

**CLEBURNE INDEPENDENT SCHOOL  
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED**

**AUGUST 31, 2014**

**CLEBURNE INDEPENDENT SCHOOL DISTRICT**

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Year Ended August 31, 2014**

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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, 2014, at a meeting of the board of trustees of such school district on the 20 day of January, 2015.

  
\_\_\_\_\_  
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, 2014, 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, 2014, 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.

## **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 on pages 6-13 and 51 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 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, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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, J-3 (unaudited), J-4 and J-5.

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

In accordance with *Government Audit Standards*, we have also issued our report dated January 12, 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 12, 2014

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
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, 2014. 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 \$1,831,649 (or 3.2%), including a \$(30,741) prior period adjustment to the Governmental Activities to account for payments made to Teacher Retirement System related to new members added during the 2005/06 and 2006/07 school years. 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's expenses were \$1,800,908 more than the \$61,978,673 generated in tax and other revenues for governmental programs. This compares to last year when expenses were more than revenues by \$2,706,343.

Total cost of all District programs was \$63,779,581, an increase of \$391,854 over last year.

The General Fund ended the year with a fund balance of \$14,824,176, an increase of \$124,101 less the \$30,741 prior period adjustment previously mentioned. Net tornado cost, for tornado damages incurred during prior year, was (\$77,953). The State of Texas has established guidelines for the District's optimum fund balance. The ending fund balance of \$14,824,176 was 31.1% of the District's total 2014 expenditures of \$47,681,143.

The District issued \$8,622,083 in Unlimited Tax Refunding Bonds, Series 2014, with an average interest rate of 2.3%, to advance refund a portion of the District's Series 2004 Unlimited Tax Refunding Bonds, with an average interest rate of 4.765%, and a portion of the District's Series 2005 Unlimited Tax School Building Bonds, with an average interest rate of 4.189%, and to pay the costs associated with sale of the Bonds. The net proceeds of \$9,833,914, after paying underwriter's discount on issuance of bonds of \$153,350, were used to purchase U.S government securities. Additional information concerning these debt issues can be found in Exhibit F-1 Notes to the Financial Statements.

**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

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
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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 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,



CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
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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.

**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 from \$56,010,072 to \$54,178,423. 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 \$13,840,331 as of August 31, 2014.

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
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**Table 1**  
**Cleburne Independent School District**  
**Net Position (in thousands)**

	Governmental Activities	
	2014	2013
Current and other assets	\$ 25,754	\$ 33,491
Capital assets	77,221	77,912
Total assets	102,975	111,403
Deferred outflows of resources	1,977	956
Long-term liabilities	47,822	49,720
Other liabilities	2,952	6,629
Total liabilities	50,774	56,349
Net position		
Net investment in capital assets	33,692	36,078
Restricted	6,646	10,640
Unrestricted	13,840	9,292
Total net position	\$ 54,178	\$ 56,010

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
UNAUDITED

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

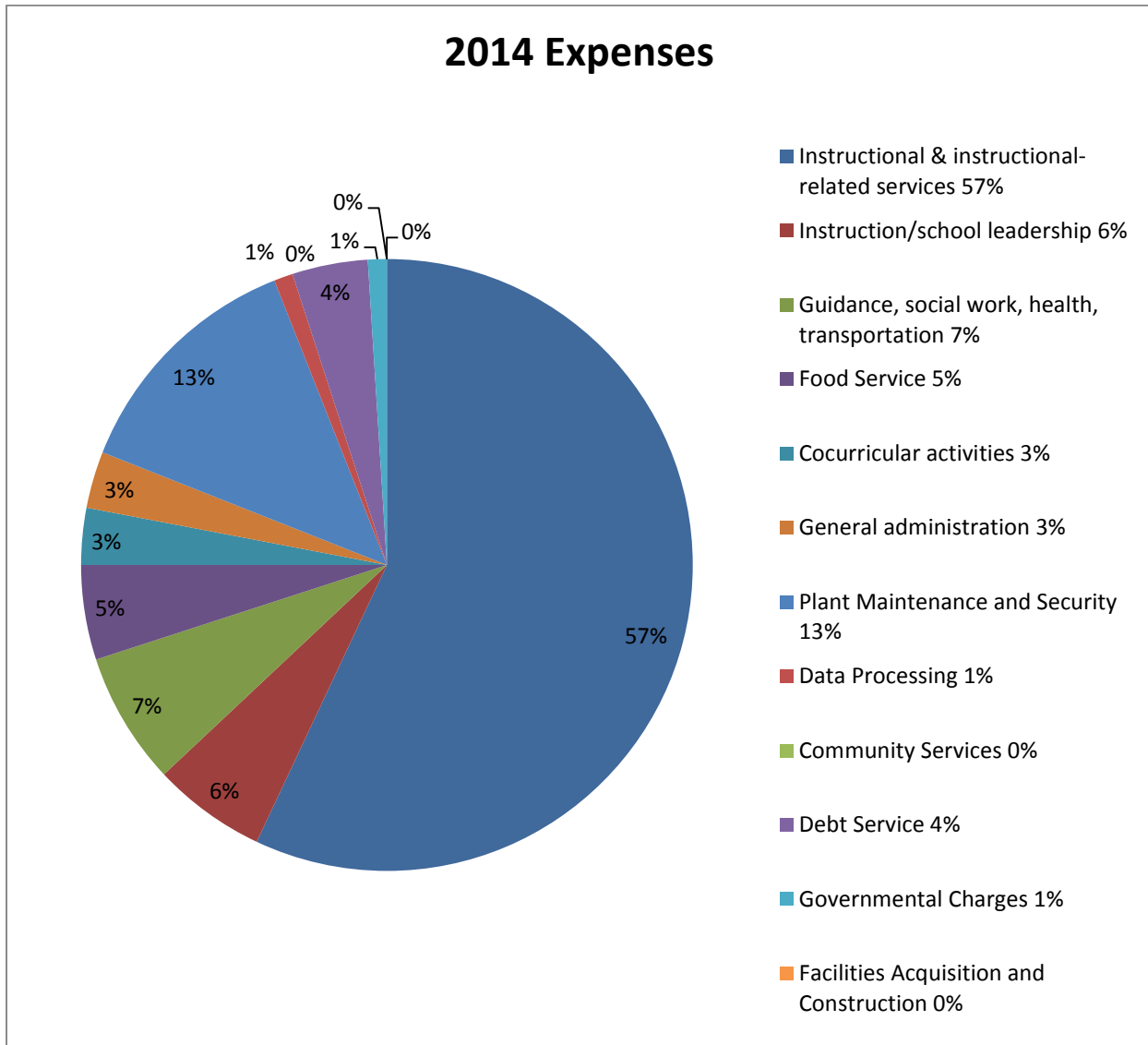
	Governmental Activities		
	2014	2013	Difference
Revenues			
Program revenues			
Charges for services	\$ 2,621	\$ 2,291	\$ 330
Operating grants and contributions	9,672	9,664	8
General revenues:			
Maintenance and operations taxes	27,451	28,996	(1,545)
Debt service taxes	5,189	5,481	(292)
State aid – formula grants	16,186	13,635	2,551
Grants & contributions not restricted	408	231	177
Other	452	384	68
Total revenues	<u>61,979</u>	<u>60,682</u>	<u>1,297</u>
Expenses:			
Instruction and instructional-related services	36,100	36,640	(540)
Instructional and school leadership	4,059	4,210	(151)
Guidance, social work, health, transportation	4,256	4,148	108
Food Services	3,207	3,132	75
Co-curricular activities	2,154	2,044	110
General administration	1,721	1,538	183
Plant maintenance and security	8,100	8,233	(133)
Data processing	612	598	14
Community services	66	82	(16)
Debt service	2,804	2,210	594
Capital outlay	147	0	147
Intergovernmental charges	554	553	1
Total Expenses	<u>63,780</u>	<u>63,388</u>	<u>392</u>
Increase in Net position	(1,801)	(2,706)	905
Net position Beginning	56,010	58,858	(2,848)
Prior Period Adjustment	(31)	(142)	111
Net position at August 31,	<u>\$54,178</u>	<u>\$56,010</u>	<u>\$(1,832)</u>

Total revenues of the District increased 2.1% or \$(1.3) million. In the fiscal year 2014 the District saw a decrease in property value of \$171.1 million or 6.1%, when compared to fiscal year 2013. The District also receives funds from the state through the state equalized funding system to fund operations. The District saw an increase of \$2.6 million in funds received from the state in fiscal year 2014.

