

**CLEBURNE INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2013

CLEBURNE INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF THE BOARD

Cleburne Independent School District
Name of School District

Johnson
County

126-903
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the 20th day of January, 2014.



Signature of Board Secretary



Signature of Board President

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

KIRK, RICHARDSON & POOLE P. C.

Members of the American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cleburne Independent School District
505 N. Ridgeway, Suite 100
Cleburne, Texas 76033

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleburne Independent School District (the "District") as of and for the year ended August 31, 2013, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note W to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated January 16, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole P.C.
Fort Worth, Texas
January 16, 2014

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

In this section of the Annual Financial and Compliance Report, we, the managers of Cleburne Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The District's net position decreased by \$2,848,781 (or 4.8%), including a \$(142,483) prior period adjustment to the Governmental Activities as a result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This prior period adjustment did not affect the governmental funds financial statements. The District is required by Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements-and Management Discussion and Analysis for State and Local Governments* (GASB 34), to make adjustments to its financial statements. These adjustments, as shown in Exhibit C-4 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities, require the District to add back expenditures made for capital projects and debt issues deducted as an operating expense as shown in Exhibit C-3 – Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds. Additional information regarding these adjustments can be found in the section Government-Wide Financial Analysis of this discussion and analysis.

During the year, the District had expenses after GASB 34 adjustments that were \$2,706,343 more than the \$60,681,384 generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$4,664,321.

Total cost of all District programs was \$63,387,727, an increase of \$4,881,542 over last year.

The General Fund ended the year with a fund balance of \$14,730,816, a decrease of \$613,399 from last year. Net tornado damages during the year contributed \$249,195 to the above decrease in fund balance. The State of Texas has established guidelines for the District's optimum fund balance. The District's fund balance was more than the State's optimum fund balance by \$3,197,438. This excess is anticipated to help the District to absorb reduced future State funding. The State's calculation of optimum fund balance considers timing differences related to actual cash receipts compared to projected expenditures. The ending fund balance of \$14,730,816 was 31.8% of the District's total 2013 expenditures of \$46,365,327.

The District issued \$8,659,995 in Unlimited Tax Refunding Bonds, Series 2012, with an average interest rate of 1.8%, to advance refund a portion of the District's Unlimited Tax School Building Bonds, Series 2005 with an average interest rate of 4.5%, and to pay the costs associated with sale of the Bonds. The net proceeds of \$9,657,504, after paying underwriter's discount on issuance of bonds of \$1,154,341, were used to purchase U.S government securities. The District also issued \$10,000,000 in Unlimited School Building Bonds, Series 2013 for the purpose of the acquisition, construction, renovation and equipment of school buildings, purchase of school sites and school buses. Additional information concerning these debt issues can be found in the Notes to the Financial Statements.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

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

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The District is currently in the process of amending reports for the Teacher Retirement System relating to a reporting issue from prior years. The amount related to this change was not readily determinable at the time the audit report was issued.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency. The section labeled "Texas Education Agency Required Schedules" and "Report on Internal Controls, Compliance and Federal Awards 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 primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the same basis of accounting which is the basis used by most 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 outside the District and grants provided by the U.S. Department of Education to assist students with disabilities or from disadvantaged backgrounds, and revenues provided by the taxpayers or by Texas Education

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

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

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

In the Statement of Net Position and the Statement of Activities, we show:

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

The District has no discretely presented component units.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

The District as Trustee

Reporting the District’s Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the District’s governmental activities. Net position of the District’s governmental activities decreased \$58,858,853 to \$56,010,072. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$9,291,767 as of August 31, 2013.

Table 1
Cleburne Independent School District
Net Position (in thousands)

	Governmental Activities	
	2013	2012
Current and other assets	\$ 33,491	\$ 25,680
Capital assets	77,912	79,378
Total assets	<u>111,403</u>	<u>105,058</u>
Deferred outflows of resources	<u>956</u>	<u>0</u>
Long-term liabilities	49,720	42,036
Other liabilities	6,629	4,163
Total liabilities	<u>56,349</u>	<u>46,199</u>
Net position		
Net investment in capital assets	36,078	37,994
Restricted	10,640	4,505
Unrestricted	9,292	16,360
Total net position	<u>\$ 56,010</u>	<u>\$ 58,859</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

Table 2
Cleburne Independent School District
Changes in Net Position (in thousands)

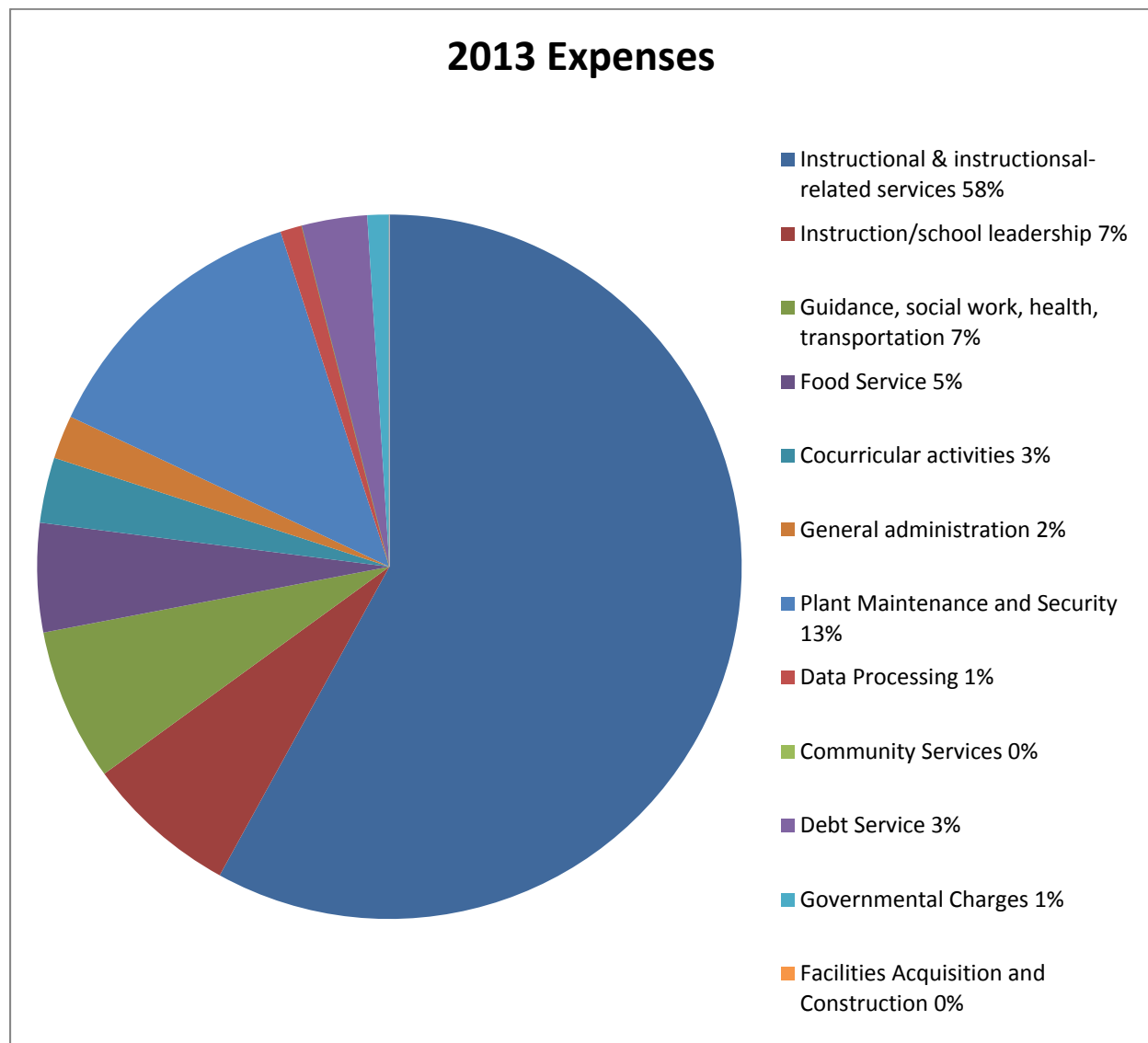
	Governmental Activities		
	2013	2012	Difference
Revenues			
Program revenues			
Charges for services	\$ 2,291	\$ 2,221	\$ 70
Operating grants and contributions	9,664	9,888	(224)
General revenues:			
Maintenance and operations taxes	28,996	29,864	(868)
Debt service taxes	5,481	5,645	(164)
State aid – formula grants	13,635	14,569	(934)
Grants & contributions not restricted	231	184	47
Other	384	800	(416)
Total revenues	60,682	63,171	(2,489)
Expenses:			
Instruction and instructional-related services	36,640	34,190	2,450
Instructional and school leadership	4,210	4,208	2
Guidance, social work, health, transportation	4,148	4,120	28
Food Services	3,132	3,021	111
Co-curricular activities	2,044	1,816	228
General Administration	1,538	1,548	(10)
Plant Maintenance and Security	8,233	6,500	1,733
Data Processing	598	554	44
Community Services	82	88	(6)
Debt Service	2,210	1,911	299
Capital Outlay	0	31	(31)
Intergovernmental Charges	553	519	34
Total Expenses	63,388	58,506	4,882
Increase in Net position	(2,706)	4,665	(7,371)
Net position Beginning	58,858	53,866	4,992
Prior Period Adjustment	(142)	327	(469)
Net position at August 31,	\$56,010	\$58,858	\$(2,848)

Total revenues of the District decreased 3.9% or \$(2.5) million. In the fiscal year 2013 the District saw a decrease in property value of \$84.5 million or 2.9%, when compared to fiscal year 2012. The District also receives funds from the state through the state equalized funding system to fund operations. The District saw a decrease of \$0.9 million in funds received from the state in fiscal year 2013.

