

**COMMUNITY INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

COMMUNITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

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CERTIFICATE OF BOARD

Community Independent School District
Name of School District

Collin
County

043-918
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and
X **approved**/ _____ **disapproved** for the year ended June 30, 2014, at a meeting of the board of school
trustees of such school district on November 17, 2014.



Signature of Board Secretary



Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

FINANCIAL SECTION

**RUTHERFORD,
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COMPANY, P.C.**
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INDEPENDENT AUDITOR'S REPORT

Members of the Board:

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 the Community Independent School District (District), as of and for the year ended June 30, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Independent School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose 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 other supplementary information 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 other supplementary information schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



October 25, 2014
Greenville, Texas

**RUTHERFORD,
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Certified Public Accountants

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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 School Trustees
Community Independent School District

Members of the Board:

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 the Community Independent School District (District), as of and for the year ended June 30, 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 October 25, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

October 25, 2014
Greenville, Texas

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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 School Trustees
Community Independent School District

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Community Independent School District's (District) compliance with the types of 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 June 30, 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 each of its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

report on internal control over compliance in accordance with OMC circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Ruthford Zight Co PC.

October 25, 2014
Greenville, Texas

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
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	Food Service Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Financial Statement Findings (Section II)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Federal Award Findings and Questioned Costs (Section III)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Prior Year Findings (Section IV)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Corrective Action Plans (Section V)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

This section of Community Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

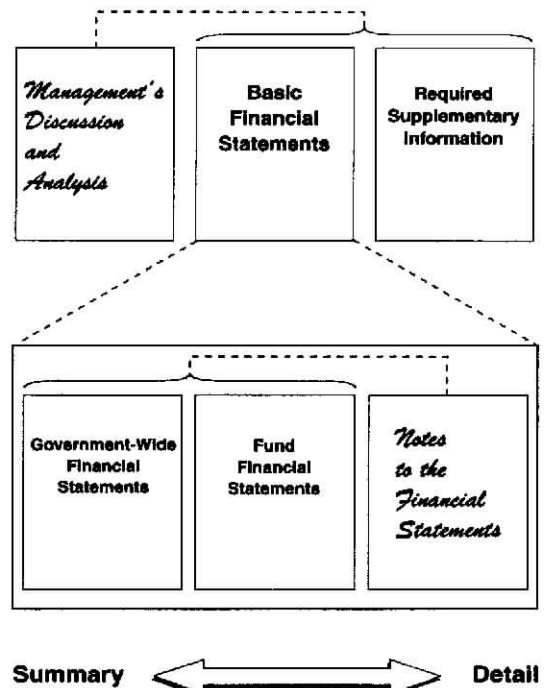
- The District's Net Position was \$ 10,353,428 at June 30, 2014.
- During the year, the District's expenses were \$ 1,516,887 less than the \$ 17,925,286 generated from charges for services and other revenues for governmental activities.
- The total cost of the District's programs increased 4.42% from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 6,252,788, an increase of \$ 647,528 over the prior year.
- During the year ended June 30, 2014, the District issued Community Independent School District Tax Maintenance Notes, Series 2014, to provide funds for District improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets	* Balance sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements

**COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

- provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The District's combined net position was \$ 10,353,428 at June 30, 2014.

Community Independent School District's Net Position				Table A-1
	Governmental Activities			Total
	2014	2013		Percentage
				Change
				2013 - 2014
Assets:				
Cash and Investments	\$ 8,281,554	\$ 8,795,618		-5.84%
Other Assets	3,365,242	2,161,424		55.70%
Capital Assets less Accumulated Depreciation	32,950,162	32,836,118		0.35%
Total Assets	\$ 44,596,958	\$ 43,793,160		1.84%
Deferred Net Outflows of Resources:				
Deferred Net Outflows of Resources	\$ 480,112	\$ 516,251		-7.00%
Total Deferred Net Outflows of Resources	\$ 480,112	\$ 516,251		-7.00%
Liabilities:				
Current Liabilities	\$ 1,719,891	\$ 1,867,303		-7.89%
Long-term Liabilities	33,003,751	33,605,566		-1.79%
Total Liabilities	\$ 34,723,642	\$ 35,472,869		-2.11%
Net Position:				
Net Investment in Capital Assets	\$ 3,625,555	\$ 3,208,257		13.01%
Restricted	2,857,867	2,559,729		11.65%
Unrestricted	3,870,006	3,068,556		26.12%
Total Net Position	\$ 10,353,428	\$ 8,836,542		17.17%

Approximately \$ 2,837,417 of the District's restricted net position represents funds received for debt retirement. Unrestricted net position represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 17,925,286. 45% of the District's revenue comes from local property taxes (See Table A-2). 52% comes from state aid and federal grants, while only 3% relates to charges for services and other miscellaneous revenues, including investment earnings.

**COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

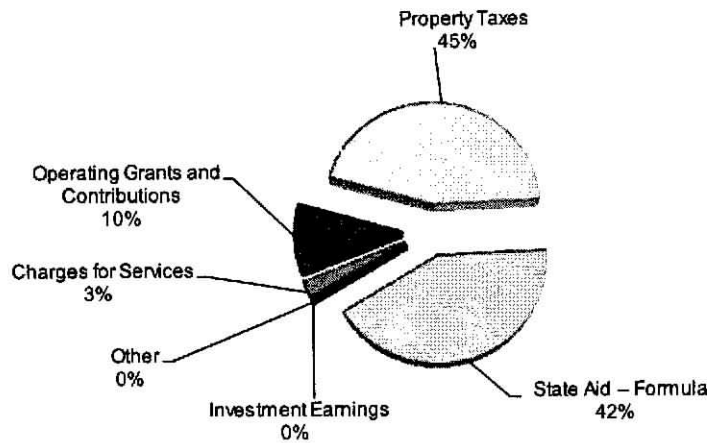
The total cost of all programs and services was \$ 16,408,399. 51% of these costs are for instruction and related staff and student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.71%. The total tax collection percentage rate (base tax and penalty and interest) was 101.26%.

