

**ELGIN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2014**



ELGIN INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Elgin Independent School District Bastrop 011-902
Name of School District County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the fiscal year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 15th day of December, 2014.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Elgin Independent School District:

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 Elgin Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund statements, other schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, other 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 December 10, 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.

Maxwell Soche + Ritter LLP

Austin, Texas
December 10, 2014

ELGIN INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Elgin Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position at August 31, 2014 was approximately \$9.9 million.
- The fund balance for the General Fund at August 31, 2014 was approximately \$15.1 million, an increase of approximately \$1.5 million from the prior year.
- In June 2014, the District issued \$8.72 million of Series 2014 Refunding Bonds to advance refund previously issued bonds in order to lower its overall debt service requirements. This resulted in an economic gain of approximately \$807 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the basic financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property taxes.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements section of this report.

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.

Notes to Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection, food service, and grant expenditures is also presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This two-year comparison provides an indication of the District's financial wellbeing. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. At August 31, 2014, the District's combined assets and deferred outflows of resources exceeded its liabilities by approximately \$9.9 million, which is comparable to the prior year combined net position of approximately \$8.7 million.

Net position at August 31, 2014 as compared to August 31, 2013, can be presented as follows:

**Elgin Independent School District's
Net Position**

| | (in thousands) | |
|---|--------------------|--------------------|
| | August 31, 2014 | August 31, 2013 |
| Current assets: | | |
| Cash and temporary investments | \$ 18,804 | \$ 16,962 |
| Property taxes, net | 875 | 947 |
| Due from other governments | 623 | 588 |
| Other assets | 32 | 68 |
| Total current assets | 20,334 | 18,565 |
| Non-current assets- | | |
| Capital assets, net of accumulated depreciation | 62,638 | 65,461 |
| Total assets | \$ 82,972 | \$ 84,026 |
| Deferred outflows of resources- | | |
| Deferred charges on refundings | \$ 1,980 | \$ 1,835 |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 2,077 | \$ 1,869 |
| Bond interest payable | 515 | 560 |
| Bonds and accretion payable | 3,475 | 3,485 |
| Capital lease payable | 496 | 159 |
| Unearned revenue | 118 | 94 |
| Total current liabilities | 6,681 | 6,167 |
| Long-term liabilities: | | |
| Bonds and accretion payable | 68,385 | 70,502 |
| Capital lease payable | 9 | 487 |
| Total liabilities | \$ 75,075 | \$ 77,156 |
| Net position: | | |
| Net investment in capital assets | \$ (6,233) | \$ (5,967) |
| Restricted | 1,246 | 1,086 |
| Unrestricted | 14,864 | 13,586 |
| Total net position | \$ 9,877 | \$ 8,705 |

The District covers 165 square miles and is located in the northwest portion of Bastrop County, with segments in eastern Travis County and southern Williamson County. Property values have increased an average of 3% over the last five years. Enrollment has increased by 6% over the last five years.

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is a negative \$6.2 million, meaning that the District has incurred more debt than it has capital assets at this point in time and/or that capital assets are being depreciated at a faster rate than debt is being paid down. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$1.2 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$14.9 million) may be used to meet the District's ongoing obligations.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or grant agreements. Restricted net assets are available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