The District's expenses increased by \$4,882 million or 8.3%. This increase in cost of operations mainly resulted from a general increase in all governmental activities.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
 UNAUDITED

The expense breakdown for 2012/13 is as follows:



The cost of all governmental activities this year was \$63.4 million, an increase of \$4.9 million over last year. As shown in the Statement of Activities, the amount that our taxpayers financed for these activities through District taxes was \$34.5 million because some of the costs were paid by those who directly benefited from the programs (\$2.3 million), by other governments and organizations that subsidized certain programs with grants and contributions (\$9.7 million), by State Aid – Formula Grants funding (\$13.6 million), Grants and Contributions not Restricted (\$0.2) or by investment earnings and other revenues (\$0.4 million).

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$25.4 million, which is more than last year's total of \$19.9 million. Included in this year's total change in fund balance is a \$613,399 decrease in the District's General Fund. The Capital Projects Fund increased by \$5.9 million.

Over the course of the year, the Board of Trustees revised the District's general fund budget several times to reflect changes in District's operations that were not reflected in the original budget. The most significant changes in the General Fund was in Facilities Maintenance and Operations.

The District's General Fund actual fund balance of \$14.7 million differs from the General Fund's budgetary fund balance of \$12.7 million. This is principally due to actual expenditures being less than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2013, the District had \$77.9 million net of accumulated depreciation, invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

Debt

At year-end, the District had \$49.7 million in long-term debt outstanding versus \$42.0 million last year – an increase of 18.3%. The increase was primarily the result of issuing new debt as previously discussed. District bond rating based upon the PSF Guarantee provided by the State is AAA.

More detailed information about the District's capital assets and long-term liabilities is presented in Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

For fiscal year 2014, the District experienced a decline in the tax base of approximately 6 percent, which is largely a result of reduced mineral valuations, and commercial/industrial property. A significant part of this decline is due to the continued reduction of activity in the natural gas industry the area has experienced over the past 3 years. Restoration of the previous year state funding cuts had a positive impact in the current biennium, and the 2013-2014 fiscal year will result in more revenue on a per student basis than the 2012-2013 school year. The current year

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

funding will not provide enough economic resources necessary to adopt a balanced budget; however, due to the District's fund balance position, the District will have sufficient funds necessary to provide a quality education to each student in the District. The District will utilize fund balance to offset the resulting operational deficit budgeted for the 2013-2014 fiscal year.

Next Year's Budget and Rates

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rate. In preparing the 2014 budget, the goal of the Board of Trustees was to adopt a budget that meets the educational goals of the District for the successful education of its students while operating within the limitations of the resources available.

For 2014, the District's budgeted revenue is projected to increase approximately \$700,000 dollars from the actual revenue realized in the 2012-2013 fiscal year. This is due to the restoration of a portion of the cuts the district realized in the previous biennium. CISD experienced a loss of average annual enrollment in the 2012-2013 year of approximately 100 students, which negatively impacted the 2012-2013 fiscal year; however, the loss of enrollment experienced over the past few years appears to have significantly lessened during the 2013-2014 fiscal year. Enrollment projections used in calculating revenue for the 2013-2014 operating budget did not anticipate any increase in enrollment.

The decline in the District's property tax base of approximately 6 percent (\$177 million) as compared to the prior year final state certified values will result in decreased tax revenues of approximately \$1.8 million, when taking into consideration the delinquent taxes, penalties and interest. Due to the revisions in the funding formulas associated with the 2013 legislative session, CISD will not realize this entire loss in revenue. The District is projected to receive approximately \$16.8 million in State funds for 2014.

For 2014 the District adopted a general fund deficit budget in which the District plans to utilize fund balance to provide for the revenue shortfall in the approximate amount of \$1.3 million. Total budgeted expenses will be \$48 million. This loss of this revenue to fund general operation of the District was approximately 2.7% of the annual general fund operating budget. The District will continue to monitor expenditures, and ensure meeting the ongoing accountability standards established by the State of Texas.

If these estimates of revenue and expenses are realized, the District's budgetary General Fund balance is expected to decrease in 2014.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013
UNAUDITED

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent's Office, at Cleburne Independent School District, 505 N. Ridgeway, Suite 100, Cleburne, Texas 76033.

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BASIC FINANCIAL STATEMENTS

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 28,179,334
1220 Property Taxes Receivable (Delinquent)	2,506,588
1230 Allowance for Uncollectible Taxes	(1,015,605)
1240 Due from Other Governments	2,481,517
1290 Other Receivables, net	1,064,353
1300 Inventories	156,135
1410 Prepayments	119,005
Capital Assets:	
1510 Land	2,934,455
1520 Buildings, Net	71,831,242
1530 Furniture and Equipment, Net	3,066,285
1580 Construction in Progress	80,022
1000 Total Assets	<u>111,403,331</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	955,842
1700 Total Deferred Outflows of Resources	<u>955,842</u>
LIABILITIES	
2110 Accounts Payable	2,164,679
2140 Interest Payable	70,560
2150 Payroll Deductions & Withholdings	853,940
2160 Accrued Wages Payable	1,899,463
2177 Due to Fiduciary Funds	7,149
2180 Due to Other Governments	1,314,878
2300 Unearned Revenue	318,529
Noncurrent Liabilities	
2501 Due Within One Year	4,185,000
2502 Due in More Than One Year	45,534,903
2000 Total Liabilities	<u>56,349,101</u>
NET POSITION	
3200 Net Investment in Capital Assets	36,077,975
3820 Restricted for Federal and State Programs	852,041
3850 Restricted for Debt Service	3,377,863
3860 Restricted for Capital Projects	5,873,834
3870 Restricted for Campus Activities	536,592
3900 Unrestricted	9,291,767
3000 Total Net Position	<u>\$ 56,010,072</u>

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 35,308,300	\$ 579,167	\$ 5,323,352	\$ (29,405,781)
12 Instructional Resources and Media Services	480,781	22,942	30,962	(426,877)
13 Curriculum and Staff Development	850,844	-	373,559	(477,285)
21 Instructional Leadership	1,030,777	-	289,651	(741,126)
23 School Leadership	3,179,244	22,942	169,811	(2,986,491)
31 Guidance, Counseling and Evaluation Services	1,711,730	-	482,813	(1,228,917)
32 Social Work Services	48,464	-	3,802	(44,662)
33 Health Services	477,502	-	26,528	(450,974)
34 Student (Pupil) Transportation	1,910,681	-	79,938	(1,830,743)
35 Food Services	3,131,789	764,174	2,195,908	(171,707)
36 Extracurricular Activities	2,043,939	599,676	33,385	(1,410,878)
41 General Administration	1,537,734	-	50,912	(1,486,822)
51 Facilities Maintenance and Operations	7,794,905	279,353	484,711	(7,030,841)
52 Security and Monitoring Services	437,901	-	-	(437,901)
53 Data Processing Services	598,086	-	21,065	(577,021)
61 Community Services	81,578	-	17,263	(64,315)
72 Debt Service - Interest on Long Term Debt	1,973,111	-	-	(1,973,111)
73 Debt Service - Bond Issuance Cost and Fees	237,112	-	-	(237,112)
81 Capital Outlay	-	22,942	-	22,942
93 Payments related to Shared Services Arrangements	80,344	-	80,344	-
99 Other Intergovernmental Charges	472,905	-	-	(472,905)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 63,387,727	\$ 2,291,196	\$ 9,664,004	(51,432,527)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			28,996,391
DT	Property Taxes, Levied for Debt Service			5,481,433
SF	State Aid - Formula Grants			13,634,453
GC	Grants and Contributions not Restricted			231,176
IE	Investment Earnings			31,553
MI	Miscellaneous Local and Intermediate Revenue			600,373
E1	Extraordinary Item - Tornado Recovery			3,175,488
E2	Extraordinary Item - Tornado Costs			(3,424,683)
TR	Total General Revenues & Extraordinary Items			48,726,184
CN	Change in Net Position			(2,706,343)
NB	Net Position - Beginning			58,858,853
PA	Prior Period Adjustment			(142,438)
NE	Net Position--Ending			\$ 56,010,072

