |         |         |         |         |         |         |
| Chisholm       | 1998                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet    |                          | 171,361           | 171,361 | 171,361 | 171,361 | 171,361 | 162,000 | 162,000 | 162,000 | 142,448 | 142,448 |
| Capacity       |                          | 1,200             | 1,200   | 1,200   | 1,200   | 1,200   | 1,100   | 1,100   | 1,100   | 850     | 850     |
| Enrollment     |                          | 977               | 896     | 902     | 866     | 860     | 1,056   | 1,064   | 1,062   | 959     | 702     |
| Medlin         | 1998                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet    |                          | 170,889           | 170,889 | 170,889 | 170,889 | 170,889 | 162,000 | 162,000 | 162,000 | 158,584 | 158,584 |
| Capacity       |                          | 1,200             | 1,200   | 1,200   | 1,200   | 1,200   | 1,100   | 1,100   | 1,100   | 1,110   | 1,100   |
| Enrollment     |                          | 1,121             | 1,071   | 1,081   | 903     | 891     | 716     | 1,169   | 1,163   | 1,072   | 907     |
| Pike           | 1993                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet    |                          | 192,414           | 192,414 | 192,414 | 192,414 | 192,414 | 179,650 | 179,650 | 160,000 | 146,267 | 156,267 |
| Capacity       |                          | 1,200             | 1,200   | 1,200   | 1,200   | 1,200   | 1,100   | 1,100   | 1,100   | 1,100   | 1,100   |
| Enrollment     |                          | 770               | 759     | 746     | 755     | 762     | 973     | 971     | 974     | 949     | 833     |
| Tidwell        | 2010                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet    |                          | 181,000           | 181,000 | 181,000 | 181,000 | 181,000 | 181,000 | -       | -       | -       | -       |
| Capacity       |                          | 1,200             | 1,200   | 1,200   | 1,200   | 1,200   | 1,200   | -       | -       | -       | -       |
| Enrollment     |                          | 1,124             | 1,048   | 1,046   | 921     | 913     | 774     | -       | -       | -       | -       |
| Wilson         | 2012                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet    |                          | 199,500           | 199,500 | 199,500 | 199,500 | -       | -       | -       | -       | -       | -       |
| Capacity       |                          | 1,200             | 1,200   | 1,200   | 1,200   | -       | -       | -       | -       | -       | -       |
| Enrollment     |                          | 838               | 855     | 852     | 682     | -       | -       | -       | -       | -       | -       |

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION,  
LAST TEN FISCAL YEARS

SCHEDULE 19 (Continued)

| Schools      | Original<br>Construction | Fiscal Year Ended |         |         |         |         |         |         |         |         |         |
|--------------|--------------------------|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|              |                          | 2016              | 2015    | 2014    | 2013    | 2012    | 2011    | 2010    | 2009    | 2008    | 2007    |
| High Schools |                          |                   |         |         |         |         |         |         |         |         |         |
| Eaton        | 2016                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet  |                          | 525,602           | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Capacity     |                          | 2,500             | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Enrollment   |                          | 982               | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Byron Nelson | 2009                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet  |                          | 502,234           | 502,234 | 502,234 | 502,234 | 502,234 | 502,234 | 502,234 | -       | -       | -       |
| Capacity     |                          | 2,400             | 2,400   | 2,400   | 2,400   | 2,400   | 2,400   | 2,400   | -       | -       | -       |
| Enrollment   |                          | 2,524             | 2,515   | 2,563   | 2,077   | 2,127   | 1,391   | 842     | -       | -       | -       |
| Northwest    | 1984                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet  |                          | 542,427           | 542,427 | 542,427 | 542,427 | 542,427 | 542,427 | 542,427 | 533,000 | 533,000 | 457,230 |
| Capacity     |                          | 3,000             | 3,000   | 3,000   | 3,000   | 3,000   | 3,000   | 3,000   | 3,000   | 3,000   | 2,700   |
| Enrollment   |                          | 2,194             | 2,753   | 2,821   | 2,422   | 2,511   | 2,415   | 2,632   | 3,589   | 3,243   | 2,618   |
| Steele*      | 1992                     |                   |         |         |         |         |         |         |         |         |         |
| Square feet  |                          | 55,567            | 55,567  | 55,567  | 55,567  | 55,567  | 55,567  | 60,103  | 58,567  | 58,567  | 55,567  |
| Capacity     |                          | 450               | 450     | 450     | 450     | 450     | 450     | 706     | 550     | 550     | 450     |
| Enrollment   |                          | 130               | 109     | 119     | 74      | 92      | 81      | 671     | 660     | 570     | 497     |

Note: \*Roanoke Elementary School was relocated to a new facility 2010-2011  
with Steele Accelerated High School occupying the old Roanoke Elementary School campus.