The District's expenses increased by \$0.4 million or 0.6%. 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, 2014  
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The expense breakdown for 2013/14 is as follows:



The cost of all governmental activities this year was \$63.8 million, an increase of \$0.4 million over last year. As shown in the Statement of Activities, the amount that our taxpayers financed for these activities through District taxes was \$32.6 million because some of the costs were paid by those who directly benefited from the programs (\$2.6 million), by other governments and organizations that subsidized certain programs with grants and contributions (\$9.7 million), by State Aid – Formula Grants funding (\$16.2 million), Grants and Contributions not Restricted (\$0.4) or by investment earnings and other revenues (\$0.5 million).

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
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THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$21.5 million, which is less than last year's total of \$25.4 million. Most of this decrease is within the Capital Projects Fund that decreased by \$4.1 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 \$14.8 million differs from the General Fund's budgetary fund balance of \$11.0 million. This is principally due to actual expenditures being less than budgeted expenditures by \$2.1 million and net local and state revenues being \$1.0 million more than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2014, the District had \$77.2 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 \$47.8 million in long-term debt outstanding versus \$49.7 million last year – a decrease of 3.8%. 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 Exhibit F-1 Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2015, the District experienced a decline in the tax base of approximately 1.7 percent, which is generally a result of reduced industrial property values. The current year funding will provide enough economic resources necessary to adopt a budget in which budgeted revenue exceeds budgeted expenditures due to the increased maintenance and operations tax increase discussed below.

Next Year's Budget and Rates

The District's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rate. In preparing the 2015 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, provide for a marketable salary for district employees, and to provide additional resources to address aging facilities. As a result of the losses in tax base, student enrollment, and funding cuts from the legislature over the past several years, the Board of Trustees determined it necessary to call an election for an increase in the District's maintenance and operations tax rate. The district passed a tax ratification election on August 26, 2014, increasing the maintenance and operation tax rate 13 cents, which will provide for a significant increase in general fund revenue.

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2014  
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For 2015, the District's budgeted revenue is projected to increase approximately \$3.7 million dollars as a result of the increased local and state revenue attributable to the tax ratification election. Budgeted expenditures included significant increases in salaries for teachers, para-professionals and auxiliary staff. Enrollment projections used in calculating revenue for the 2014-2015 operating budget did not anticipate any increase in enrollment.

For 2015 the District adopted a general fund budget surplus in which the District plans to increase fund balance for future facility needs, as well as provide for flexibility in adding staffing and educational programs that have not received enough economic resources as a result of previous years cuts in state funding. Total budgeted expenses will be \$50 million. 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 increase in 2015 by approximately \$2 million dollars.

#### 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, 2014

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 20,697,071
1220 Property Taxes Receivable (Delinquent)	2,384,092
1230 Allowance for Uncollectible Taxes	(1,052,020)
1240 Due from Other Governments	3,182,628
1267 Due from Fiduciary Funds	22
1300 Inventories	165,951
1410 Prepayments	376,278
Capital Assets:	
1510 Land	2,924,456
1520 Buildings, Net	70,000,817
1530 Furniture and Equipment, Net	4,055,365
1580 Construction in Progress	241,065
1000 Total Assets	102,975,725
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,976,778
1700 Total Deferred Outflows of Resources	1,976,778
<b>LIABILITIES</b>	
2110 Accounts Payable	470,168
2140 Interest Payable	59,035
2150 Payroll Deductions & Withholdings	477,661
2160 Accrued Wages Payable	1,702,476
2177 Due to Fiduciary Funds	130
2180 Due to Other Governments	5,107
2300 Unearned Revenue	237,238
Noncurrent Liabilities	
2501 Due Within One Year	4,315,000
2502 Due in More Than One Year	43,507,265
2000 Total Liabilities	50,774,080
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	33,692,133
3820 Restricted for Federal and State Programs	1,357,479
3850 Restricted for Debt Service	2,939,638
3860 Restricted for Capital Projects	1,808,358
3870 Restricted for Campus Activities	540,484
3900 Unrestricted	13,840,331
3000 Total Net Position	\$ 54,178,423

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, 2014

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
Expenses	3	4	6	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 34,762,311	\$ 562,676	\$ 5,130,104	\$ (29,069,531)
12 Instructional Resources and Media Services	540,967	-	36,483	(504,484)
13 Curriculum and Staff Development	795,312	-	290,817	(504,495)
21 Instructional Leadership	905,448	-	168,217	(737,231)
23 School Leadership	3,153,523	-	211,119	(2,942,404)
31 Guidance, Counseling and Evaluation Services	1,703,547	-	523,745	(1,179,802)
32 Social Work Services	49,422	-	5,061	(44,361)
33 Health Services	483,332	-	28,375	(454,957)
34 Student (Pupil) Transportation	2,019,546	-	187,662	(1,831,884)
35 Food Services	3,207,246	860,086	2,722,841	375,681
36 Extracurricular Activities	2,154,320	1,003,062	41,214	(1,110,044)
41 General Administration	1,720,863	-	59,273	(1,661,590)
51 Facilities Maintenance and Operations	7,437,252	195,488	144,597	(7,097,167)
52 Security and Monitoring Services	663,101	-	56	(663,045)
53 Data Processing Services	611,749	-	23,865	(587,884)
61 Community Services	66,319	-	18,895	(47,424)
72 Debt Service - Interest on Long Term Debt	2,647,425	-	-	(2,647,425)
73 Debt Service - Bond Issuance Cost and Fees	156,962	-	-	(156,962)
81 Capital Outlay	146,682	-	-	(146,682)
93 Payments related to Shared Services Arrangements	79,415	-	79,415	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	1,975	-	-	(1,975)
99 Other Intergovernmental Charges	472,864	-	-	(472,864)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 63,779,581</b>	<b>\$ 2,621,312</b>	<b>\$ 9,671,739</b>	<b>(51,486,530)</b>

Data Control Codes	General Revenues: Taxes:	
MT	Property Taxes, Levied for General Purposes	27,450,895
DT	Property Taxes, Levied for Debt Service	5,189,276
SF	State Aid - Formula Grants	16,185,845
GC	Grants and Contributions not Restricted	407,955
IE	Investment Earnings	16,738
MI	Miscellaneous Local and Intermediate Revenue	512,001
S1	Special Item - Gas Lease Bonus	865
E1	Extraordinary Item - Tornado Recovery	393,309
E2	Extraordinary Item - Tornado Costs	(471,262)
TR	<b>Total General Revenues, Special Items &amp; Extraordinary Items</b>	<b>49,685,622</b>
CN	Change in Net Position	(1,800,908)
NB	Net Position - Beginning	56,010,072
PA	Prior Period Adjustment	(30,741)
NE	Net Position - Ending	<b>\$ 54,178,423</b>

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	20 ESEA I, A Impr Basic	20 IDEA - Part B Formula
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 13,853,348	\$ 346,845	\$ -
1220 Property Taxes - Delinquent	2,034,162	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(910,128)	-	-
1240 Receivables from Other Governments	1,239,912	762,578	773,181
1260 Due from Other Funds	1,683,772	10,994	3,184
1300 Inventories	71,583	-	-
1410 Prepayments	375,676	-	-
1000 Total Assets	<u>\$ 18,348,325</u>	<u>\$ 1,120,417</u>	<u>\$ 776,365</u>
<b>LIABILITIES</b>			
2110 Accounts Payable & Bank Overdrafts	\$ 270,780	\$ -	\$ 141,586
2150 Payroll Deductions and Withholdings Payable	436,016	4,532	5,946
2160 Accrued Wages Payable	1,542,879	46,105	45,557
2170 Due to Other Funds	117,324	1,069,780	583,276
2180 Due to Other Governments	-	-	-
2300 Unearned Revenues	33,116	-	-
2000 Total Liabilities	<u>2,400,115</u>	<u>1,120,417</u>	<u>776,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	1,124,034	-	-
2600 Total Deferred Inflows of Resources	<u>1,124,034</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	71,583	-	-
3430 Prepaid Items	375,676	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	-	-	-
3600 Unassigned Fund Balance	14,376,917	-	-
3000 Total Fund Balances	<u>14,824,176</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 18,348,325</u>	<u>\$ 1,120,417</u>	<u>\$ 776,365</u>