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 16,251,910	\$ 3,410,455	\$ 7,142,518
1220 Property Taxes - Delinquent	2,135,918	370,670	-
1230 Allowance for Uncollectible Taxes (Credit)	(877,029)	(138,576)	-
1240 Receivables from Other Governments	552,043	-	-
1260 Due from Other Funds	2,792,219	4,424	-
1290 Other Receivables	1,030,809	33,544	-
1300 Inventories	62,505	-	-
1410 Prepayments	119,005	-	-
1000 Total Assets	<u>\$ 22,067,380</u>	<u>\$ 3,680,517</u>	<u>\$ 7,142,518</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,836,376	\$ -	\$ 305,551
2150 Payroll Deductions and Withholdings Payable	825,595	-	-
2160 Accrued Wages Payable	1,732,928	-	-
2170 Due to Other Funds	338,024	-	963,133
2180 Due to Other Governments	1,314,878	-	-
2300 Unearned Revenues	29,874	-	-
2000 Total Liabilities	<u>6,077,675</u>	<u>-</u>	<u>1,268,684</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,258,889	232,094	-
2600 Total Deferred Inflows of Resources	<u>1,258,889</u>	<u>232,094</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	62,505	-	-
3430 Prepaid Items	119,005	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	5,873,834
3480 Retirement of Long-Term Debt	-	3,448,423	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	159,935	-	-
3600 Unassigned Fund Balance	14,389,371	-	-
3000 Total Fund Balances	<u>14,730,816</u>	<u>3,448,423</u>	<u>5,873,834</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 22,067,380</u>	<u>\$ 3,680,517</u>	<u>\$ 7,142,518</u>

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

Other Funds	Total Governmental Funds
\$ 1,374,451	\$ 28,179,334
-	2,506,588
-	(1,015,605)
1,929,474	2,481,517
27,317	2,823,960
-	1,064,353
93,630	156,135
-	119,005
<u>\$ 3,424,872</u>	<u>\$ 36,315,287</u>
\$ 22,752	\$ 2,164,679
28,345	853,940
166,535	1,899,463
1,529,952	2,831,109
-	1,314,878
288,655	318,529
<u>2,036,239</u>	<u>9,382,598</u>
-	1,490,983
<u>-</u>	<u>1,490,983</u>
54,526	117,031
-	119,005
797,515	797,515
-	5,873,834
-	3,448,423
536,592	696,527
-	14,389,371
<u>1,388,633</u>	<u>25,441,706</u>
<u>\$ 3,424,872</u>	<u>\$ 36,315,287</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$	25,441,706
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$128,160,226 and the accumulated depreciation was \$48,782,276. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The effect of consolidating the long-term liabilities at the beginning of the year is a decrease in net position by \$41,970,483. The combined effect of including the beginning balances for capital assets (net of depreciation) and long-term debt items in the governmental activities is to increase net position.		37,407,467
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position by \$5,582,804. The District implemented GASB 65 early, which requires that the unamortized debt issuance costs incurred in prior periods be reclassified. The effect of the prior period adjustment is to (decrease) net position by \$142,438.		5,440,366
3 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(3,493,755)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(8,785,712)
19 Net Position of Governmental Activities	\$	56,010,072

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

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CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 30,146,987	\$ 5,581,189	\$ 555
5800 State Program Revenues	15,591,983	-	-
5900 Federal Program Revenues	262,153	-	-
5020 Total Revenues	<u>46,001,123</u>	<u>5,581,189</u>	<u>555</u>
EXPENDITURES:			
Current:			
0011 Instruction	27,816,666	-	1,699,054
0012 Instructional Resources and Media Services	403,355	-	-
0013 Curriculum and Instructional Staff Development	492,944	-	-
0021 Instructional Leadership	777,165	-	-
0023 School Leadership	2,975,588	-	-
0031 Guidance, Counseling and Evaluation Services	1,205,001	-	-
0032 Social Work Services	47,429	-	-
0033 Health Services	474,836	-	-
0034 Student (Pupil) Transportation	1,740,981	-	508
0035 Food Services	285	-	-
0036 Extracurricular Activities	1,407,646	-	93,603
0041 General Administration	1,468,502	-	5,389
0051 Facilities Maintenance and Operations	6,048,889	-	1,581,908
0052 Security and Monitoring Services	338,157	-	663,037
0053 Data Processing Services	600,384	-	4,472
0061 Community Services	67,951	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	3,554,995	-
0072 Interest on Long Term Debt	-	1,853,248	-
0073 Bond Issuance Cost and Fees	-	158,362	78,750
Capital Outlay:			
0081 Facilities Acquisition and Construction	26,643	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0099 Other Intergovernmental Charges	472,905	-	-
6030 Total Expenditures	<u>46,365,327</u>	<u>5,566,605</u>	<u>4,126,721</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(364,204)</u>	<u>14,584</u>	<u>(4,126,166)</u>
OTHER FINANCING SOURCES (USES):			
7901 Refunding Bonds Issued	-	8,659,995	-
7911 Capital Related Debt Issued (Regular Bonds)	-	-	10,000,000
7916 Premium or Discount on Issuance of Bonds	-	1,154,341	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,657,504)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>156,832</u>	<u>10,000,000</u>
EXTRAORDINARY ITEMS:			
7919 Extraordinary Item - Tornado Recovery	3,175,488	-	-
8913 Extraordinary Item - Tornado Costs	(3,424,683)	-	-
1200 Net Change in Fund Balances	<u>(613,399)</u>	<u>171,416</u>	<u>5,873,834</u>
0100 Fund Balance - September 1 (Beginning)	<u>15,344,215</u>	<u>3,277,007</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 14,730,816</u>	<u>\$ 3,448,423</u>	<u>\$ 5,873,834</u>

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

	Other Funds	Total Governmental Funds
\$	1,708,310	\$ 37,437,041
	1,088,733	16,680,716
	6,585,346	6,847,499
	9,382,389	60,965,256
	4,220,109	33,735,829
	35,216	438,571
	357,900	850,844
	253,612	1,030,777
	49,651	3,025,239
	429,727	1,634,728
	1,035	48,464
	2,666	477,502
	17,327	1,758,816
	2,969,325	2,969,610
	494,456	1,995,705
	3,047	1,476,938
	355,025	7,985,822
	2,293	1,003,487
	-	604,856
	13,627	81,578
	-	3,554,995
	-	1,853,248
	-	237,112
	12,900	39,543
	80,344	80,344
	-	472,905
	9,298,260	65,356,913
	84,129	(4,391,657)
	-	8,659,995
	-	10,000,000
	-	1,154,341
	-	(9,657,504)
	-	10,156,832
	-	3,175,488
	-	(3,424,683)
	84,129	5,515,980
	1,304,504	19,925,726
\$	1,388,633	\$ 25,441,706

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	5,515,980
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position by \$5,582,804. The District implemented GASB 65 early, which requires that the unamortized debt issuance costs incurred in prior periods be reclassified. The effect of the prior period adjustment is to (decrease) net position by \$142,438.		5,440,366
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.		(3,493,755)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The effect of these reclassifications and recognitions is to (decrease) net position.		(10,168,934)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(2,706,343)</u>

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 346,745	\$ 155,762
Investments - Current	1,731,897	-
Due from Other Funds	6,989	160
Other Receivables	8,800	-
Total Assets	2,094,431	\$ 155,922
LIABILITIES		
Short Term Debt Payable	-	\$ 116,277
Due to Student Groups	19,625	39,645
Total Liabilities	19,625	\$ 155,922
NET POSITION		
Restricted for Scholarships	2,074,806	
Total Net Position	\$ 2,074,806	

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 31,429
Total Additions	<u>31,429</u>
DEDUCTIONS:	
Other Operating Costs	40,589
Total Deductions	<u>40,589</u>
Change in Net Position	(9,160)
Total Net Position - September 1 (Beginning)	<u>2,083,966</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 2,074,806</u></u>

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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cleburne Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The District follows the generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting entity

Cleburne Independent School District is a public educational agency under the applicable laws and regulations of the State of Texas. The District is governed by a seven member Board of Trustees (the "Board") elected by the registered voters of the District. The Board has governance responsibilities over all the activities related to public, elementary and secondary education within the District. Because members of the board are elected by the public they have the authority to make decisions, appoint administrators and management and significantly influence operations, and have primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the District's non-fiduciary activities with most of the interfund activities removed from these statements. Governmental activities normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense and workers' compensation have been allocated to all applicable functions in order to present the expenses of the District more accurately on the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

particular function or segment. Taxes and other items not included in program revenues are reported instead as general revenue.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the “susceptible to accrual” concept. The District generally considers property taxes as available if they are collected within 60 days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Foundation School Program revenues are recognized as revenue when measurable and available within 60 days of year-end.