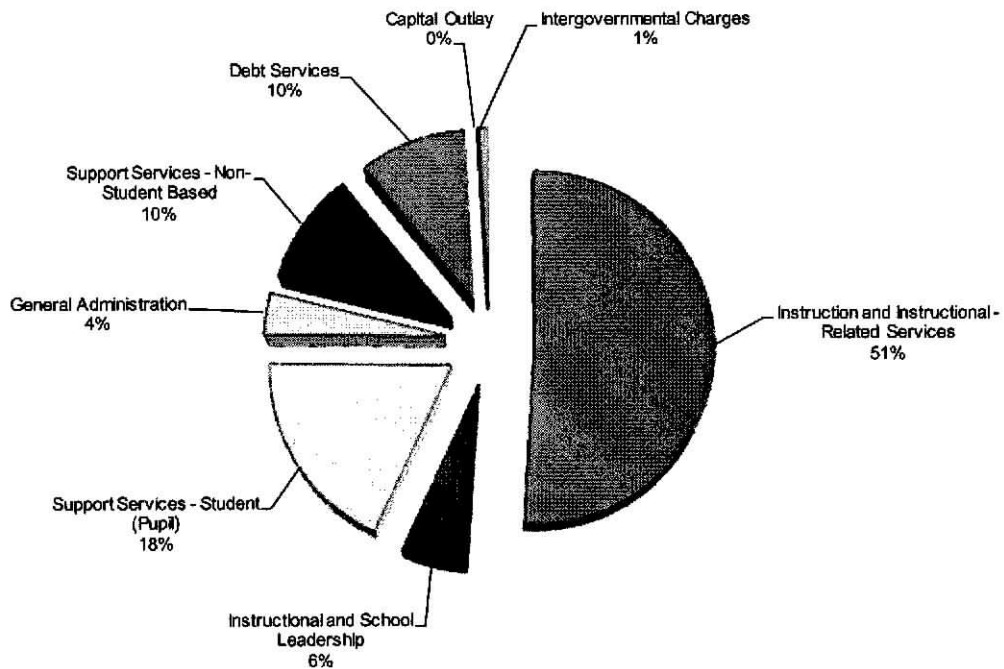
Changes in Community Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2014	2013	2013 - 2014
Program Revenues:			
Charges for Services	\$ 431,246	\$ 442,669	-2.58%
Operating Grants and Contributions	1,853,922	1,876,466	-1.20%
General Revenues:			
Property Taxes	8,048,847	7,707,173	4.43%
State Aid - Formula	7,537,864	6,417,040	17.47%
Investment Earnings	18,901	15,149	24.77%
Other	34,506	42,585	-18.97%
Total Revenues	\$ 17,925,286	\$ 16,501,082	8.63%
Expenses:			
Instruction	\$ 7,983,369	\$ 8,124,847	-1.74%
Instructional Resources and Media Services	288,349	276,449	4.30%
Curriculum and Staff Development	103,424	148,654	-30.43%
School Leadership	948,780	866,217	9.53%
Guidance, Counseling and Evaluation Services	556,449	466,400	19.31%
Health Services	105,435	104,366	1.02%
Student (Pupil) Transportation	822,372	776,645	5.89%
Food Services	872,485	888,806	-1.84%
Co-curricular/Extracurricular Activities	659,515	628,055	5.01%
General Administration	622,474	570,542	9.10%
Plant Maintenance and Operations	1,701,374	1,638,638	3.83%
Security and Monitoring Services	73,162	53,689	36.27%
Data Processing Services	1,687	1,718	-1.80%
Debt Service	1,528,262	1,037,782	47.26%
Payments for Shared Service Arrangements	84,024	65,754	27.79%
Other Intergovernmental Charges	57,238	54,394	5.23%
Total Expenses	\$ 16,408,399	\$ 15,713,572	4.42%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 1,516,887	\$ 787,510	-92.62%
Increase (Decrease) in Net Position	\$ 1,516,887	\$ 787,510	-92.62%
Net Position - Beginning (July 1)	8,836,541	8,049,031	9.78%
Net Position - Ending (June 30)	\$ 10,353,428	\$ 8,836,541	17.17%

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Sources of Revenue for Fiscal Year 2014 - See Table A-2



Functional Expenses for Fiscal Year 2014 - See Table A-2



**COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

- Table A-3 presents the cost of selected District functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all government activities this year was \$ 16,408,399.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 8,048,847.
- Some of the cost was paid by those who directly benefited from the programs, \$ 431,246, or
- By grants and contributions, \$ 7,537,864.

Table A-3						
Community Independent School District's Net Cost of Selected District Functions						
	<u>Total Cost of Services</u>		<u>%</u>	<u>Net Cost of Services</u>		<u>%</u>
	<u>2014</u>	<u>2013</u>	<u>2013 -</u>	<u>2014</u>	<u>2013</u>	<u>2013 -</u>
Instruction	\$ 7,983,369	\$ 8,124,847	-1.74%	\$ 7,506,055	\$ 7,452,117	0.72%
School Leadership	948,780	866,217	9.53%	899,188	827,576	8.65%
General Administration	622,474	570,542	9.10%	601,603	552,475	8.89%
Plant Maintenance and Operations	1,701,374	1,638,638	3.83%	1,682,101	1,600,522	5.10%
Debt Service	1,528,262	1,037,782	47.26%	1,147,636	725,447	58.20%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 17,925,133. This represents an increase of \$ 1,420,143, or 8.6%, from the prior year revenues of \$ 16,504,990. The change represents additional state aid due to increased enrollment and attendance, as well as a significant increase in property tax collections.