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

50 Debt Service Fund	Other Funds	Total Governmental Funds
\$ 2,985,713	\$ 3,511,165	\$ 20,697,071
349,930	-	2,384,092
(141,892)	-	(1,052,020)
-	406,957	3,182,628
12,960	90,186	1,801,096
-	94,368	165,951
-	602	376,278
<u>\$ 3,206,711</u>	<u>\$ 4,103,278</u>	<u>\$ 27,555,096</u>
\$ -	\$ 57,802	\$ 470,168
-	31,167	477,661
-	67,935	1,702,476
-	30,824	1,801,204
-	5,107	5,107
-	204,122	237,238
-	396,957	4,693,854
208,038	-	1,332,072
<u>208,038</u>	<u>-</u>	<u>1,332,072</u>
-	54,014	125,597
-	-	375,676
-	1,303,465	1,303,465
2,998,673	-	2,998,673
-	540,484	540,484
-	1,808,358	1,808,358
-	-	14,376,917
<u>2,998,673</u>	<u>3,706,321</u>	<u>21,529,170</u>
<u>\$ 3,206,711</u>	<u>\$ 4,103,278</u>	<u>\$ 27,555,096</u>

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CLEBURNE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	21,529,170
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$130,188,036 and the accumulated depreciation was \$52,276,031. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		29,077,383
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase net position.		5,931,729
<b>3</b> The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,691,931)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,332,072
<b>19 Net Position of Governmental Activities</b>	\$	54,178,423

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

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	20 ESEA I, A Impr Basic	20 IDEA - Part B Formula
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 29,011,574	\$ -	\$ -
5800 State Program Revenues	18,408,174	-	-
5900 Federal Program Revenues	448,234	1,446,570	1,413,887
5020 Total Revenues	<u>47,867,982</u>	<u>1,446,570</u>	<u>1,413,887</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	28,072,036	1,230,845	773,177
0012 Instructional Resources and Media Services	444,298	11,724	-
0013 Curriculum and Instructional Staff Development	521,372	106,562	19,922
0021 Instructional Leadership	778,500	27,585	-
0023 School Leadership	2,928,795	33,191	2,975
0031 Guidance, Counseling and Evaluation Services	1,163,561	3,855	453,434
0032 Social Work Services	47,782	-	-
0033 Health Services	480,608	2,724	-
0034 Student (Pupil) Transportation	1,778,634	14,328	100,847
0035 Food Services	470	-	-
0036 Extracurricular Activities	1,465,897	-	-
0041 General Administration	1,651,397	-	-
0051 Facilities Maintenance and Operations	6,763,998	-	-
0052 Security and Monitoring Services	446,644	-	-
0053 Data Processing Services	611,749	-	-
0061 Community Services	50,563	15,756	-
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	-	-	-
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	63,532
0095 Payments to Juvenile Justice Alternative Ed. Prg.	1,975	-	-
0099 Other Intergovernmental Charges	472,864	-	-
6030 Total Expenditures	<u>47,681,143</u>	<u>1,446,570</u>	<u>1,413,887</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>186,839</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7901 Refunding Bonds Issued	-	-	-
7912 Sale of Real and Personal Property	14,350	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>14,350</u>	<u>-</u>	<u>-</u>
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>			
7918 Special Item - Gas Lease Bonus	865	-	-
7919 Extraordinary Item - Tornado Recovery	393,309	-	-
8913 Extraordinary Item - Tornado Costs	(471,262)	-	-
1200 Net Change in Fund Balances	124,101	-	-
0100 Fund Balance - September 1 (Beginning)	14,730,816	-	-
1300 Prior Period Adjustment	(30,741)	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 14,824,176</u>	<u>\$ -</u>	<u>\$ -</u>

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

	50 Debt Service Fund	Other Funds	Total Governmental Funds
\$	5,284,737	\$ 1,668,417	\$ 35,964,728
	-	1,063,869	19,472,043
	-	3,483,094	6,791,785
	5,284,737	6,215,380	62,228,556
	-	2,251,048	32,327,106
	-	32,859	488,881
	-	147,456	795,312
	-	99,363	905,448
	-	34,834	2,999,795
	-	5,833	1,626,683
	-	1,640	49,422
	-	-	483,332
	-	1,372,489	3,266,298
	-	3,049,900	3,050,370
	-	662,429	2,128,326
	-	8,500	1,659,897
	-	901,719	7,665,717
	-	427,327	873,971
	-	17,600	629,349
	-	-	66,319
	4,270,000	-	4,270,000
	1,462,568	-	1,462,568
	156,962	-	156,962
	-	742,645	742,645
	-	15,883	79,415
	-	-	1,975
	-	-	472,864
	5,889,530	9,771,525	66,202,655
	(604,793)	(3,556,145)	(3,974,099)
	8,622,083	-	8,622,083
	-	-	14,350
	1,365,181	-	1,365,181
	(9,832,221)	-	(9,832,221)
	155,043	-	169,393
	-	-	865
	-	-	393,309
	-	-	(471,262)
	(449,750)	(3,556,145)	(3,881,794)
	3,448,423	7,262,466	25,441,705
	-	-	(30,741)
\$	2,998,673	\$ 3,706,321	\$ 21,529,170



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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, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(3,881,794)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase net position.		5,931,729
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.		(3,691,931)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(158,912)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(1,800,908)</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, 2014

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 525,569	\$ 165,346
Investments - Current	1,730,725	-
Due from Other Funds	-	130
Other Receivables	10,600	-
Prepayments	-	118
Total Assets	<u>2,266,894</u>	<u>\$ 165,594</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings Payable	-	\$ 123,220
Due to Other Funds	-	22
Due to Student Groups	18,875	42,352
Total Liabilities	<u>18,875</u>	<u>\$ 165,594</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>2,248,019</u>	
Total Net Position	<u>\$ 2,248,019</u>	

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, 2014

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 214,680
Total Additions	<u>214,680</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>41,467</u>
Total Deductions	<u>41,467</u>
Change in Net Position	173,213
Total Net Position - September 1 (Beginning)	<u>2,074,806</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 2,248,019</u></u>

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

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cleburne Independent School District (“District”) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles 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 *Financial Accountability System Resource Guide*, issued by the Texas Education Agency (“TEA”), and the requirements of contracts and grants of agencies from which it receives funds.

### A. Reporting Entity

The Board of Trustees (“Board”), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education of the District. Because members of the Board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34.*” 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 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 nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have business-type activities.

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

Interfund activities between governmental funds appear in the governmental fund financial statements. However, all interfund transactions between governmental funds have been eliminated on the government-wide statements.

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

### Major Governmental Funds

General Fund - The General Fund is the District’s general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special

Revenue Funds and Debt Service Fund. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

ESEA, Title I, Part A – Improving Basic Programs – This fund is used to account for all financial transactions associated with this program which provides opportunities for children served to acquire the knowledge and skills contained in the State content standards and to meet the State performance standards developed for all children.

IDEA – Part B, Formula – This fund is used to account for funds granted to operate education programs for children with disabilities.

Debt Service Fund - The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of government funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings on investments of the fund. Expenditures of the fund are for retirement of bond principal and payment of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

### **Non-major Governmental Funds**

Special Revenue Funds – These 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.

Capital Projects Fund – This fund is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

### **Fiduciary Funds**

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Agency Fund - The Agency Fund, which is an unbudgeted fund, accounts for the activities of student groups. The student activity funds account for monies collected principally through fund-raising efforts of the students and District-sponsored student groups. Collections and disbursements of these funds are generally controlled by the student group itself under the supervision of a member of the professional staff. These funds have no equity, assets are equal to liabilities, and the funds do not include revenues and expenditures for general operations of the District. The District's main involvement with these funds is to provide stewardship by accounting for the funds.

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

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

The 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 collected within the current period or

soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are principally certain inter-governmental revenues, property taxes and investment income. 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.

Funds received from federal, state and other grants designated for payment of specific District expenditures are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

#### Management Use of Estimates

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

### **D. Assets, Liabilities, and Net Position or Fund Balances**

#### **1. Cash and cash equivalents**

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

#### **2. Receivables and payables**

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

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 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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 \$1.04 per \$100 valuation and \$0.1966 per \$100 valuation, respectively, based on a net assessed valuation of \$2,644,490,296.



Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. 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. The District is prohibited from writing off property taxes without specific statutory 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, 2014 are as follows:

	Gross Delinquent Taxes Receivable	Allowance for Uncollectible Taxes	Net Delinquent Taxes Receivables
General Fund	\$2,034,162	\$ 910,128	\$1,124,034
Debt Service Fund	349,930	141,892	208,038
Totals	<u>\$2,384,092</u>	<u>\$1,052,020</u>	<u>\$1,332,072</u>

### 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. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. The District does not have any public domain (“infrastructure”) capital assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives, as well as the cost of land, are not depreciated.

Capital assets are depreciated over the estimated useful lives of the assets on a straight-line basis over the following estimated useful lives:

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

## 6. 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 appropriate effective interest and straight-line methods.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 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. 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	Advance Payments
General Fund	\$ 0	\$33,116
Special Revenue Fund – National Breakfast & Lunch Program	40,354	0
Special Revenue Fund – High School Allotment	163,768	0

## 9. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In prior years, the District incurred a Deferred Charge for Refunding in the amount of \$1,976,778 within the Government-wide financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. During the current year the District incurred deferred inflows of resources for unavailable revenue – property taxes in the amounts of \$1,124,034 and \$208,038, within the General Fund and Debt Service Fund respectively.

## 10. Net position and fund balances

Net position on the Statement of Net Position include the following:

*Net investment in capital assets* – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

*Restricted for federal and state programs* - the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

*Restricted for debt service* – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

*Restricted for capital projects* – funds that have been assigned for future expenditures for equipment.

*Restricted for campus activities* – funds that have been committed solely for the use by various campuses within the District.

*Unrestricted net position* – the difference between the assets and liabilities that are not reported in net position net investment in capital assets or other restricted net position.

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

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

### Non-spendable fund balance

Non-spendable fund balance is that portion of fund balance that is not expendable. Examples of non-spendable fund balance include inventories and prepaid items.

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Spendable fund balance

Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

*Restricted fund balance* – the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for debt service, construction programs, and resources from other granting agencies.

*Committed fund balance* – the component of the spendable fund balance constrained to a specific purpose by Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes.

*Assigned fund balance* – the component of the spendable fund balance constrained to a specific purpose by Board. Intent can be expressed by the Board or by an official or body to which the Board delegates authority.

*Unassigned fund balance* – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

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

The District does not have a minimum fund balance policy.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds  
 For Fiscal Year Ending August 31, 2014

	General Fund	Other Funds	Total Governmental Funds
Nonspendable:			
Inventories	\$ 71,583	\$ 54,014	\$ 125,597
Prepaid items	375,676	0	375,676
Restricted:			
National Breakfast & Lunch Program	0	1,302,015	1,302,015
Advance Placement Incentives	0	859	859
Other State Special Revenue Funds	0	591	591
Retirement of Long-Term Debt	0	2,998,673	2,998,673
Committed:			
Campus Activity Funds	0	540,484	540,484
Assigned:			
Capital Expenditures for Equipment	0	1,808,358	1,808,358
Unassigned:	14,376,917	0	14,376,917
Total Fund Balance:	<u>\$14,824,176</u>	<u>\$6,704,994</u>	<u>\$21,529,170</u>

## **11. Data control codes**

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

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

### **A. Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position**

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 revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts.

### **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**

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 asset 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**

### **Budgets and Budgetary Accounting**

The District is legally required to adopt budgets for the General Fund, Child Nutrition Program, and Debt Service Fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The District follows these procedures preparing and approving its annual budget:

1. The superintendent or the designee prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than August 20th of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$48,038,147	\$1,706,485	\$49,744,632
Child Nutrition Program	3,243,336	0	3,253,336
Debt Service Fund	5,751,692	156,000	5,907,692

The most significant budget amendment within the General Fund was to increase facilities maintenance and operations by \$1,375,671. The Debt Service Fund was amended to reflect the associated cost and fees related to the issuance of a new refunding bond.

The District did not have any excess of expenditures as of August 31, 2014.

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

August 31, 2014 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$1,356,029
Non-appropriated Budgeted Funds	541,934
All Special Revenue Funds	<u>\$1,897,963</u>

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the

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period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

At August 31, 2014, the carrying value of the District's deposits was \$1,752,921, excluding \$18,941,550 of investments considered as cash equivalents, and the bank balance was \$1,996,319. The District's cash deposits at August 31, 2014, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District also had \$2,600 in petty cash that was included in cash and cash equivalents.

Petty cash	\$ 2,600
Cash in bank	1,752,921
Investments considered as cash equivalents	18,941,550
Total cash and cash equivalents	<u><u>\$20,697,071</u></u>

The following investments are considered as cash equivalents:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexSTAR - AAAM	\$18,920,945	\$18,920,945	99.9%	On demand
TexPool - AAAM	20,605	20,605	0.1%	On demand
	<u><u>\$18,941,550</u></u>	<u><u>\$18,941,550</u></u>	<u><u>100.0%</u></u>	

**Custodial Credit Risk – Deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance or securities pledged to the District and held by a third-party custodian.

**Custodial Credit Risk – Investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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's investments in the external investment pools TexSTAR and Texas Local Government Investment Pool ("TexPool") are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service.

**Credit Risk** – This is the risk that a security issuer may default on an interest or principal payment. State law limits investments in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District’s does not have any investment credit risk.

**Interest-rate Risk** – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District’s investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

**Concentration Risk** – This type of risk is defined as positions of 5 percent or more in the securities of a single issuer. The District is not exposed to concentration risk.

**Foreign Currency Risk** – The District does not engage in any deposits or investment transactions involving foreign currency.

**B. Receivables**

Receivables due from other governments, as of August 31, 2014, for the District’s major and nonmajor funds in the aggregate are as follows:

Fund	Due From State
General Fund	\$1,239,912
ESEA, Title I, Part A – Improving Basic Programs	762,578
IDEA – Part B Formula	773,181
ESEA Title X, Part C – Homeless Children	9,299
Adult Education (ABE) – Federal	82,027
Temporary Assistance for Needy Families (TANF)	7,165
IDEA – Part B, Preschool	14,568
National Breakfast & Lunch Program	62,405
Career & Technical – Basic Grant	3,090
ESEA, Title II, Part A, Teacher/Principal Training	122,647
Title III, Part A – English Language Acquisition	86,163
Adult Basic Education (ABE) – State	13,068
Advanced Placement Incentives	6,525
Total	\$3,182,628

**C. Interfund Receivables and Payables**

Interfund balances at August 31, 2014, consisted of the following individual fund receivables and payables:

Due to General Fund From:	
ESEA, Title I, Part A – Improving Basic Programs	\$1,069,780
IDEA – Part B Formula	583,276
Other Governmental Funds	30,694
Fiduciary Funds – Agency Fund	22
Total General Fund	\$1,683,772
Due to ESEA I, Part A – Improving Basic Programs From:	
General Fund	\$10,994
Due to IDEA – Part B Formula From:	
General Fund	\$3,184



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Due to Other Funds From:	
General Fund	<u>\$103,146</u>

Due to Fiduciary Funds – Agency Funds From:	
Fiduciary Funds – Agency Funds	<u>\$108</u>

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made. All interfund balances are expected to be repaid within one year.

**D. Other Financing Sources (Uses)**

The General Fund had other financing sources from the sale of personal property (4 vehicles) for \$14,350.

The Debt Service Fund had the following other financing resources and other financing uses as follows:

Other Financing Sources:	
Refunding Bonds Issued	\$8,622,083
Premiums or Discount on Issuance of Bonds	1,365,181
Other Financing Uses:	
Payment to Bond Refunding Escrow Agent	(9,832,221)

There were no interfund transfers during the year.

**E. Special and Extraordinary Items**

During the year the District had special and extraordinary items from the receipt of \$865 from gas lease bonus. The District also recorded \$393,309 as an Extraordinary Item – Tornado Recovery and \$471,262 as an Extraordinary Item – Tornado Cost, for a net cost of \$77,953 as a result of tornado damages incurred during the prior year.