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

D. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts to reflect results of activities.

Major governmental funds:

- The general fund is the District's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.
- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.
- The capital projects fund is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Non-major Governmental Funds:

- The special revenue funds are used to account for resources restricted to, or designated for, specific purposes by the District or a grantor. Federal and state financial assistance is generally accounted for in a special revenue fund. Generally unused balances are returned to the grantor at the close of specified project periods. With respect to the campus activity fund, funds are rolled forward from year to year for use in the program.

Proprietary Funds:

- The District does not have proprietary funds.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

Fiduciary Funds:

- The private purpose trust funds account for donations for which the donor has stipulated that both the principal and the income may be used for purposes to benefit parties outside the District. These funds are scholarship funds.
- The agency fund is used to account for receipts and disbursements of monies from student activity and other organizations. The student activity and other granting organizations exist with the explicit approval of and are subject to revocation by the District's Board. The fund has no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District.

E. Other Accounting Policies - Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Current investments include investment pools and short-term investments with original maturities of one year or less from the date of acquisition.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect the District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Cooperation ("FDIC") insurance.

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Property Taxes

The Government Fund Balance Sheet reports Property Taxes – Delinquent and Allowance for Uncollectible Taxes (Credit) as separate line items. Allowance for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

Property taxes are levied each year by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

3. Inventories and Prepaid Items

The District uses the consumption method 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. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the Governmental Fund Types on the governmental fund financial statements. Encumbrances are liquidated at year end.

5. Interfund Receivables, Payables and Transfers

Interfund receivables and payables arise from interfund transactions in the normal course of operations and are recorded in all affected funds in the period in which transactions are executed. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations.

6. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets with an initial, individual cost which equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Land and construction in progress are not depreciable.

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

Buildings and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

Asset Classification	Useful Life
Land	Not depreciated
Construction in progress	Not depreciated
Buildings	40
Building improvements	40
Vehicles	5-10
Equipment	5-15

7. Compensated Absences

Employees of the District are entitled to personal leave based on category/class of employment. Personal leave is allowed to accumulate but does not vest. Therefore, a liability for unused personal leave has not been recorded in the financial statements.

8. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

9. Fund Equity

In accordance with Governmental Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

Non-spendable fund balance

- Non-spendable fund balance - includes amounts that are not in spendable form (such as inventory) or are required to be maintained intact because of legal or contractual constraints.

Spendable fund balance

- Restricted fund balance – includes amounts that are constraint for specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law though constitutional provisions or enabling legislation.
- Committed fund balance – includes amounts that are constrained for specific purposes by the District through formal actions of the Board. Committed amounts cannot be used for any other purpose unless the District’s Board takes action to remove or change the constraint.
- Assigned fund balance – includes amounts that are intended to be used for specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance – includes amounts that are available for any purpose.

In general, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e., committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

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

The District does not have a minimum fund balance policy.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 For Fiscal Year Ending August 31, 2013

Fund Balance	General	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
Nonspendable Fund Balance:					
Inventories	\$ 62,505	\$ 0	\$ 0	\$ 54,526	\$ 117,031
Prepaid items	119,005	0	0	0	119,005
Restricted Fund Balance:					
National Breakfast & Lunch Prog.	0	0	0	796,118	796,118
Advance Placement Incentives	0	0	0	859	859
Other State SRF's	0	0	0	538	538
Capital Acquisit. & Cont. Oblig.	0	0	5,873,834	0	5,873,834
Retirement of Long-Term Debt	0	3,448,423	0	0	3,448,423
Committed Fund Balance:					
Other Committed Fund Balance	159,935	0	0	0	159,935
Campus Activity Funds	0	0	0	536,592	536,592
Unassigned Fund Balance	14,389,371	0	0	0	14,389,371
Total Fund Balance	\$14,730,816	\$3,448,423	\$5,873,834	\$1,388,633	\$25,441,706

10. Use of Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal year 2013 will ultimately change from the amount calculated as of August 31, 2013 because of the factors that Texas Education Agency (the “Agency”) uses in its calculations.

Also included is management’s estimate of the allowance for doubtful accounts which is based on historical local property tax revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

11. Data Control Codes

In accordance with the Agency’s *Financial Accountability System Resource Guide* the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

12. New Accounting Pronouncements

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended August 31, 2013. The components of net position were renamed to reflect the requirements of this statement.

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

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Board of Trustees adopted an “appropriated budget” for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Program (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten day’s public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District’s campus/department heads may make transfers or appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District’s management. Transfers of appropriations between function require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District approved budgetary amendments throughout the year. All budget appropriations lapse at year end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$47,182,038	\$5,044,054	\$52,226,092
Child Nutrition Program	3,405,101	0	3,405,101
Debt Service Fund	5,416,121	2,116,550	7,532,671

Major amendment to the General Fund was in Function 51 – Facilities Maintenance and Operations in the amount of \$4,823,819 to recognize planned maintenance programs to district facilities resulting from storm damages. The Child Nutrition Program was amended to recognize unanticipated operational costs during the year. The District issued refunding bonds during the year which resulted in having to amend the Debt Service Fund.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
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A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2013	
Fund Balance	
Appropriated Budgeted Funds – Food Service Special Revenue Fund	\$ 850,644
Non-appropriated Budgeted Funds	<u>537,989</u>
All Special Revenue Funds	<u><u>\$1,388,633</u></u>

B. Excess of Expenditures over Appropriations

There were no excess of expenditures over appropriations during the year.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2013.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Statutes of the State of Texas and Board policies authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public investment pools, mutual funds and money market accounts. All cash balances and investments are held separately in each of its funds. 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 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 dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash Deposits:

At August 31, 2013, the carrying amounts of the District’s deposits were as follows:

Governmental Funds Cash and Cash Equivalents:	
Cash-in-Bank	\$ 2,443,707
Temporary Investments Considered as Cash Equivalents	<u>25,735,627</u>
	<u><u>\$28,179,334</u></u>

The District’s cash deposits at August 31, 2013, and during the year, were entirely covered by FDIC insurance and pledged collateral held by the District’s agent bank in the District’s name.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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Investments Considered as Cash Equivalents:

The State 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 returns, (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 deposits, (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.

The District's investments at August 31, 2013, are shown below:

<u>Investment/Credit Ratings</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexasTERM – AAAf	\$25,715,028	\$25,735,028	99.9%	On demand
TexPool – AAAm	20,599	20,599	0.1%	On demand
Totals	<u>\$25,735,627</u>	<u>\$25,755,627</u>	<u>100.0%</u>	

The District's temporary investments consist of balances held by FDIC insured investments and investment pools that are public funds created to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by U. S. Government agency securities and placed through a primary government securities dealer. These pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Act of 1940.

Policies Governing Deposits and Investments

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is all deposits are covered by FDIC insurance and pledged collateral in their entirety. The District has no custodial credit risk for its deposits.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments exposed to Custodial Credit Risk.
- c. Interest-rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not have any investments considered as Interest-rate Risk.
- d. Other Credit Risk Exposure – The District may invest in a securities lending program if the value of securities loaned is not less than 100 percent collateralized, including accrued income, and the loan allows for termination at any time; the loan is secured; the terms of the loan require that the securities being held as collateral be pledged to the investing entity; and, the loan is placed through a primary government securities dealer or a financial institution doing business in this state. The District does not have any investments in a securities lending program.
- e. Concentration Risk – The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District is not exposed to concentration risk.
- f. Foreign Currency Risk – The District does not engage in any deposits or investments transactions involving foreign currency.

Defaults and Recovery of Prior-period Losses

The District had no defaults and recovery of prior-period losses.

B. Property Taxes

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is limited to \$0.50, except under certain conditions. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of \$1.0400 per \$100 valuation and \$0.1966 per \$100 valuation, respectively, based on a net assessed valuation of \$2,815,894,307.

Delinquent property taxes are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowance for uncollectable taxes is based upon historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance

CLEBURNE INDEPENDENT SCHOOL DISTRICT
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adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off property taxes without specific authority from the Texas Legislature.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2013 are as follows:

	Gross Delinquent Taxes Receivable	Allowance for Uncollectible Taxes	Net Delinquent Taxes Receivables
General Fund	\$2,135,918	\$ 877,029	\$1,258,889
Debt Service Fund	370,670	138,576	232,094
Totals	<u>\$2,506,588</u>	<u>\$1,015,605</u>	<u>\$1,490,983</u>

Current tax collections for the levy year ended August 31, 2013 were 97.9% of the year-end adjusted tax levy.

C. Receivables and Payables

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2013.