Expenditures in the governmental funds totaled \$ 17,546,738. This represents an increase of \$ 1,238,220, or 7.59%, from the prior year expenditures of \$ 16,308,518. The change represents the general increase of costs related to the operations of the District. General cost of living and other operational costs increased during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 542,565 below final General Fund budget amounts. The most significant variance occurred in the area of Plant Maintenance and Operations.

Resources available were \$ 850,741 in excess final General Fund budget amounts. The favorable variance was the result of a shortfall in property tax collections.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2014, the District had invested \$ 47,374,607 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Community Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change 2013 - 2014
	2014	2013	
Land	\$ 307,960	\$ 307,960	0.00%
Buildings and Improvements	44,241,300	42,746,645	3.50%
Equipment	1,059,314	1,059,314	0.00%
Vehicles	1,766,033	1,766,033	0.00%
Totals at Historical Cost	\$ 47,374,607	\$ 45,879,952	3.26%
Total Accumulated Depreciation	(14,424,445)	(13,043,834)	10.58%
Net Capital Assets	<u>\$ 32,950,162</u>	<u>\$ 32,836,118</u>	0.35%

DEBT

Bond Ratings -
The District's bonds presently
carry "AAA" ratings.

At year end, the District had \$ 33,003,751 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Community Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change 2013 - 2014
	2014	2013	
Bonds Payable	\$ 28,616,540	\$ 29,334,105	-2.45%
Other Debt Payable	4,387,211	4,271,461	2.71%
Total Debt Payable	<u>\$ 33,003,751</u>	<u>\$ 33,605,566</u>	-1.79%

**COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to housing development bankruptcies and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by a drop in property values from prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2014-2016 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2014 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2014-2016 biennium.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Jeff Chambers, Chief Financial Officer.

BASIC FINANCIAL STATEMENTS

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

1

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and Investments	\$ 8,281,554
1225	Property Taxes Receivable, Net	984,539
1240	Due from Other Governments	2,375,809
1300	Inventories	4,894
	Capital Assets:	
1510	Land	307,960
1520	Buildings and Improvements, Net	31,982,188
1530	Furniture and Equipment, Net	660,014
1000	Total Assets	\$ 44,596,958
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred Outflows of Resources	\$ 480,112
1700	Total Deferred Outflows of Resources	\$ 480,112
	LIABILITIES	
2110	Accounts Payable	\$ 141,823
2140	Interest Payable	469,150
2165	Accrued Liabilities	1,091,725
2300	Unearned Revenue	17,193
	Noncurrent Liabilities:	
2501	Due within one year	823,855
2502	Due in more than one year	32,179,896
2000	Total Liabilities	\$ 34,723,642
	NET POSITION	
3200	Net Investment in Capital Assets	\$ 3,625,555
	Restricted For:	
3820	Federal and State Programs	14,220
3850	Debt Service	2,837,417
3890	Other Purposes	6,230
3900	Unrestricted	3,870,006
3000	Total Net Position	\$ 10,353,428

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

		1	3	4	
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
Data				Operating	
Control			Charges for	Grants and	Governmental
Codes	Functions/Programs	Expenses	Services	Contributions	Activities
	Governmental Activities:				
11	Instruction	\$ 7,983,369	\$ -	\$ 477,314	\$ (7,506,055)
12	Instructional Resources and Media Services	288,349	-	11,863	(276,486)
13	Curriculum and Staff Development	103,424	-	29,513	(73,911)
23	School Leadership	948,780	-	49,592	(899,188)
31	Guidance, Counseling and Evaluation Services	556,449	-	332,266	(224,183)
33	Health Services	105,435	-	5,809	(99,626)
34	Student (Pupil) Transportation	822,372	-	28,581	(793,791)
35	Food Services	872,485	355,300	486,792	(30,393)
36	Co-Curricular/Extracurricular Activities	659,515	72,677	14,691	(572,147)
41	General Administration	622,474	-	20,871	(601,603)
51	Plant Maintenance and Operations	1,701,374	3,269	16,004	(1,682,101)
52	Security and Monitoring services	73,162	-	-	(73,162)
53	Data Processing Services	1,687	-	-	(1,687)
72	Interest on Long-term Debt	1,513,287	-	380,626	(1,132,661)
73	Bond Issuance Costs and Fees	14,975	-	-	(14,975)
93	Payments for Shared Service Arrangements	84,024	-	-	(84,024)
99	Other Intergovernmental Charges	57,238	-	-	(57,238)
TG	Total Governmental Activities	\$ 16,408,399	\$ 431,246	\$ 1,853,922	\$ (14,123,231)
TP	Total Primary Government	\$ 16,408,399	\$ 431,246	\$ 1,853,922	\$ (14,123,231)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				\$ 5,794,819
DT	Property Taxes, Levied for Debt Service				2,254,028
IE	Investment Earnings				18,901
GC	Grant and Contributions Not Restricted to Specific Programs				7,537,864
MI	Miscellaneous				34,506
TR	Total General Revenues				\$ 15,640,118
CN	Change in Net Position				\$ 1,516,887
NB	Net Position - Beginning (July 1)				8,836,541
	Net Position - Ending (June 30)				\$ 10,353,428