**F. Operating Leases**

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$284,194 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2015	\$134,229
2016	128,625
2017	128,625
2018	91,463
2019	16,294

**G. Capital Assets**

A summary of changes in governmental activities capital assets for the year ended August 31, 2014 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,934,455	\$ 0	\$ 9,999	\$ 2,924,456
Construction in progress	80,022	215,235	54,192	241,065
Total capital assets, not being depreciated	3,014,477	215,235	64,191	3,165,521
Capital assets, being depreciated:				
Buildings and improvements	117,133,125	1,116,164	35,865	118,213,424
Furniture and equipment	10,040,433	1,752,655	146,073	11,647,015
Total capital assets, being depreciated	127,173,558	2,868,819	181,938	129,860,439
Less accumulated depreciation for:				
Buildings and improvements	45,301,883	2,931,929	21,205	48,212,607
Furniture and equipment	6,974,148	760,002	142,500	7,591,650
Total accumulated depreciation	52,276,031	3,691,931	163,705	55,804,257
Total capital assets, being depreciated, net	74,897,527	(823,112)	18,233	74,056,182
Governmental capital assets	\$77,912,004	\$(607,877)	\$82,424	\$ 77,221,703

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

<b>Governmental activities:</b>	
11 – Instruction	\$2,586,382
12 – Instruction Resources & Media Services	52,086
23 – School Leadership	153,728
31 – Guidance, Counseling & Evaluation Services	76,864
34 – Student Transportation	225,784
35 – Food Services	207,546
36 – Extracurricular Activities	76,904
41 – General Administration	60,966
51 – Plant Maintenance & Operations	118,088
52 – Security & Monitoring Services	133,583
Total Depreciation Expense	<u>\$3,691,931</u>

**Construction Commitments**

The District has active construction projects as of August 31, 2014. Construction in progress and remaining commitments as of August 31, 2014, are as follows:

Project	Approved Construction Project	Construction in Progress	Estimated Remaining Commitment
Wheat MS Concession	\$248,490	\$241,065	\$7,475

**H. Long-Term Debt**

Long-term debt of the District is comprised of bonds payable, accreted interest, unamortized premium/discount on bonds, and accrued compensated absences. Debt service requirements for general obligation bonds are

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payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding under the Instructional Facilities and Existing Debt Allotments and interest earnings. The General Fund has typically been used to liquidate accrued compensated absences in prior years.

The following is a summary of changes in long-term debt for governmental activities for the year ended August 31, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$47,452,103	\$8,622,083	\$12,892,105	\$43,182,081	\$4,315,000
Accreted interest	1,056,194	1,259,722	0	2,315,917	0
Unamortized premium on bonds	1,211,606	1,365,181	252,520	2,324,267	0
Totals	<u>\$49,719,903</u>	<u>\$11,246,986</u>	<u>\$13,144,625</u>	<u>\$47,822,265</u>	<u>\$4,315,000</u>

**Bonds Payable**

During the current year the District issued \$8,622,083 in Series 2014 Unlimited Tax Refunding Bonds, with an average interest rate of 2.3%, to advance refund a portion of the District's Series 2004 Unlimited Tax Refunding Bonds, with an average interest rate of 4.765%, and a portion of the District's Series 2005 Unlimited Tax School Building Bonds, with an average interest rate of 4.189%, and to pay the costs associated with sale of the Bonds. The net proceeds of \$9,833,914, after paying underwriter's discount and cost of issuance of \$153,350, 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 position. The District in effect reduced its aggregate debt service payments by \$1,206,139 over 16 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$986,348.

Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding under the Instructional Facilities and Existing Debt Allotments and interest earnings.

Bonded indebtedness of the District is reflected in the statement of net position. Current principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

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A summary of changes in general obligation bonds for the year ended August 31, 2014, follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 2004 ULR Bonds/ 2020	4.0%/4.25%	\$7,104,999	\$4,505,000	\$ 0	\$ 4,505,000	\$ 0	\$ 0
Series 2005 ULSB Bonds/2029	3.5%/5.21%	24,707,105	10,462,105	0	5,692,105	4,770,000	1,050,000
Series 2006 ULSB Bonds/2031	4.0%/4.75%	10,999,998	10,859,998	0	0	10,859,998	0
Series 2008 ULR Bonds/ 2020	3.875%/5.25%	7,210,006	4,470,000	0	575,000	3,895,000	605,000
Series 2013 ULR Bonds/ 2031	1.4%/3.0%	8,659,995	7,155,000	0	0	7,155,000	0
Series 2013 ULSB Bonds/2018	1.38%	10,000,000	10,000,000	0	2,035,000	7,965,000	2,060,000
Series 2014 ULR Bonds/ 2029	2.0%/3.69%	8,622,083	0	8,622,083	85,000	8,537,083	600,000
Sub-total			<u>\$47,452,103</u>	<u>\$8,622,083</u>	<u>\$12,892,105</u>	<u>\$43,182,081</u>	<u>\$4,315,000</u>

The annual debt service for retirement of bond principal and interest are as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2015	\$ 4,315,000	\$ 1,299,234	\$ 5,614,234
2016	4,420,000	1,185,539	5,605,539
2017	4,381,000	1,225,916	5,606,916
2018	4,423,998	1,189,781	5,613,779
2019	2,740,000	887,594	3,627,594
2020-2024	9,625,000	3,356,742	12,981,742
2025-2029	10,012,083	4,518,372	14,530,455
2030-2034	3,265,000	158,056	3,423,056
Totals	<u>\$43,182,081</u>	<u>\$13,821,234</u>	<u>\$57,003,315</u>

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, 2014, \$25,385,000 of bonds considered defeased are still outstanding.

**I. 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	Fund Totals
Property Taxes	\$27,585,789	\$ 0	\$5,213,234	\$ 0	\$32,799,023
Food Sales	0	860,085	0	0	860,085
Investment Income	12,624	1,711	2,326	1,788	18,449
Penalties, interest & other tax related income	409,588	0	69,177	0	1478,765
Extracurricular activities	126,109	800,178	0	0	926,287
Other	877,464	310	0	4,345	882,119
Total	<u>\$29,011,574</u>	<u>\$1,662,284</u>	<u>\$5,284,737</u>	<u>\$6,133</u>	<u>\$36,964,728</u>

**J. 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	\$ 1,592,513	\$ 0	\$ 1,592,513
Foundation School Prg. Act Entitlements	14,593,332	0	14,593,332
State Program Revenues	0	1,034,840	1,034,840
TRS On-behalf Payments	2,129,515	29,029	2,158,544
TRS Medicare Part-D	92,814	0	92,814
Totals	<u>\$18,408,174</u>	<u>\$1,063,869</u>	<u>\$19,472,043</u>

**K. Employee Benefits**

The following is a summary of the various insurance, reimbursement and retirement programs provided by the District for the benefit of District employees and their dependents:

**1. 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 transfer under Texas Government Code, Title 8, Chapters 803 and 805 respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

*Funding Policy* – Contribution requirements are not actuarially determined but are established and amended pursuant to the following policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the current year; (2) state statute prohibits benefit improvements, if as a result of a particular action, the time to amortize TRS’s unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$2,289,831	6.8%	\$2,432,945	\$370,994
2013	6.4%	2,254,977	6.4%	2,254,977	336,140
2012	6.4%	2,399,442	6.0%	2,249,477	316,890

## 2. 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 to the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site under the TRS Publication heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

*Funding Policy* – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively.

Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2012.

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	.65%	\$232,563	1.0%	\$357,786	.55%	\$196,782
2013	.65%	229,023	0.5%	176,170	.55%	193,790
2012	.65%	228,458	1.0%	352,276	.55%	193,315

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the fiscal years ended August 31, 2014, August 31, 2013, and August 31, 2012, the contributions made on behalf of the District were \$92,814, \$92,363, and \$80,221, respectively.

## 3. Health Care Coverage

Employees of the District are covered by TRS ActiveCare. TRS ActiveCare is a statewide health coverage program for public education employees established by the 77<sup>th</sup> Texas Legislature. The District contributed approximately \$225 per month per participant to the plan, and employees, at their option, authorized payroll

withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

#### 4. Workers' Compensation Program

The District participates in the TASB Risk Management Fund Workers' Program. Projected discounted liability as of August 31, 2014 is \$252,580. The District does not purchase aggregate excess insurance.

The accrued liability of Workers' Compensation self-insurance of \$148,737 includes incurred but not reported claims. This liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it's probable that a liability has incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the discounted estimate of the actuary at the mean funding level.