D. 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 and various grant programs. Amounts due from federal and state governments as of August 31, 2013 are summarized below. All federal grants shown below are passed through TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Due From State	Due From Others	Totals
General Operating Fund	\$ 552,043	\$0	\$ 552,043
Other Funds	1,929,474	0	1,929,474
Totals	<u>\$2,481,517</u>	<u>\$0</u>	<u>\$2,481,517</u>

E. Interfund Receivables and Payables

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
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Interfund balances at August 31, 2013 consisted of the following amounts:

<u>Due to General Fund From:</u>	
Sub-funds from within General Fund	\$ 299,134
Special Revenue Funds	1,529,952
Capital Projects Fund	963,133
Total	<u>\$2,792,219</u>
<u>Due to Debt Service Fund:</u>	
General Fund	<u>\$4,424</u>
<u>Due to Special Revenue Funds From:</u>	
General Fund	<u>\$27,317</u>
<u>Due to Fiduciary Funds From:</u>	
General Fund	<u>\$7,149</u>

F. Interfund Transfers

There were no interfund transfers during the year

G. Other Financing Sources (Uses)

The District had the following financing sources and uses during the year:

Debt Service Fund Other Financing Sources (Uses)	
Issued Unlimited Tax Refunding Bonds, Series 2012	\$8,659,995
Premium or Discount on Issuance of Bonds	1,154,341
Payment to Bond Refunding Escrow Agent	(9,657,504)
Capital Projects Fund Other Financing Sources (Uses)	
Issued Unlimited Tax School Building Bonds, Series 2013	\$10,000,000

H. Operating Leases

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$78,502 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2014	\$68,721
2015	7,875
2016	0
Total	<u>\$76,596</u>

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I. Capital Asset Activity

Capital asset activity for the year ended August 31, 2013 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,934,455	\$ 0	\$ 0	\$ 2,934,455
Construction in progress	151,272	0	71,250	80,022
Total capital assets, not being depreciated	3,085,727	0	71,250	3,014,477
Capital assets, being depreciated:				
Buildings and improvements	116,154,578	978,547	0	117,133,125
Furniture and equipment	8,919,921	1,120,512	0	10,040,433
Total capital assets, being depreciated	125,074,499	2,099,059	0	127,173,558
Less accumulated depreciation for:				
Buildings and improvements	42,459,834	2,842,049	0	45,301,883
Furniture and equipment	6,322,442	651,706	0	6,974,148
Total accumulated depreciation	48,782,276	3,493,755	0	52,276,031
Total capital assets, being depreciated, net	76,292,223	(1,394,696)	0	74,897,527
Governmental capital assets	\$ 79,377,950	\$(1,394,696)	\$71,250	\$77,912,004

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:	
11 – Instruction	\$2,530,388
12 – Instruction Resources & Media Services	52,178
23 – School Leadership	154,005
31 – Guidance, Counseling & Evaluation Services	77,002
34 – Student Transportation	157,145
35 – Food Services	201,446
36 – Extracurricular Activities	70,865
41 – General Administration	60,796
51 – Plant Maintenance & Operations	107,012
52 – Security & Monitoring Services	82,918
Total Depreciation Expense	<u>\$3,493,755</u>

J. Bonds Payable

During the current year the District issued \$8,659,995 in Unlimited Tax Refunding Bonds, Series 2012, with an average interest rate of 1.8%, to advance refund a portion of the District's Unlimited Tax School Building Bonds, Series 2005 with an average interest rate of 4.5%, and to pay the costs associated with sale of the Bonds. The net proceeds of \$9,657,504, after paying underwriter's discount on issuance of bonds of \$1,154,341, were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the previously identified refunded bonds are considered defeased and the liability for those bonds removed has been removed from the Statement of Net Assets. The District in effect reduced its aggregate debt service payments by

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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\$1,648,671 over 14 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$1,220,602.

The District also issued \$10,000,000 in Unlimited School Building Bonds, Series 2013 for the purpose of the acquisition, construction, renovation and equipment of school buildings, purchase of school sites and school buses. The outstanding principal balance shall bear interest at the rate of 1.38% per annum. The bonds were issued under the authority of Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended.

The following is a description of the District's bonds outstanding as of August 31, 2013:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Refunding bonds – Series 2004/ 2020	4.00- 4.25%	\$7,104,999	\$ 5,050,000	\$ 0	\$545,000	\$4,505,000	\$570,000
Schoolhouse bonds – Series 2005/2029	3.50- 5.21%	24,707,105	20,082,105	0	9,620,000	10,462,105	1,005,000
Schoolhouse bonds – Series 2006/2031	4.00- 4.75%	10,999,998	10,859,998	0	0	10,859,998	0
Refunding Bonds – Series 2008/2020	3.875- 5.250%	7,210,006	5,015,000	0	545,000	4,470,000	575,000
Refunding Bonds – Series 2013/2031	1.4%- 3.0%	8,659,995	0	8,659,995	1,504,995	7,155,000	0
School Building bonds – Series 2013/18	1.38%	10,000,000	0	10,000,000	0	10,000,000	2,035,000
Sub-total			<u>\$41,007,103</u>	<u>\$18,659,995</u>	<u>\$12,214,995</u>	<u>\$47,452,103</u>	<u>\$4,185,000</u>
Accreted Interest on CAB Bonds			<u>\$895,987</u>	<u>\$2,030,207</u>	<u>\$1,870,000</u>	<u>\$1,056,194</u>	
Unamortized Premium on Bonds			<u>\$376,921</u>	<u>\$1,154,341</u>	<u>\$319,656</u>	<u>\$1,211,606</u>	
Loss amount of 2004 Refunding			<u>\$(243,864)</u>	<u>\$0</u>	<u>\$243,864</u>	<u>\$0</u>	

Interest and fees paid on general obligation bonds during the year was \$2,090,359.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
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The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2014	\$ 4,185,000	\$ 1,556,690	\$ 5,741,690
2015	4,305,000	1,426,139	5,731,139
2016	4,425,000	1,300,393	5,725,393
2017	4,411,000	1,315,513	5,726,513
2018	4,488,998	1,240,424	5,729,422
2019/2023	10,455,000	3,770,734	14,225,734
2024/2028	10,117,979	4,286,198	14,404,177
2029/2033	5,064,126	1,594,061	6,658,187
Totals	\$47,452,103	\$16,490,152	\$63,942,255

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2013.

In the current and in prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2013, \$17,850,000 of bonds considered defeased are still outstanding.

K. Unearned Revenues

Unearned revenues at year end represents revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

	State Revenues	Advanced Payments
General Fund	\$ 0	\$29,874
National Breakfast & Lunch Program	39,104	0
Adult Basic Education State	10	0
High School Allotment	249,541	0
Total	\$288,655	\$29,874

L. Deferred Outflows of Resources

Deferred Outflows of Resources is defined as a consumption of net position by the District that is applicable to a future reporting period. Deferred Charges for Refunding were previously classified as a long-term liability and are now considered as deferred outflows of resources. A summary of deferred outflows of resources by fund follows:

Deferred Charges for Refunding	Governmental Activities \$955,842
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CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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M. Deferred Inflows of Resources

Deferred inflows of resources at year end represents assets that are not available for use by the District to liquidate current year liabilities. A summary of deferred inflows of resources by fund follows:

	General Fund	Debt Service Fund	Total
Delinquent Property Taxes - Net	<u>\$1,258,889</u>	<u>\$232,094</u>	<u>\$1,490,983</u>

Property tax revenues are earned but are not available as of year-end; therefore, they are recognized as revenues in the government-wide financial statements and as unavailable in the fund-basis financial statements.

N. Revenue from Local and Intermediate Sources

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects	Fund Totals
Property Taxes	\$29,025,814	\$ 0	\$5,520,232	\$ 0	\$34,546,046
Food Sales	0	858,676	0	0	858,676
Investment Income	25,831	1,418	5,167	555	32,971
Penalties, interest & other tax related income	321,307	0	55,790	0	377,097
Extracurricular activities	220,531	685,039	0	0	905,570
Foundations, gifts, etc	26,500	163,177	0	0	189,677
Other	527,004	0	0	0	527,004
Total	<u>\$30,146,987</u>	<u>\$1,708,310</u>	<u>\$5,581,189</u>	<u>\$555</u>	<u>\$37,437,041</u>

O. State Aid Revenue

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Special Revenue Funds	Totals
Per Capita Apportionment	\$ 2,905,216	\$ 0	\$ 2,905,216
Foundation School Prg. Act Entitlements	10,729,237	0	10,729,237
State Program Revenues	0	1,057,756	1,057,756
TRS On-behalf Payments	1,957,530	30,977	1,988,507
Totals	<u>\$15,591,983</u>	<u>\$1,088,733</u>	<u>\$16,680,716</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
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P. Employees' Retirement Plan

Plan Description. The District contributes to the Teacher Retirement System of Texas ("TRS"), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplemental information for the defined benefit plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701, by calling the TRS Communication Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.4% of the covered payroll for fiscal year 2013 and 6.0% for fiscal year 2012 and 6.664% for fiscal year 2011.