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

Data Control Codes		10	50		98
			Debt	Other	Total
		General Fund	Service Fund	Governmental Funds	Governmental Funds
ASSETS					
1110	Cash and Investments	\$ 5,038,726	\$ 3,009,711	\$ 188,706	\$ 8,237,143
1225	Property Taxes Receivable, Net	757,841	226,698	-	984,539
1240	Due from Other Governments	2,261,965	70,158	43,686	2,375,809
1260	Due from Other Funds	-	-	500	500
1300	Inventories	4,894	-	-	4,894
				\$ -	
1000	Total Assets	\$ 8,063,426	\$ 3,306,567	\$ 232,892	\$ 11,602,885
LIABILITIES					
Current Liabilities:					
2110	Accounts Payable	\$ 47,229	\$ -	\$ 18,614	\$ 65,843
2160	Accrued Wages Payable	927,889	-	72,965	1,000,854
2170	Due to Other Funds	-	-	500	500
2200	Accrued Expenses	77,679	-	13,192	90,871
2300	Unearned Revenues	-	-	17,193	17,193
2000	Total Liabilities	\$ 1,052,797	\$ -	\$ 122,464	\$ 1,175,261
DEFERRED INFLOWS OF RESOURCES					
2600	Deferred Inflows of Resources	\$ 757,841	\$ 226,698	\$ -	\$ 984,539
2600	Total Deferred Inflows of Resources	\$ 757,841	\$ 226,698	\$ -	\$ 984,539
FUND BALANCES					
Nonspendable Fund Balances:					
3410	Inventories	\$ 4,894	\$ -	\$ -	\$ 4,894
Restricted Fund Balances:					
3450	Federal or State Funds Grants	-	-	14,220	14,220
3480	Retirement of Long Term Debt	-	3,079,869	-	3,079,869
3490	Other Restrictions of Fund Balance	-	-	65,429	65,429
Committed Fund Balances:					
3545	Other Committed Fund Balance	-	-	30,779	30,779
3600	Unassigned	6,247,894	-	-	6,247,894
3000	Total Fund Balances	\$ 6,252,788	\$ 3,079,869	\$ 110,428	\$ 9,443,085
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,063,426	\$ 3,306,567	\$ 232,892	\$ 11,602,885

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances - Balance Sheet (governmental funds)	\$	9,443,085
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Amounts reported for governmental activities in the statement
 of net position (SNP) are different because:

Capital assets used in governmental activities are not reported in the funds.		32,950,162
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		984,539
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		(31,569)
Payables for bond principal which are not due in the current period are not reported in the funds.		(28,616,540)
Payables for capital leases which are not due in the current period are not reported in the funds.		(201,192)
Payables for bond interest which are not due in the current period are not reported in the funds.		(469,150)
Payables for notes which are not due in the current period are not reported in the funds.		(417,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(3,288,907)

Net position of governmental activities - Statement of Net Position	\$	<u>10,353,428</u>
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The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 5,879,587	\$ 2,261,172	\$ 403,107	\$ 8,543,866
5800 State Program Revenues	8,041,090	380,626	61,516	8,483,232
5900 Federal Program Revenues	1,113	-	896,922	898,035
5020 Total Revenues	\$ 13,921,790	\$ 2,641,798	\$ 1,361,545	\$ 17,925,133
EXPENDITURES				
Current:				
0011 Instruction	\$ 7,005,482	\$ -	\$ 125,578	\$ 7,131,060
0012 Instructional Resources and Media Services	273,041	-	-	273,041
0013 Curriculum and Staff Development	76,357	-	27,067	103,424
0023 School Leadership	905,052	-	-	905,052
0031 Guidance, Counseling and Evaluation Services	223,897	-	328,520	552,417
0033 Health Services	104,114	-	-	104,114
0034 Student (Pupil) Transportation	721,741	-	-	721,741
0035 Food Services	-	-	835,263	835,263
0036 Co-Curricular/Extracurricular Activities	455,149	-	42,292	497,441
0041 General Administration	587,796	-	-	587,796
0051 Plant Maintenance and Operations	2,613,534	-	-	2,613,534
0052 Security and Monitoring Services	63,893	-	-	63,893
0053 Data Processing Services	1,687	-	-	1,687
0071 Principal on Long-term Debt	97,623	717,565	-	815,188
0072 Interest on Long-term Debt	3,634	1,625,435	-	1,629,069
0073 Bond Issuance Cost and Fees	-	2,124	17,000	19,124
0081 Capital Outlay	-	-	551,632	551,632
0093 Payments for Shared Service Arrangements	84,024	-	-	84,024
0099 Other Intergovernmental Charges	57,238	-	-	57,238
6030 Total Expenditures	\$ 13,274,262	\$ 2,345,124	\$ 1,927,352	\$ 17,546,738
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 647,528	\$ 296,674	\$ (565,807)	\$ 378,395
OTHER FINANCING SOURCES (USES)				
7914 Issuance of Non-Current Debt	\$ -	\$ -	\$ 417,000	\$ 417,000
7080 Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 417,000	\$ 417,000
1200 Net Changes in Fund Balances	\$ 647,528	\$ 296,674	\$ (148,807)	\$ 795,395
0100 Fund Balances - Beginning (July 1)	5,605,260	2,783,195	259,235	8,647,690
3000 Fund Balances - Ending (June 30)	\$ 6,252,788	\$ 3,079,869	\$ 110,428	\$ 9,443,085