Changes in the workers' compensation claims liability amounts are represented below:

Fund Year	Claim Count	Aggregate Deductible	Estimated Paid Loss & ALAE	Selected Ultimate Loss & ALAE	District Net Retained Outstanding Loss & ALAE
2011	85	\$265,327	\$380,013	\$265,327	\$ 0
2012	75	242,343	316,880	242,343	0
2013	67	283,333	289,858	283,333	0
2014	53	240,203	54,740	148,737	93,997

#### L. Commitments and Contingencies

##### State and Federal Grants

The District receives monies under various state and federal grant project awards. These grants are subject to audit by the individual grantors and any disallowed costs arising from these audits would have to be refunded by the District. Management believes that the District has substantially complied with the terms and provisions of these grants, and any refunds, which might arise from these audits, would not be material.

##### Litigation

The District is a party in a litigation which it is believed by the administration to have no material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements of such contingencies.

#### M. Risk Management

The District purchases 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.

**N. Prior Period Adjustment**

A prior period adjustment to the General Fund of \$30,741 was recorded to account for payments to the Teacher Retirement System for new members added during the 2005/06 and 2006/07 school years.

**O. Evaluation of Subsequent Events**

The District has evaluated subsequent events through January 12, 2015, the date which the financial statements were available.



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**REQUIRED SUPPLEMENTARY INFORMATION**

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CLEBURNE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 27,413,377	\$ 27,449,191	\$ 29,011,574	\$ 1,562,383
5800	State Program Revenues	18,930,798	18,930,798	18,408,174	(522,624)
5900	Federal Program Revenues	350,000	350,000	448,234	98,234
5020	Total Revenues	46,694,175	46,729,989	47,867,982	1,137,993
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	28,476,853	28,313,072	28,072,036	241,036
0012	Instructional Resources and Media Services	441,078	466,470	444,298	22,172
0013	Curriculum and Instructional Staff Development	529,514	602,339	521,372	80,967
0021	Instructional Leadership	846,624	852,622	778,500	74,122
0023	School Leadership	3,079,299	3,101,160	2,928,795	172,365
0031	Guidance, Counseling and Evaluation Services	1,148,003	1,198,921	1,163,561	35,360
0032	Social Work Services	51,040	51,040	47,782	3,258
0033	Health Services	534,661	534,261	480,608	53,653
0034	Student (Pupil) Transportation	1,920,490	1,920,490	1,778,634	141,856
0035	Food Services	-	800	470	330
0036	Extracurricular Activities	1,627,493	1,639,535	1,465,897	173,638
0041	General Administration	1,578,582	1,843,582	1,651,397	192,185
0051	Facilities Maintenance and Operations	6,075,436	7,451,107	6,763,998	687,109
0052	Security and Monitoring Services	563,202	549,361	446,644	102,717
0053	Data Processing Services	581,462	635,462	611,749	23,713
0061	Community Services	71,770	71,770	50,563	21,207
<b>Intergovernmental:</b>					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	12,640	12,640	1,975	10,665
0099	Other Intergovernmental Charges	500,000	500,000	472,864	27,136
6030	Total Expenditures	48,038,147	49,744,632	47,681,143	2,063,489
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,343,972)	(3,014,643)	186,839	3,201,482
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	-	14,350	14,350
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>					
7918	Special Item - Gas Lease Bonus	-	-	865	865
7919	Extraordinary Item - Tornado Recovery	-	-	393,309	393,309
8913	Extraordinary Item - Tornado Costs	-	(682,129)	(471,262)	210,867
1200	Net Change in Fund Balances	(1,343,972)	(3,696,772)	124,101	3,820,873
0100	Fund Balance - September 1 (Beginning)	14,730,816	14,730,816	14,730,816	-
1300	Prior Period Adjustment	(30,741)	(30,741)	(30,741)	-
3000	Fund Balance - August 31 (Ending)	\$ 13,356,103	\$ 11,003,303	\$ 14,824,176	\$ 3,820,873

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## **COMBINING SCHEDULES**

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2014

Data Control Codes	206 ESEA Title X, Pt.C Homeless	220 Adult Education Federal	223 TANF Family Assistance	225 IDEA - Part B Preschool	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (8,048)	\$ (128,103)	\$ (12,927)	\$ (14,568)
1240	Receivables from Other Governments	9,299	82,027	7,165	14,568
1260	Due from Other Funds	210	60,856	5,259	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	602	-
1000	<b>Total Assets</b>	<u>\$ 1,461</u>	<u>\$ 14,780</u>	<u>\$ 99</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable & Bank Overdrafts	\$ -	\$ 8,645	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	116	353	-	-
2160	Accrued Wages Payable	1,190	756	-	-
2170	Due to Other Funds	155	5,026	99	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>1,461</u>	<u>14,780</u>	<u>99</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3570	Capital Expenditures for Equipment	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,461</u>	<u>\$ 14,780</u>	<u>\$ 99</u>	<u>\$ -</u>

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	404 Student Success Initiative	410 State Textbook Fund
\$ 1,332,688	\$ (3,090)	\$ (110,243)	\$ (81,120)	\$ (22,112)	\$ (7,991)	\$ -	\$ 5,107
62,405	3,090	122,647	86,163	13,068	6,525	-	-
828	-	1,000	10,427	9,281	2,325	-	-
94,368	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,490,289</u>	<u>\$ -</u>	<u>\$ 13,404</u>	<u>\$ 15,470</u>	<u>\$ 237</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 5,107</u>
\$ 916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,363	-	921	414	-	-	-	-
52,491	-	9,322	4,176	-	-	-	-
11,136	-	3,161	10,880	237	-	-	-
-	-	-	-	-	-	-	5,107
40,354	-	-	-	-	-	-	-
<u>134,260</u>	<u>-</u>	<u>13,404</u>	<u>15,470</u>	<u>237</u>	<u>-</u>	<u>-</u>	<u>5,107</u>
54,014	-	-	-	-	-	-	-
1,302,015	-	-	-	-	859	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,356,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859</u>	<u>-</u>	<u>-</u>
<u>\$ 1,490,289</u>	<u>\$ -</u>	<u>\$ 13,404</u>	<u>\$ 15,470</u>	<u>\$ 237</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ 5,107</u>



CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2014

Data Control Codes	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 163,768	\$ 591	\$ 540,805	\$ 1,654,757
1240 Receivables from Other Governments	-	-	-	406,957
1260 Due from Other Funds	-	-	-	90,186
1300 Inventories	-	-	-	94,368
1410 Prepayments	-	-	-	602
1000 Total Assets	<u>\$ 163,768</u>	<u>\$ 591</u>	<u>\$ 540,805</u>	<u>\$ 2,246,870</u>
<b>LIABILITIES</b>				
2110 Accounts Payable & Bank Overdrafts	\$ -	\$ -	\$ 191	\$ 9,752
2150 Payroll Deductions and Withholdings Payable	-	-	-	31,167
2160 Accrued Wages Payable	-	-	-	67,935
2170 Due to Other Funds	-	-	130	30,824
2180 Due to Other Governments	-	-	-	5,107
2300 Unearned Revenues	163,768	-	-	204,122
2000 Total Liabilities	<u>163,768</u>	<u>-</u>	<u>321</u>	<u>348,907</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	54,014
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	591	-	1,303,465
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	540,484	540,484
Assigned Fund Balance:				
3570 Capital Expenditures for Equipment	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>591</u>	<u>540,484</u>	<u>1,897,963</u>
4000 Total Liabilities and Fund Balances	<u>\$ 163,768</u>	<u>\$ 591</u>	<u>\$ 540,805</u>	<u>\$ 2,246,870</u>

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 1,856,408	\$ 3,511,165
-	406,957
-	90,186
-	94,368
-	602
\$ 1,856,408	\$ 4,103,278
\$ 48,050	\$ 57,802
-	31,167
-	67,935
-	30,824
-	5,107
-	204,122
48,050	396,957
-	54,014
-	1,303,465
-	540,484
1,808,358	1,808,358
1,808,358	3,706,321
\$ 1,856,408	\$ 4,103,278

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	206 ESEA Title X, Pt.C Homeless	220 Adult Education Federal	223 TANF Family Assistance	225 IDEA - Part B Preschool	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	31,967	251,883	21,929	26,683
5020	Total Revenues	<u>31,967</u>	<u>251,883</u>	<u>21,929</u>	<u>26,683</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	29,539	173,405	9,123	5,528
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	3,937	164	-
0021	Instructional Leadership	788	74,541	12,642	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	5,272
0032	Social Work Services	1,640	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	15,883
6030	Total Expenditures	<u>31,967</u>	<u>251,883</u>	<u>21,929</u>	<u>26,683</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>

