

# KIRK, RICHARDSON & POOLE P. C.

Members of the American Institute of Certified Public Accountants

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January 12, 2015

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleburne Independent School District (the "District") for the year ended August 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

We considered the following as significant audit findings:

A school district may not have a fund balance exceeding three months' average food service operations expenditure. In addition, these balances must be used exclusively for allowable child nutrition program services (Texas Education Agency Financial Accountability System Resource Guide, Section 1.1.3.2.4 Fund Balance).

Fund 240 National Breakfast and Lunch Program ending fund balance was \$1,356,029. Total expenditures for the year were \$3,049,900 for an average of approximately \$338,900 per operating month. Based upon this average, the fund balance should not exceed \$1,016,700. Using this amount, your actual ending fund balance exceeds the three month requirement by \$339,329.

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

The District concurs with this finding and recommendation.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended August 31, 2014. We noted no transactions entered into by the governmental unit during the year

for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the District's financial statements was:

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal 2014 will ultimately change from the amount calculated as of August 31, 2014 because of the factors that Texas Education Agency (the "Agency") uses in its calculations.

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

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2015.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to *Management’s Discussion and Analysis* and the *Budgetary Comparison Schedule – General Fund*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Schedules, Required Texas Education Agency Schedules and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the use of the District’s Board of Trustees, management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

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cc: Dr. Kyle Heath, Superintendent  
David Johnson, Chief Financial Officer