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Net change in fund balances - Total Governmental Funds	\$ 795,395
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	1,494,655
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,380,611)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	153
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	16,315
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	717,565
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	101,772
The accretion of interest on capital appreciation bonds is not reported in the funds.	147,024
(Increase) decrease in accrued interest expense from beginning of period to end of period.	(3,687)
The net revenue (expense) of internal service funds is reported with governmental activities.	45,306
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds	<u>(417,000)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,516,887</u>

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	ASSETS	
1110	Cash and Investments	\$ 44,411
1000	Total Assets	\$ 44,411
	LIABILITIES	
2110	Accounts Payable	\$ 75,980
2000	Total Liabilities	\$ 75,980
	NET ASSETS	
3900	Unrestricted Net Position	\$ (31,569)
3000	Total Net Position	\$ (31,569)

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
OPERATING REVENUES		
5700	Local and Intermediate Sources	\$ 103,376
5020	Total Operating Revenues	\$ 103,376
OPERATING EXPENSES		
6400	Other Operating Costs	\$ 58,070
6030	Total Operating Expenses	\$ 58,070
1300	Change in Net Position	\$ 45,306
0100	Net Position - Beginning (July 1)	(76,875)
3300	Net Position - Ending (June 30)	\$ (31,569)

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Nonmajor Internal Service Fund
	Insurance Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi External Interfund Transfers	\$ 103,376
Cash Payments for Reinsurance and Administrative Fees	(35,242)
Cash Payments for Claims	(60,704)
Net Cash Provided by (Used for) Operating Activities	\$ 7,430
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 7,430
Cash and Investments - Beginning (July 1)	36,981
Cash and Investments - Ending (June 30)	\$ 44,411
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 45,306
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	(37,876)
Net Cash Provided by (Used for) Operating Activities	\$ 7,430

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

Data		Agency
Control		Funds
Codes		Student
		Agency
<hr/>		
ASSETS		
1110	Cash and Investments	\$ 133,807
<hr/>		
1000	Total Assets	\$ 133,807
<hr/>		
LIABILITIES		
2190	Due to Student Groups	\$ 133,807
<hr/>		
2000	Total Liabilities	\$ 133,807
<hr/>		
NET POSITION		
3800	Held in Trust	\$ -
<hr/>		
3000	Total Net Position	\$ -
<hr/>		

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies

The basic financial statements of the Community Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNP) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The board can commit specific types of resources to specific purposes which are included as special revenue funds.

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance fiduciary resources to individuals, private organizations, or other governments.

b. **Measurement Focus – Basis of Accounting**

Government-wide, Proprietary and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Other Governmental	Total
Nonspendable				
Inventories	\$ 4,894	\$ -	\$ -	\$ 4,894
Restricted				
Child Nutrition Program	-	-	14,220	14,220
Retirement of Long Term Debt	-	3,079,869	-	3,079,869
Scholarship Fund	-	-	6,230	6,230
Capital Projects	-	-	59,199	59,199
Committed				
Campus Activity Funds	-	-	30,779	30,779
Unassigned	6,247,894	-	-	6,247,894
Totals	\$ 6,252,788	\$ 3,079,869	\$ 110,428	\$ 9,443,085

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Furniture and Equipment	3-15

6. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

7. Interfund Activities

Interfund activity results from loans, service 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 "Transfer" 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.

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2014, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal period.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in TexSTAR and TexPool, external investment pools. All TexPool and TexSTAR investments are reported at share price (fair value) and are presented as cash and investments.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

B. Deposits, Securities and Investments (Continued)

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAm by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

The following table categorizes the District's investments at June 30, 2014:

	Credit Rating	Fair Value
TexPool	AAAm	\$ 300,633
TexSTAR	AAAm	1,531,826
Total		<u>\$ 1,832,459</u>

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- Name of bank: Independent Bank, Farmersville, Texas.
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 8,143,349.
- Largest cash, savings and time deposit combined account balances amounted to \$ 7,528,328 and occurred during the month of April, 2014.
- Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

a. **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District did not appear to be significantly exposed to credit risk.

b. **Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At June 30, 2014, the District did not appear to be exposed to custodial credit risk.

c. **Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2014, the District did not appear to be exposed to concentration of credit risk.

d. **Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2014, the District did not appear to be exposed to interest rate risk.

e. **Foreign Currency Risk**

This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2014, the District did not appear to be exposed to foreign currency risk.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.1700 to fund general operations and \$ 0.4550 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 489,152,569.

D. Capital Assets

Capital asset activities for the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 307,960	\$ -	\$ -	\$ 307,960
Total Capital Assets not being Depreciated	\$ 307,960	\$ -	\$ -	\$ 307,960
Capital Assets being Depreciated:				
Building and Improvements	\$ 42,746,645	\$ 1,494,655	\$ -	\$ 44,241,300
Equipment	1,059,314	-	-	1,059,314
Vehicles	1,766,033	-	-	1,766,033
Total Capital Assets being Depreciated	\$ 45,571,992	\$ 1,494,655	\$ -	\$ 47,066,647
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 11,156,591	\$ 1,102,521	\$ -	\$ 12,259,112
Equipment	634,702	169,330	-	804,032
Vehicles	1,252,541	108,760	-	1,361,301
Total Accumulated Depreciation	\$ 13,043,834	\$ 1,380,611	\$ -	\$ 14,424,445
Total Capital Assets being Depreciated, Net	\$ 32,528,158	\$ 114,044	\$ -	\$ 32,642,202
Governmental Activities Capital Assets, Net	\$ 32,836,118	\$ 114,044	\$ -	\$ 32,950,162