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	404 Student Success Initiative	410 State Textbook Fund
\$ 862,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48,771	-	-	-	42,081	11,700	-	874,414
2,644,408	79,140	269,584	157,500	-	-	-	-
<u>3,555,285</u>	<u>79,140</u>	<u>269,584</u>	<u>157,500</u>	<u>42,081</u>	<u>11,700</u>	<u>-</u>	<u>874,414</u>
-	72,282	213,626	70,951	40,153	-	-	874,414
-	-	-	-	-	-	-	-
-	5,752	36,261	85,475	1,675	11,700	-	-
-	545	10,220	299	253	-	-	-
-	-	9,477	775	-	-	-	-
-	561	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,049,900	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,049,900</u>	<u>79,140</u>	<u>269,584</u>	<u>157,500</u>	<u>42,081</u>	<u>11,700</u>	<u>-</u>	<u>874,414</u>
505,385	-	-	-	-	-	-	-
850,644	-	-	-	-	859	-	-
<u>\$ 1,356,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ -</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 800,178	\$ 1,662,284
5800 State Program Revenues	85,773	53	1,077	1,063,869
5900 Federal Program Revenues	-	-	-	3,483,094
5020 Total Revenues	<u>85,773</u>	<u>53</u>	<u>801,255</u>	<u>6,209,247</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	85,773	-	248,674	1,823,468
0012 Instructional Resources and Media Services	-	-	32,859	32,859
0013 Curriculum and Instructional Staff Development	-	-	2,492	147,456
0021 Instructional Leadership	-	-	75	99,363
0023 School Leadership	-	-	24,582	34,834
0031 Guidance, Counseling and Evaluation Services	-	-	-	5,833
0032 Social Work Services	-	-	-	1,640
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	3,049,900
0036 Extracurricular Activities	-	-	483,622	483,622
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	681	681
0052 Security and Monitoring Services	-	-	4,377	4,377
0053 Data Processing Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	15,883
6030 Total Expenditures	<u>85,773</u>	<u>-</u>	<u>797,362</u>	<u>5,699,916</u>
1200 Net Change in Fund Balance	-	53	3,893	509,331
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>538</u>	<u>536,591</u>	<u>1,388,632</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 591</u>	<u>\$ 540,484</u>	<u>\$ 1,897,963</u>

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 6,133	\$ 1,668,417
-	1,063,869
-	3,483,094
<u>6,133</u>	<u>6,215,380</u>
427,580	2,251,048
-	32,859
-	147,456
-	99,363
-	34,834
-	5,833
-	1,640
1,372,489	1,372,489
-	3,049,900
178,807	662,429
8,500	8,500
901,038	901,719
422,950	427,327
17,600	17,600
742,645	742,645
-	15,883
<u>4,071,609</u>	<u>9,771,525</u>
(4,065,476)	(3,556,145)
<u>5,873,834</u>	<u>7,262,466</u>
<u>\$ 1,808,358</u>	<u>\$ 3,706,321</u>

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2014

	816 Miscellaneous Scholarships Fund	817 Roy Mae Williams Scholarship	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 11,282	\$ 125	\$ 26,043	\$ 19,737
Investments - Current	-	-	82,718	-
Other Receivables	10,600	-	-	-
Total Assets	<u>21,882</u>	<u>125</u>	<u>108,761</u>	<u>19,737</u>
<b>LIABILITIES</b>				
Due to Student Groups	4,150	-	-	-
Total Liabilities	<u>4,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Restricted for Scholarships	17,732	125	108,761	19,737
Total Net Position	<u>\$ 17,732</u>	<u>\$ 125</u>	<u>\$ 108,761</u>	<u>\$ 19,737</u>

820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of 42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund
\$ 18,597	\$ 1,690	\$ 7,107	\$ 3,641	\$ 294,028	\$ 58,969	\$ 23,310	\$ 46,573
-	-	-	-	891,603	432,655	205,917	117,832
-	-	-	-	-	-	-	-
<u>18,597</u>	<u>1,690</u>	<u>7,107</u>	<u>3,641</u>	<u>1,185,631</u>	<u>491,624</u>	<u>229,227</u>	<u>164,405</u>
-	-	-	-	525	10,750	2,950	500
-	-	-	-	525	10,750	2,950	500
18,597	1,690	7,107	3,641	1,185,106	480,874	226,277	163,905
<u>\$ 18,597</u>	<u>\$ 1,690</u>	<u>\$ 7,107</u>	<u>\$ 3,641</u>	<u>\$ 1,185,106</u>	<u>\$ 480,874</u>	<u>\$ 226,277</u>	<u>\$ 163,905</u>



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CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2014

	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 14,467	\$ 525,569
Investments - Current	-	1,730,725
Other Receivables	-	10,600
Total Assets	14,467	2,266,894
<b>LIABILITIES</b>		
Due to Student Groups	-	18,875
Total Liabilities	-	18,875
<b>NET POSITION</b>		
Restricted for Scholarships	14,467	2,248,019
Total Net Position	\$ 14,467	\$ 2,248,019

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, 2014

	816 Miscellaneous Scholarships Fund	817 Roy Mae Williams Scholarship	818 Ball Snavelly Scholarship Fund	819 Pete Kendall Memorial Scholarship
<b>ADDITIONS:</b>				
Local and Intermediate Sources	\$ 13,300	\$ -	\$ 3,515	\$ 19,737
Total Additions	<u>13,300</u>	<u>-</u>	<u>3,515</u>	<u>19,737</u>
<b>DEDUCTIONS:</b>				
Other Operating Costs	10,100	500	1,000	-
Total Deductions	<u>10,100</u>	<u>500</u>	<u>1,000</u>	<u>-</u>
Change in Net Position	3,200	(500)	2,515	19,737
Total Net Position - September 1 (Beginning)	<u>14,532</u>	<u>625</u>	<u>106,246</u>	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 17,732</u></u>	<u><u>\$ 125</u></u>	<u><u>\$ 108,761</u></u>	<u><u>\$ 19,737</u></u>

820 Matt Calder Scholarship Fund	821 Lynn Palmer Scholarship Fund	822 Class of 42 Scholarship Fund	823 Johnnie Hyde Scholarship Fund	824 Alumni Scholarship Fund	825 Gerard Scholarship Fund	826 Green & Davis Scholarship Fund	827 Lucile Ball Scholarship Fund
\$ 250	\$ -	\$ -	\$ -	\$ 166,017	\$ 4,448	\$ 1,700	\$ 5,713
<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,017</u>	<u>4,448</u>	<u>1,700</u>	<u>5,713</u>
500	-	750	-	20,665	4,200	1,000	752
<u>500</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>20,665</u>	<u>4,200</u>	<u>1,000</u>	<u>752</u>
(250)	-	(750)	-	145,352	248	700	4,961
<u>18,847</u>	<u>1,690</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>\$ 18,597</u>	<u>\$ 1,690</u>	<u>\$ 7,107</u>	<u>\$ 3,641</u>	<u>\$ 1,185,106</u>	<u>\$ 480,874</u>	<u>\$ 226,277</u>	<u>\$ 163,905</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, 2014

Data Control Codes	828 F. Nooner Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS:		
Local and Intermediate Sources	\$ -	\$ 214,680
Total Additions	<u>-</u>	<u>214,680</u>
DEDUCTIONS:		
Other Operating Costs	<u>2,000</u>	<u>41,467</u>
Total Deductions	<u>2,000</u>	<u>41,467</u>
Change in Net Position	(2,000)	173,213
 Total Net Assets - September 1 (Beginning)	 <u>16,467</u>	 <u>2,074,806</u>
 Total Net Assets - August 31 (Ending)	 <u>\$ 14,467</u>	 <u>\$ 2,248,019</u>

**REQUIRED TEXAS EDUCATION AGENCY SCHEDULES**

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
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	1.040000	0.196600	2,815,894,307
2014 (School year under audit)	1.040000	0.196600	2,644,490,296
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 501,392	\$ -	\$ 13,542	\$ 1,686	\$ (2,964)	\$ 483,200
81,594	-	6,591	850	(2,175)	71,978
88,659	-	9,378	1,347	(1,128)	76,806
130,870	-	10,677	2,020	(1,032)	117,141
136,346	-	11,187	2,115	(1,347)	121,697
320,108	-	30,368	5,741	(2,411)	281,588
257,001	-	80,330	15,185	(4,596)	156,890
266,703	-	103,383	19,543	(4,683)	139,094
723,915	-	367,211	69,417	(15,969)	271,318
-	32,701,767	26,953,301	5,095,211	11,125	664,380
<u>\$ 2,506,588</u>	<u>\$ 32,701,767</u>	<u>\$ 27,585,968</u>	<u>\$ 5,213,115</u>	<u>\$ (25,180)</u>	<u>\$ 2,384,092</u>



CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2014

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 14,824,176
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 447,259	
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)	-	
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.)	1,952,429	
7	Estimate of two month's average cash disbursements during the fiscal year.	8,321,348	
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.	1,176,764	
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>11,897,800</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 2,926,376</u></u>

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

The District will utilize the positive fund balance to address maintenance needs for aging facilities.