State contributions to TRS made on behalf of the District employees are reflected in the District's financial statements as both revenue and expenditures. The District paid additional state contributions on a portion of their employees' salaries that exceeded the statutory minimum. Contributions made by the State and District to TRS for the years ended August 31, 2013, 2012, and 2011 are as follows:

For the Year Ended August 31	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS
2011	\$2,242,031	\$423,736
2012	2,249,477	316,890
2013	2,254,977	336,140

Q. Retiree Health Plan

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplemental information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communication Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78711 or by calling 1-800-223-8778.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 0.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012, and 2011. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For employees funded by federal programs, the federal programs are required to contribute 1.0%.

<u>For the Year Ended August 31</u>	<u>State TRS-Care Contributions Made on Behalf of the District</u>	<u>District Required Contributions to TRS-Care</u>	<u>Employee Contributions to TRS-Care</u>
2011	\$377,972	\$207,889	\$245,675
2012	352,276	193,315	228,458
2013	176,170	193,790	229,023

For the current year and each of the past two years, the District’s actual contributions were equal to the required contributions. The contributions made by the State on behalf of the District have been recorded in the District’s governmental funds financial statements as both state revenues and expenditures. These contributions are the legal responsibility of the State.

R. Retiree Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, these on-behalf payments, in the amounts of \$92,363, \$80,221, and \$97,737, were recognized by the District as revenues and expenditures, respectively. These payments are recorded as equal revenues and expenditures in the District’s governmental funds financial statements.

S. Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$225 per month per employee to its plan with TRS Active Care. Employees, at their option, authorized payroll withholding to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code, and was documented by a contractual agreement. The terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for the insurance company are available and have been filed with the Texas State Board of Insurance, Austin,

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

Texas, and are public record. The District also made on-behalf payments of \$88,579 to the Early Retiree Reinsurance Program.

T. Worker’s Compensation Program

In prior years, the District entered into a self-funded workers’ compensation program with the TASB Risk Management Fund Workers’ Compensation Aggregate Deductible Program. Estimated ultimate loss and ALAE at August 31, 2013 is \$272,436.

Changes in the workers’ compensation estimated loss and ALAE amounts are represented below:

	Claim Count	Aggregate Liability	Estimated Paid Loss & ALAE	Estimated Ultimate Loss & ALAE	Estimated Outstanding Loss & ALAE
2011 – Workers’ Compensation	85	\$265,327	\$368,129	\$265,327	\$ 0
2012 - Workers’ Compensation	75	242,343	187,262	242,343	55,081
2013 – Workers’ Compensation	65	272,436	115,410	272,436	157,026

U. 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 year 2013, 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.

V. Litigation, Commitments and Contingencies

Litigation – The District is not a party to any legal actions.

Grant Programs - 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 August 31, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

W. Prior Period Adjustment

The District elected to early implement Governmental Accounting Standards Board Statement No. 65. This statement established accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items

CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of this early implementation, the District has a prior period adjustment of (\$142,438) to reclassify Capitalized Bond and Other Debt Issuance Costs previously reported as an asset on the Statement of Net Position.

These prior period adjustments do not affect the governmental fund financial statements.

X. Extraordinary Items

On Wednesday night of May 15, 2013 a major tornado struck the town of Cleburne, Texas causing substantial damage to the community. The District sustained major damage to Smith Middle School and Gerald Elementary School. The District recorded \$3,424,683 as an Extraordinary Item – Tornado Costs and \$3,175,488 as Extraordinary Item – Tornado Recovery for a net cost of \$249,195 to the District.

Y. Evaluation of Subsequent Events

The District has evaluated subsequent events through January 13, 2014, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CLEBURNE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 29,469,559	\$ 33,310,559	\$ 30,146,987	\$ (3,163,572)
5800	State Program Revenues	16,124,536	16,124,536	15,591,983	(532,553)
5900	Federal Program Revenues	200,000	200,000	262,153	62,153
5020	Total Revenues	45,794,095	49,635,095	46,001,123	(3,633,972)
EXPENDITURES:					
Current:					
0011	Instruction	27,999,499	27,964,888	27,816,666	148,222
0012	Instructional Resources and Media Services	427,391	423,194	403,355	19,839
0013	Curriculum and Instructional Staff Development	474,131	501,320	492,944	8,376
0021	Instructional Leadership	675,588	805,651	777,165	28,486
0023	School Leadership	2,954,522	3,012,819	2,975,588	37,231
0031	Guidance, Counseling and Evaluation Services	1,307,817	1,292,228	1,205,001	87,227
0032	Social Work Services	52,000	52,000	47,429	4,571
0033	Health Services	508,093	543,390	474,836	68,554
0034	Student (Pupil) Transportation	1,844,217	1,844,217	1,740,981	103,236
0035	Food Services	-	500	285	215
0036	Extracurricular Activities	1,450,858	1,480,323	1,407,646	72,677
0041	General Administration	1,631,867	1,550,096	1,468,502	81,594
0051	Facilities Maintenance and Operations	6,314,987	11,138,806	6,048,889	5,089,917
0052	Security and Monitoring Services	335,531	369,213	338,157	31,056
0053	Data Processing Services	625,478	630,307	600,384	29,923
0061	Community Services	67,419	77,500	67,951	9,549
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	27,000	26,643	357
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed.	12,640	12,640	-	12,640
0099	Other Intergovernmental Charges	500,000	500,000	472,905	27,095
6030	Total Expenditures	47,182,038	52,226,092	46,365,327	5,860,765
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,387,943)	(2,590,997)	(364,204)	2,226,793
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(9,000)	-	9,000
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Tornado Recovery	-	-	3,175,488	3,175,488
8913	Extraordinary Item - Tornado Costs	-	-	(3,424,683)	(3,424,683)
1200	Net Change in Fund Balances	(1,387,943)	(2,599,997)	(613,399)	1,986,598
0100	Fund Balance - September 1 (Beginning)	15,344,215	15,344,215	15,344,215	-
3000	Fund Balance - August 31 (Ending)	\$ 13,956,272	\$ 12,744,218	\$ 14,730,816	\$ 1,986,598