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 941,485
Instructional Resources and Media Services	15,308
School Leadership	43,728
Guidance, Counseling and Evaluation Services	4,032
Health Services	1,321
Student (Pupil) Transportation	100,631
Food Services	37,222
Co-curricular/Extracurricular Activities	162,074
General Administration	34,678
Plant Maintenance and Operations	30,863
Security	9,269
Total	<u>\$ 1,380,611</u>

E. Long Term Obligations

Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Bonds	\$ 29,334,105	\$ -	\$ 717,565	\$ 28,616,540	\$ 688,866
Capital Leases Payable	346,834	-	145,641	201,193	134,989
Loans	-	417,000	-	417,000	-
Accreted Interest Payable	3,766,971	245,410	392,435	3,619,946	-
Bond Premium (Discount)	157,656	-	8,584	149,072	-
Total Governmental Activities	<u>\$ 33,605,566</u>	<u>\$ 662,410</u>	<u>\$ 1,264,225</u>	<u>\$ 33,003,751</u>	<u>\$ 823,855</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial purposes, the debt has been defeased and therefore removed as a liability from the basic financial statements. As of August 31, 2014, the amount of defeased debt outstanding but removed from the basic financial statements amounted to \$ 633,112 including current year defeased amounts.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. Long Term Obligations (Continued)

Bonds outstanding at year end are as follows:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Building and Refunding Bonds, Series 2000	5.6800%	\$ 7,087,339	\$ 9,228
Unlimited Tax Building and Refunding Bonds, Series 2001	5.3752%	2,996,026	1,363,723
Unlimited Tax Building and Refunding, Series 2007	4.8220%	23,601,022	22,373,589
Unlimited Tax Refunding, Series 2008	3.5773%	5,350,000	4,240,000
Unlimited Tax Refunding, Series 2013	2.9862%	630,000	630,000
Totals			<u>\$ 28,616,540</u>

Debt service requirements on bonded debt are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2015	\$ 688,866	\$ 1,655,228	\$ 2,344,094
2016	963,815	1,369,448	2,333,263
2017	1,034,951	1,298,349	2,333,300
2018	1,048,590	1,282,650	2,331,240
2019	1,109,253	1,226,444	2,335,697
2020 - 2024	6,071,073	5,828,904	11,899,977
2025 - 2029	3,879,422	6,808,621	10,688,043
2030 - 2034	5,350,570	5,043,556	10,394,126
2035 - 2039	8,470,000	872,750	9,342,750
Totals	<u>\$ 28,616,540</u>	<u>\$ 25,385,950</u>	<u>\$ 54,002,490</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of June 30, 2014.

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Interest Rate	Date of Agreement	Original Value
OCE Financial – Copiers	8.213%	11/28/06	\$ 383,481
Apple, Inc. – Computers	0.290%	05/09/13	<u>223,008</u>
Totals			<u>\$ 606,489</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. Long Term Obligations (Continued)

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending June 30	Annual Lease Payment
2015	\$ 144,715
2016	69,728
Total Minimum Lease Payment	\$ 214,443
Less: Amount Representing Interest	(13,250)
Present Value of Net Minimum Lease Payments	\$ 201,193

Loans

The District issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes.

The District issued "Community Independent School District Maintenance Tax Notes, Series 2014", on May 22, 2014 to provide financing for District facility improvements. The notes mature annually with interest paid semi-annually on the unpaid balance. The notes fully mature in fiscal year 2020.

The following schedules list the outstanding loans at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Maintenance Tax Notes, Series 2014	2.4983%	\$ 417,000	\$ 417,000

YEAR ENDING JUNE 30	GENERAL OBLIGATIONS PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2015	0	7,616	7,616
2016	77,000	9,463	86,463
2017	82,000	7,475	89,475
2018	84,000	5,400	89,400
2019	86,000	3,275	89,275
2020 - 2022	88,000	1,100	89,100
TOTAL	417,000	34,329	451,329

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System includes a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by visiting the TRS website at 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 Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

E. Long Term Obligations

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.8% contribution. The District's employees' contributions to the System for the periods ended June 30, 2014, 2013 and 2012 were \$ 528,739, \$ 502,431 and \$ 523,690, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended June 30, 2014, 2013 and 2012 were \$ 108,131, \$ 86,621 and \$ 84,639, respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State of Texas to the Teacher Retirement System of Texas) of \$ 455,436 are reflected in the general fund and appropriate special revenue fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at 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 Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

G. School District Retiree Health Plan (Continue)

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapters 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.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 66,976 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 21,939 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

H. Risk Management

Health Care

During the year ended June 30, 2014, employees of the Community Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 275 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to Teacher Retirement System of Texas (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Community Independent School District and Teacher Retirement System of Texas (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2013 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$ 103,287 for the 13-14 fiscal year. Additionally, the District incurred fixed costs of \$ 35,242 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers' compensation self-insurance of \$ 107,021 includes \$ 77,623 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

H. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in fiscal periods 2014 and 2013 are represented below:

	2014	2013
Beginning Claims Liability	\$ 113,856	\$ 68,368
Claims Incurred (Reduced)	41,233	83,717
Claims Paid	(48,068)	(38,229)
Ending Claims Liability	<u>\$ 107,021</u>	<u>\$ 113,856</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2014, the District purchased commercial insurance to cover these liabilities. There were not 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.