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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 863,145	\$ 863,145	\$ 862,106	\$ (1,039)
5800 State Program Revenues	19,032	19,032	48,771	29,739
5900 Federal Program Revenues	2,423,300	2,423,300	2,644,408	221,108
5020 Total Revenues	<u>3,305,477</u>	<u>3,305,477</u>	<u>3,555,285</u>	<u>249,808</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0035 Food Services	3,193,336	3,203,336	3,049,900	153,436
0051 Facilities Maintenance and Operations	50,000	50,000	-	50,000
6030 Total Expenditures	<u>3,243,336</u>	<u>3,253,336</u>	<u>3,049,900</u>	<u>203,436</u>
1200 Net Change in Fund Balances	62,141	52,141	505,385	453,244
0100 Fund Balance - September 1 (Beginning)	<u>850,644</u>	<u>850,644</u>	<u>850,644</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 912,785</u>	<u>\$ 902,785</u>	<u>\$ 1,356,029</u>	<u>\$ 453,244</u>

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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 5,214,753	\$ 5,214,753	\$ 5,284,737	\$ 69,984
5020 Total Revenues	5,214,753	5,214,753	5,284,737	69,984
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	4,185,000	4,270,000	4,270,000	-
0072 Interest on Long Term Debt	1,556,692	1,471,692	1,462,568	9,124
0073 Bond Issuance Cost and Fees	10,000	166,000	156,962	9,038
6030 Total Expenditures	5,751,692	5,907,692	5,889,530	18,162
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(536,939)	(692,939)	(604,793)	88,146
<b>OTHER FINANCING SOURCES (USES):</b>				
7901 Refunding Bonds Issued	-	9,988,000	8,622,083	(1,365,917)
7916 Premium or Discount on Issuance of Bonds	-	-	1,365,181	1,365,181
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,834,000)	(9,832,221)	1,779
7080 Total Other Financing Sources (Uses)	-	154,000	155,043	1,043
1200 Net Change in Fund Balances	(536,939)	(538,939)	(449,750)	89,189
0100 Fund Balance - September 1 (Beginning)	3,448,423	3,448,423	3,448,423	-
3000 Fund Balance - August 31 (Ending)	\$ 2,911,484	\$ 2,909,484	\$ 2,998,673	\$ 89,189

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

# KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406		Fax (817) 451-7597

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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  
505 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, 2014, 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 12, 2015.

## 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-01.

## **The Districts Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing 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 12, 2015

# KIRK, RICHARDSON & POOLE, P. C

Members of the American Institute of Certified Public Accountants

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Tom Kirk, CPA

Don Richardson, CPA

Cindy Poole, CPA

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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  
505 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, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

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

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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, 2014.

## Report on Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* 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. Accordingly, this report is not suitable for any other purpose.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole, P.C.  
Fort Worth, Texas  
January 12, 2015



CLEBURNE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014

**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
84.027	IDEA – Part B, Formula
84.173	IDEA – Part B, Preschool
84.367A	ESEA, Title II, Part A, Teacher/Principal Training

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**

2014-01 - Fund 240 National Breakfast and Lunch Program Excess Fund Balance

Criteria – A District may not have a fund balance exceeding three months' average food service operations expenditures (TEA Financial Accounting and Reporting Resource Guide 1.3.2.4 – Fund Balance).

Deficiency – The District's Food Service fund balance exceeded three months' average food service operations expenditures by approximately \$339,392.

Context – Review of Food Service fund balance and expenditures.

Effect – The District is not in compliance with the Texas Education Agency's food service fund balance requirement.

Cause – District was not monitoring food service fund balance on a regular basis to determine if District was in compliance with TEA guidelines.

Recommendations – We recommend the District monitor food service fund balance on a regular basis and to develop plans for using these funds exclusively for allowable child nutrition program purposes.

Views of responsible officials and planned corrective action – The District agrees with this finding and will various options to reduce food service fund balance to an acceptable level.

### **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, 2014

**STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE:**

N/A – None required.

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2014

Contact: David Johnson, Chief Financial Officer  
505 N. Ridgeway, Suite 100  
Cleburne, Texas 76033  
(817) 202-1100

2014-01 – Fund 240 National Breakfast and Lunch Program Excess Fund Balance

The District agrees with this finding and will monitor food service fund balance on a regular basis and develop plans for using these funds exclusively for allowable child nutrition program purposes.

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
Adult Education - Family Literacy	84.002	134100017110451	\$ 2,052
Adult Education - Family Literacy & Civics	84.002	134100087110484	2,960
Adult Education - Family Literacy	84.002	0414ABE000	142,131
Adult Education - Family Literacy	84.002	0414AELA00	11,722
Adult Education - Family Literacy & Civics	84.002	0414ELC000	93,018
Total CFDA Number 84.002			251,883
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101126903	1,396,358
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101126903	79,606
Total CFDA Number 84.010A			1,475,964
Total Title I Cluster			1,475,964
*IDEA - Part B, Formula	84.027	14660001126903	1,361,561
*IDEA - Part B, Formula	84.027	15660001126903	76,751
Total CFDA Number 84.027			1,438,312
*IDEA - Part B, Preschool	84.173	14661001126903	27,229
Total Special Education Cluster (IDEA)			1,465,541
Career and Technical - Basic Grant	84.048	14420006126903	77,356
Career and Technical - Basic Grant	84.048	15420006126903	3,090
Total CFDA Number 84.048			80,446
ESEA, Title X, Part C -Homeless Children	84.196	13-009	633
ESEA, Title X, Part C -Homeless Children	84.196	14-009	32,600
Total CFDA Number 84.196			33,233
Title III, Part A - English Language Acquisition	84.365A	14671001126903	142,634
Title III, Part A - English Language Acquisition	84.365A	15671001126903	17,460
Total CFDA Number 84.365A			160,094
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501126903	262,789
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501126903	12,348
Total CFDA Number 84.367A			275,137
Summer School LEP	84.369	69551302	6,678
Total Passed Through State Department of Education			\$ 3,748,976
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 3,748,976</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Temporary Assistance for Needy Families (TANF)	93.558	36251401	\$ 21,929
Total Passed Through State Department of Education			\$ 21,929
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 21,929</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 556,913
*National School Lunch Program - Cash Assistance	10.555		1,860,892
*National School Lunch Prog. - Non-Cash Assistance	10.555		226,604
Total CFDA Number 10.555			2,087,496

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Total Child Nutrition Cluster			2,644,409
Total Passed Through the State Department of Agriculture			\$ 2,644,409
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 2,644,409</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 6,415,314</b>

\*Clustered Programs

CLEBURNE INDEPENDENT SCHOOL DISTRICT  
*NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS*  
*AUGUST 31, 2014*

**Note 1 – Basis of Presentation**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus.

The modified accrual basis of accounting is used for the General and Special Revenue 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 liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

**Note 2 – Period of Availability**

Federal awards may specify a time period during which the District may use the Federal funds. Where a funding period is specified, the District may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the District during the same or future period.

The District shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request. Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement 2014.

**Note 3 – Reconciliation of Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$6,791,785
School Health & Related services (SHARS) reimbursements not reported in the Schedule of Expenditures of Federal Awards	<u>(376,471)</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$6,415,314</u>

SCHOOLS FIRST QUESTIONNAIRE

CLEBURNE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2014

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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 unqualified 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.	\$ 2,324,267