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COMBINING SCHEDULES

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance	
ASSETS					
1110	Cash and Cash Equivalents	\$ (7,995)	\$ 203,334	\$ (94,223)	\$ (10,682)
1240	Receivables from Other Governments	8,887	774,051	81,359	11,207
1260	Due from Other Funds	616	-	14,926	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 1,508</u>	<u>\$ 977,385</u>	<u>\$ 2,062</u>	<u>\$ 525</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 11,024	\$ 187	\$ -
2150	Payroll Deductions and Withholdings Payable	129	5,181	135	22
2160	Accrued Wages Payable	1,379	49,002	1,740	428
2170	Due to Other Funds	-	912,178	-	75
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>1,508</u>	<u>977,385</u>	<u>2,062</u>	<u>525</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,508</u>	<u>\$ 977,385</u>	<u>\$ 2,062</u>	<u>\$ 525</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	381 Adult Basic Education State	397 Advanced Placement Incentives
\$ (53,627)	\$ (56,735)	\$ 811,442	\$ (8,796)	\$ (114,993)	\$ (54,980)	\$ (16,696)	\$ 859
684,312	56,735	64,229	1,942	141,515	61,092	23,352	-
16	-	-	6,854	-	-	-	-
-	-	93,630	-	-	-	-	-
<u>\$ 630,701</u>	<u>\$ -</u>	<u>\$ 969,301</u>	<u>\$ -</u>	<u>\$ 26,522</u>	<u>\$ 6,112</u>	<u>\$ 6,656</u>	<u>\$ 859</u>
\$ -	\$ -	\$ 31	\$ -	\$ 11,510	\$ -	\$ -	\$ -
4,027	-	17,644	-	806	401	-	-
45,264	-	52,688	-	11,344	4,690	-	-
581,410	-	9,190	-	2,862	1,021	6,646	-
-	-	39,104	-	-	-	10	-
<u>630,701</u>	<u>-</u>	<u>118,657</u>	<u>-</u>	<u>26,522</u>	<u>6,112</u>	<u>6,656</u>	<u>-</u>
-	-	54,526	-	-	-	-	-
-	-	796,118	-	-	-	-	859
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>850,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859</u>
<u>\$ 630,701</u>	<u>\$ -</u>	<u>\$ 969,301</u>	<u>\$ -</u>	<u>\$ 26,522</u>	<u>\$ 6,112</u>	<u>\$ 6,656</u>	<u>\$ 859</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	404 Student Success Initiative	410 State Textbook Fund	428 High School Allotment	429 Other State Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ (4,582)	\$ (4,905)	\$ 249,541	\$ 538
1240	Receivables from Other Governments	20,793	-	-	-
1260	Due from Other Funds	-	4,905	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 16,211</u>	<u>\$ -</u>	<u>\$ 249,541</u>	<u>\$ 538</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	16,211	-	-	-
2300	Unearned Revenues	-	-	249,541	-
2000	Total Liabilities	<u>16,211</u>	<u>-</u>	<u>249,541</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	538
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>538</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,211</u>	<u>\$ -</u>	<u>\$ 249,541</u>	<u>\$ 538</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 536,951	\$ 1,374,451
-	1,929,474
-	27,317
-	93,630
<u>\$ 536,951</u>	<u>\$ 3,424,872</u>
\$ -	\$ 22,752
-	28,345
-	166,535
359	1,529,952
-	288,655
<u>359</u>	<u>2,036,239</u>
-	54,526
-	797,515
<u>536,592</u>	<u>536,592</u>
<u>536,592</u>	<u>1,388,633</u>
<u>\$ 536,951</u>	<u>\$ 3,424,872</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	31,967	1,927,834	252,916	24,431
5020	Total Revenues	<u>31,967</u>	<u>1,927,834</u>	<u>252,916</u>	<u>24,431</u>
EXPENDITURES:					
Current:					
0011	Instruction	30,932	1,536,117	184,626	6,224
0012	Instructional Resources and Media Services	-	11,404	-	-
0013	Curriculum and Instructional Staff Development	-	170,770	2,104	-
0021	Instructional Leadership	-	161,938	66,186	18,207
0023	School Leadership	-	13,539	-	-
0031	Guidance, Counseling and Evaluation Services	-	1,074	-	-
0032	Social Work Services	1,035	-	-	-
0033	Health Services	-	2,038	-	-
0034	Student (Pupil) Transportation	-	17,327	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	13,627	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	<u>31,967</u>	<u>1,927,834</u>	<u>252,916</u>	<u>24,431</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	381 Adult Basic Education State	397 Advanced Placement Incentives
\$ -	\$ -	\$ 860,094	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	49,144	-	-	-	43,475	250
1,327,285	58,630	2,470,024	70,480	304,149	117,630	-	-
1,327,285	58,630	3,379,262	70,480	304,149	117,630	43,475	250
828,104	34,403	-	67,427	220,129	17,041	43,434	-
-	-	-	-	-	-	-	-
13,270	-	-	2,542	65,912	100,204	-	-
-	-	-	511	6,328	385	41	-
1,374	-	-	-	11,780	-	-	-
427,792	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
628	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,969,325	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	354,790	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
56,117	24,227	-	-	-	-	-	-
1,327,285	58,630	3,324,115	70,480	304,149	117,630	43,475	-
-	-	55,147	-	-	-	-	250
-	-	795,497	-	-	-	-	609
\$ -	\$ -	\$ 850,644	\$ -	\$ -	\$ -	\$ -	\$ 859

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	404 Student Success Initiative	410 State Textbook Fund	428 High School Allotment	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	30,206	922,514	42,257	23
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>30,206</u>	<u>922,514</u>	<u>42,257</u>	<u>23</u>
EXPENDITURES:				
Current:				
0011 Instruction	30,206	922,514	42,257	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>30,206</u>	<u>922,514</u>	<u>42,257</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	23
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>515</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538</u>

461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 848,216	\$ 1,708,310
864	1,088,733
-	6,585,346
<u>849,080</u>	<u>9,382,389</u>
256,695	4,220,109
23,812	35,216
3,098	357,900
16	253,612
22,958	49,651
861	429,727
-	1,035
-	2,666
-	17,327
-	2,969,325
494,456	494,456
3,047	3,047
235	355,025
2,293	2,293
-	13,627
12,900	12,900
-	80,344
<u>820,371</u>	<u>9,298,260</u>
28,709	84,129
<u>507,883</u>	<u>1,304,504</u>
<u>\$ 536,592</u>	<u>\$ 1,388,633</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2013

	816 Misc. Scholarship Fund	817 R.M. Williams Scholarship Fund	818 H. Anderson Scholarship Fund	820 Calder Band Scholarship Fund	821 L. Palmer Scholarship Fund
ASSETS					
Cash and Cash Equivalents	\$ 9,882	\$ 625	\$ 16,539	\$ 18,847	\$ 1,690
Investments - Current	-	-	82,718	-	-
Due from Other Funds	-	-	6,989	-	-
Other Receivables	8,800	-	-	-	-
Total Assets	<u>18,682</u>	<u>625</u>	<u>106,246</u>	<u>18,847</u>	<u>1,690</u>
LIABILITIES					
Due to Student Groups	4,150	-	-	-	-
Total Liabilities	<u>4,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Restricted for Scholarships	\$ 14,532	\$ 625	\$ 106,246	\$ 18,847	\$ 1,690
Total Net Position	<u>\$ 14,532</u>	<u>\$ 625</u>	<u>\$ 106,246</u>	<u>\$ 18,847</u>	<u>\$ 1,690</u>

822 Class of '42 Scholarship Fund	823 J. Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund	826 Green & Davis Scholarship Fund	827 Lucille Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
\$ 7,857	\$ 3,641	\$ 148,676	\$ 59,471	\$ 21,438	\$ 41,612	\$ 16,467	\$ 346,745
-	-	891,603	432,655	207,089	117,832	-	1,731,897
-	-	-	-	-	-	-	6,989
-	-	-	-	-	-	-	8,800
<u>7,857</u>	<u>3,641</u>	<u>1,040,279</u>	<u>492,126</u>	<u>228,527</u>	<u>159,444</u>	<u>16,467</u>	<u>2,094,431</u>
-	-	525	11,500	2,950	500	-	19,625
-	-	525	11,500	2,950	500	-	19,625
\$ 7,857	\$ 3,641	\$ 1,039,754	\$ 480,626	\$ 225,577	\$ 158,944	\$ 16,467	\$ 2,074,806
<u>\$ 7,857</u>	<u>\$ 3,641</u>	<u>\$ 1,039,754</u>	<u>\$ 480,626</u>	<u>\$ 225,577</u>	<u>\$ 158,944</u>	<u>\$ 16,467</u>	<u>\$ 2,074,806</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

	816 Misc. Scholarship Fund	817 R.M. Williams Scholarship Fund	818 H. Anderson Scholarship Fund	820 Calder Band Scholarship Fund	821 L. Palmer Scholarship Fund
ADDITIONS:					
Local and Intermediate Sources	\$ 13,350	\$ -	\$ 7,034	\$ 250	\$ -
Total Additions	<u>13,350</u>	<u>-</u>	<u>7,034</u>	<u>250</u>	<u>-</u>
DEDUCTIONS:					
Other Operating Costs	10,500	500	1,000	500	-
Total Deductions	<u>10,500</u>	<u>500</u>	<u>1,000</u>	<u>500</u>	<u>-</u>
Change in Net Position	2,850	(500)	6,034	(250)	-
Net Position - September 1 (Beginning)	<u>11,682</u>	<u>1,125</u>	<u>100,212</u>	<u>19,097</u>	<u>1,690</u>
Net Position - August 31 (Ending)	<u><u>\$ 14,532</u></u>	<u><u>\$ 625</u></u>	<u><u>\$ 106,246</u></u>	<u><u>\$ 18,847</u></u>	<u><u>\$ 1,690</u></u>

822 Class of '42 Scholarship Fund	823 J. Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund	826 Green & Davis Scholarship Fund	827 Lucille Ball Scholarship Fund	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
\$ -	\$ 220	\$ 4,955	\$ 307	\$ 1,652	\$ 3,661	\$ -	\$ 31,429
<u>-</u>	<u>220</u>	<u>4,955</u>	<u>307</u>	<u>1,652</u>	<u>3,661</u>	<u>-</u>	<u>31,429</u>
250	1,250	16,039	5,750	800	1,000	3,000	40,589
<u>250</u>	<u>1,250</u>	<u>16,039</u>	<u>5,750</u>	<u>800</u>	<u>1,000</u>	<u>3,000</u>	<u>40,589</u>
(250)	(1,030)	(11,084)	(5,443)	852	2,661	(3,000)	(9,160)
<u>8,107</u>	<u>4,671</u>	<u>1,050,838</u>	<u>486,069</u>	<u>224,725</u>	<u>156,283</u>	<u>19,467</u>	<u>2,083,966</u>
<u>\$ 7,857</u>	<u>\$ 3,641</u>	<u>\$ 1,039,754</u>	<u>\$ 480,626</u>	<u>\$ 225,577</u>	<u>\$ 158,944</u>	<u>\$ 16,467</u>	<u>\$ 2,074,806</u>