I. Litigation

The District does not appear to be involved in any litigation as of June 30, 2014.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. Interfund Balances and Activities

Due To and From Other Funds

Amounts due to and from other funds at year end consisted of the following:

Receivable Fund	Payable Fund	Amount
Scholarship Fund	Education Foundation	\$ 500

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

L. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Alternative Education SSA	Caddo Mills Independent School District	Alternative Education
Collin County Juvenile Justice	Plano Independent School District	Juvenile Justice Education
Block Grants	Region X -Education Service Center	Title V Part A Title IV Part A Title III LEP Carl Perkins Voc. Ed. Learn & Serve

M. Revenue from Local and Intermediate Sources

During the year ended June 30, 2014, the District received revenue from local and intermediate sources consisting of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Tax Collections	\$ 5,793,893	\$ 2,254,802	\$ -	\$ 8,048,695
Investment Income	12,339	6,370	192	18,901
Food Service Income	-	-	355,300	355,300
Gifts and Bequests	-	-	10,519	10,519
Extracurricular Activities	35,581	-	37,096	72,677
Other	37,774	-	-	37,774
Total	\$ 5,879,587	\$ 2,261,172	\$ 403,107	\$ 8,543,866

N. Receivables

Receivables at year end, for the District's individual major funds and aggregate non-major funds, including any applicable allowances for uncollectible amounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Due from Other Governments	\$ 2,261,965	\$ 70,158	\$ 43,686	\$ 2,375,809
Property Taxes	842,046	251,887	-	1,093,933
Less Allowance for Uncollectible Property Taxes	(84,205)	(25,189)	-	(109,394)
Net Receivables	\$ 3,019,806	\$ 296,856	\$ 43,686	\$ 3,360,348

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
Current Year Earnings	\$ 406,523	\$ 7,127,940	\$ 103,417	\$ 276,662
Prior Year Settle Up	-	3,306	547	-
Financial Statement Earnings	\$ 406,523	\$ 7,131,246	\$ 103,964	\$ 276,662
Amounts Received	(297,085)	(4,978,719)	(86,740)	(223,728)
Receivable (Overpayment) *	\$ 109,438	\$ 2,152,527	\$ 17,224	\$ 52,934
Remaining CY Payments	109,438	1,692,796	-	-
CY Underpayments (Overpayment)	-	459,731	17,224	52,934

* Overpayments are represented in the financial statements as Unearned Revenue (government-wide) or Deferred Revenue (governmental).

P. Subsequent Events

The District's management has evaluated subsequent events through October 25, 2014, the date which the financial statements were available for use

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2014

				Variance with	
Data		Budgeted Amounts		Final Budget	
Control		Original	Final	Positive	
Codes				(Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 5,518,278	\$ 5,635,378	\$ 5,879,587	\$ 244,209
5800	State Program Revenues	6,784,087	7,430,671	8,041,090	610,419
5900	Federal Program Revenues	5,000	5,000	1,113	(3,887)
5020	Total Revenues	\$ 12,307,365	\$ 13,071,049	\$ 13,921,790	\$ 850,741
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,780,969	\$ 7,096,279	\$ 7,005,482	\$ 90,797
0012	Instructional Resources and Media Services	291,020	291,020	273,041	17,979
0013	Curriculum and Staff Development	120,245	120,245	76,357	43,888
	Total Instruction and Instr. Related Services	\$ 7,192,234	\$ 7,507,544	\$ 7,354,880	\$ 152,664
Instructional and School Leadership:					
0023	School Leadership	\$ 901,408	\$ 913,486	\$ 905,052	\$ 8,434
	Total Instructional and School Leadership	\$ 901,408	\$ 913,486	\$ 905,052	\$ 8,434
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 190,822	\$ 225,822	\$ 223,897	\$ 1,925
0033	Health Services	106,925	106,925	104,114	2,811
0034	Student (Pupil) Transportation	543,935	733,377	721,741	11,636
0036	Co-Curricular/Extracurricular Activities	458,267	458,267	455,149	3,118
	Total Support Services - Student (Pupil)	\$ 1,299,949	\$ 1,524,391	\$ 1,504,901	\$ 19,490
Administrative Support Services:					
0041	General Administration	\$ 606,749	\$ 613,749	\$ 587,796	\$ 25,953
	Total Administrative Support Services	\$ 606,749	\$ 613,749	\$ 587,796	\$ 25,953
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,896,055	\$ 2,866,195	\$ 2,613,534	\$ 252,661
0052	Security and Monitoring Services	70,000	70,000	63,893	6,107
	Total Support Services - Nonstudent Based	\$ 1,966,055	\$ 2,936,195	\$ 2,677,427	\$ 258,768
Ancillary Services:					
0061	Community Services	\$ 2,500	\$ 2,500	\$ 1,687	\$ 813
	Total Ancillary Services	\$ 2,500	\$ 2,500	\$ 1,687	\$ 813
Debt Service:					
0071	Principal on Long-Term Debt	\$ 116,555	\$ 116,555	\$ 97,623	\$ 18,932
0072	Interest on Long-Term Debt	-	30,445	3,634	26,811
0073	Bond Issuance Costs and Fees	-	30,000	-	30,000
	Total Debt Service	\$ 116,555	\$ 177,000	\$ 101,257	\$ 75,743
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 60,000	\$ 84,462	\$ 84,024	\$ 438
0099	Other Intergovernmental Charges	55,000	57,500	57,238	262
	Total Intergovernmental Charges	\$ 115,000	\$ 141,962	\$ 141,262	\$ 700
6030	Total Expenditures	\$ 12,200,450	\$ 13,816,827	\$ 13,274,262	\$ 542,565
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 106,915	\$ (745,778)	\$ 647,528	\$ 1,393,306
Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 30,000	\$ -	\$ (30,000)
	Total Other Financing Sources and (Uses)	\$ -	\$ 30,000	\$ -	\$ (30,000)
1200	Net Change in Fund Balance	\$ 106,915	\$ (715,778)	\$ 647,528	\$ 1,363,306
0100	Fund Balance - Beginning (July 1)	5,605,260	5,605,260	5,605,260	-
3000	Fund Balance - Ending (June 30)	\$ 5,712,175	\$ 4,889,482	\$ 6,252,788	\$ 1,363,306