Source: Northwest Independent School District, Facilities, Planning & Construction.

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## SINGLE AUDIT SECTION

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

To the Board of Trustees  
Northwest Independent School District  
Fort Worth, Texas 76177

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northwest Independent School District's basic financial statements, and have issued our report dated October 24, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### Purpose of this Report

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



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

October 24, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200

To the Board of Trustees  
Northwest Independent School District  
Fort Worth, Texas 76177

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

We have audited Northwest Independent School District's compliance with the types of compliance requirements described in the Title 2 CFR Part 200 that could have a direct and material effect on each of Northwest Independent School District's major federal programs for the year ended June 30, 2016. Northwest Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding 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 Northwest Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 CFR Part 200. Those standards and Title 2 CFR Part 200 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 Northwest Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Northwest Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of Northwest Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwest Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Title 2 CFR Part 200, 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 Northwest Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Title 2 CFR Part 200. Accordingly, this report is not suitable for any other purpose.



Hankins, Eastup, Deaton, Tonn & Seay, PC  
Denton, Texas

October 24, 2016

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Title 2 CFR Part 200: No
7. Major programs include:  
Child Nutrition Cluster:  
CFDA 10.553 School Breakfast Program  
CFDA 10.555 National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

No prior year findings.

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

| (1)<br>FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | (2)<br>Federal<br>CFDA<br>Number | (3)<br>Pass-Through<br>Entity Identifying<br>Number | (4)<br>Federal<br>Expenditures |
|--|----------------------------------|---|--------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                  |   |                                |
| <u>Direct Programs</u>   |                                  |   |                                |
| Impact Aid - P.L. 81.874 (Note A)  | 84.041                           |   | \$ 684,699                     |
| Total Direct Programs  |                                  |   | \$ 684,699                     |
| <u>Passed Through State Department of Education</u>                          |                                  |   |                                |
| ESEA, Title I, Part A - Improving Basic Programs                             | 84.010A                          | 16610101061911                                      | \$ 687,843                     |
| ESEA, Title I, Part D, Subpart 2   | 84.010A                          | 16610103061911                                      | 38,441                         |
| Total CFDA Number 84.010A  |                                  |   | 726,284                        |
| *IDEA - Part B, Formula  | 84.027                           | 166600010619116600                                  | 2,134,884                      |
| *IDEA - Part B, Preschool  | 84.173                           | 166610010619116610                                  | 13,582                         |
| Total Special Education Cluster (IDEA)                                       |                                  |   | 2,148,466                      |
| Career and Technical - Basic Grant   | 84.048                           | 16420006061911                                      | 99,009                         |
| Title III, Part A - English Language Acquisition                             | 84.365A                          | 16671001061911                                      | 105,391                        |
| ESEA, Title II, Part A, Teacher/Principal Training                           | 84.367A                          | 16694501061911                                      | 138,545                        |
| Summer School LEP  | 84.369A                          | 69551502  | 4,452                          |
| Total Passed Through State Department of Education                           |                                  |   | \$ 3,222,147                   |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                                    |                                  |   | <b>\$ 3,906,846</b>            |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                          |                                  |   |                                |
| <u>Passed Through Texas Dept of Human Services</u>                           |                                  |   |                                |
| Medicaid Administrative Claiming Program - MAC                               | 93.778                           | 01-061911   | \$ 33,772                      |
| Total Passed Through Texas Dept of Human Services                            |                                  |   | \$ 33,772                      |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                    |                                  |   | <b>\$ 33,772</b>               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                  |   |                                |
| <u>Passed Through the State Department of Agriculture</u>                    |                                  |   |                                |
| *School Breakfast Program  | 10.553                           | 71401601  | \$ 382,198                     |
| *National School Lunch Program - Cash Assistance                             | 10.555                           | 71301601  | 1,382,593                      |
| *National School Lunch Prog. - Non-Cash Assistance                           | 10.555                           | 71301601  | 391,638                        |
| Total CFDA Number 10.555   |                                  |   | 1,774,231                      |
| Total Child Nutrition Cluster  |                                  |   | 2,156,429                      |
| Total Passed Through the State Department of Agriculture                     |                                  |   | \$ 2,156,429                   |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                                  |                                  |   | <b>\$ 2,156,429</b>            |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                  |                                  |   | <b>\$ 6,097,047</b>            |

\*Clustered Programs

NORTHWEST INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

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

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

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

3. The District participates in numerous state and 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, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purposes of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Title 2 CFR Part 200.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

|   |                    |
|---|--------------------|
| Total Expenditures of Federal Awards      | \$6,097,047        |
| Indirect Costs                            | 259,364            |
| Medicaid Reimbursement (SHARS)            | 921,133            |
| Communities in Schools                    | <u>456,589</u>     |
| Federal Revenues per Financial Statements | <u>\$7,734,133</u> |