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ 1,410,267,655
2005	1.500000	0.186700	1,501,372,532
2006	1.500000	0.193500	1,689,597,544
2007	1.370000	0.196800	2,077,638,611
2008	1.040000	0.196800	2,503,814,976
2009	1.040000	0.196600	3,229,320,314
2010	1.040000	0.196600	3,379,047,550
2011	1.040000	0.196600	2,957,824,842
2012	1.040000	0.196600	2,900,378,134
2013 (School year under audit)	1.040000	0.196600	2,815,894,307
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 396,353	\$ -	\$ 3,560	\$ 478	\$ (5,806)	\$ 386,509
116,221	-	227	28	(1,083)	114,883
84,362	-	1,468	189	(1,111)	81,594
94,091	-	3,698	531	(1,203)	88,659
141,184	-	7,631	1,444	(1,239)	130,870
157,537	-	17,353	3,280	(558)	136,346
368,115	-	39,438	7,455	(1,114)	320,108
358,236	-	76,107	14,387	(10,741)	257,001
731,977	-	339,177	64,118	(61,979)	266,703
-	34,821,349	28,537,287	5,394,645	(165,502)	723,915
<u>\$ 2,448,076</u>	<u>\$ 34,821,349</u>	<u>\$ 29,025,946</u>	<u>\$ 5,486,555</u>	<u>\$ (250,336)</u>	<u>\$ 2,506,588</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 226,061	\$ 845,822	\$ -	\$ -	\$ 1,071,883
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	89,670	-	-	-	89,670
6212	Audit Services	-	-	-	34,900	-	-	34,900
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	545,136	-	-	-	-	545,136
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	700	-	135	7,121	-	-	7,956
6240	Contr. Maint. and Repair	-	-	-	-	79,679	-	79,679
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,786	-	-	5,786
6290	Miscellaneous Contr.	1,842	-	-	57,212	-	-	59,054
6320	Textbooks and Reading	-	-	267	-	-	-	267
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	120	-	3,022	32,643	-	-	35,785
6410	Travel, Subsistence, Stipends	236	-	4,877	5,132	-	-	10,245
6420	Ins. and Bonding Costs	-	-	173	27,241	-	-	27,414
6430	Election Costs	8,609	-	-	-	-	-	8,609
6490	Miscellaneous Operating	561	-	8,246	55,771	-	-	64,578
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	6,770	6,770
6000	TOTAL	\$ 12,068	\$ 545,136	\$ 332,451	\$ 1,071,628	\$ 79,679	\$ 6,770	\$ 2,047,732

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 55,663,587

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 1,170,867
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 6,299,293
Food (Function 35, 6341 and 6499)	(13) 1,198,808
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	1,071,628

SubTotal: 9,740,596

Net Allowed Direct Cost \$ 45,922,991

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 117,133,125
Historical Cost of Building over 50 years old	(16) \$ 3,012,672
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 10,040,433
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 1,770,547
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$103,279 in Function 53 expenditures are included in this report on administrative costs.
 \$472,905 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2013

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 14,730,816
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 181,510	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	159,935	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	2,705,050	
7	Estimate of two month's average cash disbursements during the fiscal year.	8,004,391	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	482,492	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>11,533,378</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 3,197,438</u></u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

The excess unassigned general fund balance is necessary to provide a stable financial position as a result of the significant overall reduction in state funding over the past few years, as well as enrollment declines over the past few years.

The District operated in a deficit position in the current year under audit, adopted a deficit budget for the 2013-2014 fiscal year, and will likely adopt a deficit budget for the 2014-2015 fiscal year. The District has purposely increased fund balance to its present position over recent years in anticipation of these budgets, and to cover the necessary budget shortfalls.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 925,195	\$ 925,195	\$ 860,094	\$ (65,101)
5800 State Program Revenues	-	-	49,144	49,144
5900 Federal Program Revenues	2,229,300	2,229,300	2,470,024	240,724
5020 Total Revenues	3,154,495	3,154,495	3,379,262	224,767
EXPENDITURES:				
0035 Food Services	2,980,101	3,030,101	2,969,325	60,776
0051 Facilities Maintenance and Operations	50,000	375,000	354,790	20,210
Capital Outlay:				
0081 Facilities Acquisition and Construction	375,000	-	-	-
6030 Total Expenditures	3,405,101	3,405,101	3,324,115	80,986
1200 Net Change in Fund Balances	(250,606)	(250,606)	55,147	305,753
0100 Fund Balance - September 1 (Beginning)	795,497	795,497	795,497	-
3000 Fund Balance - August 31 (Ending)	\$ 544,891	\$ 544,891	\$ 850,644	\$ 305,753

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 5,524,923	\$ 5,524,923	\$ 5,581,189	\$ 56,266
5020	Total Revenues	5,524,923	5,524,923	5,581,189	56,266
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,110,678	5,424,673	3,554,995	1,869,678
0072	Interest on Long Term Debt	1,297,443	1,853,448	1,853,248	200
0073	Bond Issuance Cost and Fees	8,000	254,550	158,362	96,188
6030	Total Expenditures	5,416,121	7,532,671	5,566,605	1,966,066
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	108,802	(2,007,748)	14,584	2,022,332
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	9,815,000	8,659,995	(1,155,005)
7911	Capital Related Debt Issued (Regular Bonds)	-	10,000,000	-	(10,000,000)
7916	Premium or Discount on Issuance of Bonds	-	-	1,154,341	1,154,341
8911	Transfers Out (Use)	-	(9,930,000)	-	9,930,000
8940	Payment to Bond Refunding Escrow Agent	-	(9,658,000)	(9,657,504)	496
7080	Total Other Financing Sources (Uses)	-	227,000	156,832	(70,168)
1200	Net Change in Fund Balances	108,802	(1,780,748)	171,416	1,952,164
0100	Fund Balance - September 1 (Beginning)	3,277,007	3,277,007	3,277,007	-
3000	Fund Balance - August 31 (Ending)	\$ 3,385,809	\$ 1,496,259	\$ 3,448,423	\$ 1,952,164

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

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Cleburne Independent School District
500 N. Ridgeway, Suite 100
Cleburne, Texas 76033

Members of the Board of Trustees:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cleburne Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2014.

Internal Control Over Financial Reports

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 opinion 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charged with governance.

Our consideration of the 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 over financial reporting 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 of 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 internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P. C.
Fort Worth, Texas
January 16, 2014

KIRK, RICHARDSON & POOLE, P. C

Members of the American Institute of Certified Public Accountants

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75522 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124-0342
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Cleburne Independent School District
500 N. Ridgeway, Suite 100
Cleburne, Texas 76033

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Cleburne Independent School District (the "District") compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* 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 of compliance and the results of that testing based on the requirements of OMB Circular A-133.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
January 16, 2014

CLEBURNE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	ESEA, Title I, Part Improving Basic Programs
84.010A	ESEA, Title I – School Improvement Program
84.010A	ESEA, Title I – School Improvement Effective Strategies

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

N/A - None

Section III – Federal Award Findings and Questioned Costs

N/A – None.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE:

N/A – None required.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

N/A – Not required.

CLEBURNE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
Adult Education (ABE) - Family Literacy	84.002	134100017110451	\$ 155,646
Adult Education (ABE) - Family Literacy & Civics	84.002	134100087110484	95,745
Adult Education (ABE) - Texas Learns WIA Incentive	84.002		6,900
Total CFDA Number 84.002			258,291
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101126903	1,520,910
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101126903	72,026
*ESEA, Title I - School Improvement Program	84.010A	13610104126903	43,683
*ESEA, Title I - School Impr Effective Strategies	84.010A	13610110126903	322,233
Total CFDA Number 84.010A			1,958,852
Total Title I, Part A Cluster			1,958,852
*IDEA - Part B, Formula	84.027	13660001126903	1,284,913
*IDEA - Part B, Formula	84.027	14660001126903	64,885
Total CFDA Number 84.027			1,349,798
*IDEA - Part B, Preschool	84.173	13661001126903	59,185
Total Special Education Cluster (IDEA)			1,408,983
Career and Technical - Basic Grant	84.048	13420006126903	63,043
Career and Technical - Basic Grant	84.048	14420006126903	8,796
Total CFDA Number 84.048			71,839
ESEA, Title X, Part C - Homeless Children	84.196		31,967
Title III, Part A - English Language Acquisition	84.365A	13671001126903	114,881
Title III, Part A - English Language Acquisition	84.365A	14671001126903	5,446
Total CFDA Number 84.365A			120,327
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501126903	425
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501126903	295,003
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501126903	14,724
Total CFDA Number 84.367A			310,152
Summer School LEP	84.369		6,692
Total Passed Through State Department of Education			\$ 4,167,103
TOTAL DEPARTMENT OF EDUCATION			\$ 4,167,103
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 185,941
Temporary Assistance for Needy Families (TANF)	93.558	133625017110425	24,431
Total Passed Through Texas Dept of Human Services			\$ 210,372
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 210,372

**CLEBURNE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013**

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide." Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds, if any, are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that 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 fund balance.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, if any, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when 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 unearned revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.
4. The District participates in numerous federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

CLEBURNE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2013

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$1,056,195