OTHER SUPPLEMENTARY INFORMATION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2014

Tax Roll Year	Last Ten Years Ended June 30	1		3	Assessed/Appraised Value For School Tax Purposes	Beginning Balance 7/01/2013	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2014
		Maintenance	Tax Rates Debt Service								
XXX	2005 and Prior Years	Various	Various	Various	\$	275,983	\$	-	79	(6,087)	\$ 269,141
2005	2006	1.500000	0.170000	258,804,132		42,865	-	700	79	(1,253)	40,833
2006	2007	1.370000	0.170000	295,495,509		46,903	-	2,079	258	(584)	43,982
2007	2008	1.040000	0.455000	344,681,290		51,992	-	3,784	1,656	(112)	46,440
2008	2009	1.040000	0.455000	411,502,876		73,555	-	13,344	5,837	505	54,879
2009	2010	1.040000	0.455000	442,881,070		77,020	-	12,078	5,284	(155)	59,503
2010	2011	1.040000	0.455000	457,547,313		106,212	-	16,971	7,425	(102)	81,714
2011	2012	1.040000	0.455000	466,665,151		124,969	-	18,499	8,093	(632)	97,745
2012	2013	1.170000	0.455000	464,899,076		294,264	-	109,392	42,541	(14,492)	127,839
2013	2014	1.170000	0.455000	489,152,569		-	7,948,729	5,527,347	2,149,526	1	271,857
1000 TOTALS						\$ 1,093,763	\$ 7,948,729	\$ 5,704,870	\$ 2,220,778	\$ (22,911)	\$ 1,093,933

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 466,000	\$ 466,000	\$ 355,397	\$ (110,603)
5800	State Program Revenues	26,832	26,832	26,683	(149)
5900	Federal Program Revenues	314,459	314,459	460,109	145,650
5020	Total Revenues	\$ 807,291	\$ 807,291	\$ 842,189	\$ 34,898
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 807,291	\$ 808,291	\$ 835,263	\$ (26,972)
	Total Support Services - Student (Pupil)	\$ 807,291	\$ 808,291	\$ 835,263	\$ (26,972)
6030	Total Expenditures	\$ 807,291	\$ 808,291	\$ 835,263	\$ (26,972)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (1,000)	\$ 6,926	\$ 7,926
1200	Net Change in Fund Balance	\$ -	\$ (1,000)	\$ 6,926	\$ 7,926
0100	Fund Balance - Beginning (July 1)	7,594	7,294	7,294	-
3000	Fund Balance - Ending (June 30)	\$ 7,594	\$ 6,294	\$ 14,220	\$ 7,926

COMMUNITY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
5700 Local and Intermediate Sources	\$ 2,060,591	\$ 2,060,591	\$ 2,261,172	\$ 200,581
5800 State Program Revenues	289,616	289,616	380,626	91,010
5020 Total Revenues	\$ 2,350,207	\$ 2,350,207	\$ 2,641,798	\$ 291,591
EXPENDITURES				
Debt Service:				
0071 Principal on Long-term Debt	\$ 1,110,000	\$ 1,110,000	\$ 717,565	\$ 392,435
0072 Interest on Long-term Debt	1,237,407	1,237,407	1,625,435	(388,028)
0073 Debt Issuance Costs and Fees	2,800	2,800	2,124	676
Total Debt Service	\$ 2,350,207	\$ 2,350,207	\$ 2,345,124	\$ 5,083
6030 Total Expenditures	\$ 2,350,207	\$ 2,350,207	\$ 2,345,124	\$ 5,083
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 296,674	\$ 296,674
1200 Net Change in Fund Balance	\$ -	\$ -	\$ 296,674	\$ 296,674
0100 Fund Balance - Beginning (July 1)	2,783,195	2,783,195	2,783,195	-
3000 Fund Balance - Ending (June 30)	\$ 2,783,195	\$ 2,783,195	\$ 3,079,869	\$ 296,674

COMMUNITY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2014

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 3,619,946

FEDERAL AWARDS SECTION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Grantor's Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Education Service Center, Region X:			
ESEA Title III Part A - LEP	84.365	14671001057950	\$ 6,122
Career & Technology - Basic Grant	84.048	14420006057950	7,999
Total passed through Education Service Center, Region X			<u>\$ 14,121</u>
Passed through the Texas Education Agency:			
Summer School - LEP	84.369	69551302	\$ 1,113
ESEA Title II Part A - Teacher & Principal Training	84.367	14694501043918	27,067
ESEA Title I Part A - Improving Basic Programs	84.010	14610101043918	64,409
IDEA-B Formula	84.027	146600010439186000	316,310
IDEA-B Formula	84.027	136600010439186000	12,210
IDEA-B Preschool	84.173	136610010439186000	1,917
IDEA-B Preschool	84.173	136610010439186000	779
Total passed through the Texas Education Agency			<u>\$ 423,805</u>
Total Department of Education			<u>\$ 437,926</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program *	10.553	0600	\$ 92,668
National School Lunch Program *	10.555	0600	320,314
Commodity Supplemental Food Program	10.565	043011A	47,127
Total Department of Agriculture			<u>\$ 460,109</u>
Total Expenditure of Federal Awards			<u>\$ 898,035</u>

* Denotes Major Program

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Community Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at June 30, 2014.