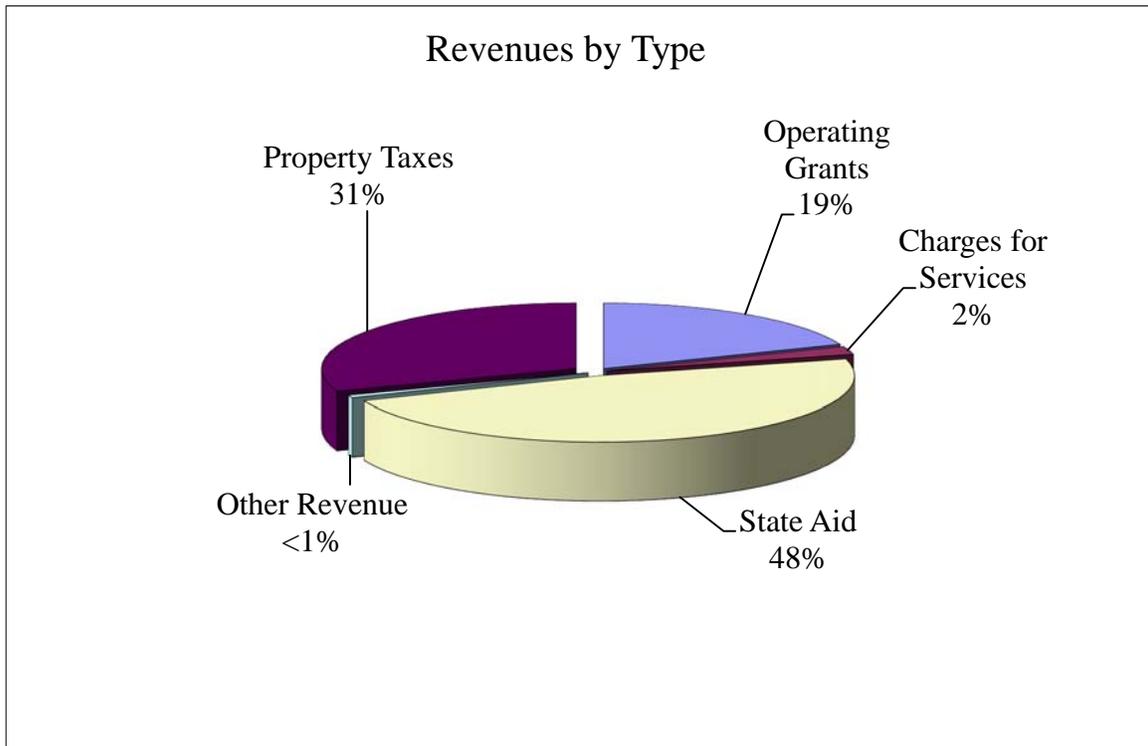
Government-wide activities

Governmental activities increased the District’s net position by \$1.2 million for the year ended August 31, 2014. Key elements of this increase are as follows:

**Elgin Independent School District’s
Changes in Net Position**

| | (in thousands) | |
|--|-------------------------------|-------------------------------|
| | Year Ended August 31, 2014 | Year Ended August 31, 2013 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 1,000 | \$ 1,107 |
| Operating grants and contributions | 8,393 | 7,420 |
| General revenues: | | |
| Property taxes | 13,732 | 13,604 |
| State aid - formula grants | 21,491 | 19,431 |
| Investment earnings | 57 | 136 |
| Miscellaneous | 222 | 270 |
| Total revenues | 44,895 | 41,968 |
| Expenses: | | |
| Instruction | 21,065 | 20,299 |
| Instructional resources and media services | 434 | 383 |
| Curriculum and staff development | 541 | 482 |
| Instructional leadership | 1,238 | 998 |
| School leadership | 2,097 | 1,952 |
| Guidance, counseling and evaluation services | 1,139 | 1,098 |
| Social work services | 112 | 98 |
| Health services | 289 | 287 |
| Student transportation | 1,842 | 1,460 |
| Food services | 2,420 | 2,247 |
| Extracurricular activities | 1,597 | 1,542 |
| General administration | 1,395 | 1,164 |
| Facilities maintenance and operations | 4,549 | 4,206 |
| Security and monitoring services | 214 | 228 |
| Data processing services | 584 | 515 |
| Community services | 280 | 200 |
| Debt service | 3,717 | 3,362 |
| Facilities acquisition and construction | 8 | 58 |
| Payments related to shared services arrangements | 26 | 21 |
| Other intergovernmental charges | 176 | 164 |
| Total governmental activities | 43,723 | 40,764 |
| Change in net position | 1,172 | 1,204 |
| Net position beginning | 8,705 | 7,501 |
| Net position ending | \$ 9,877 | \$ 8,705 |

Overall property taxes account for 31% of the District’s revenue sources while state funding represents 48%. Operating grants account for 19% of revenue sources.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$17,263,624. Of this amount, \$14,422,712 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is restricted or assigned to indicate that it is not available for new spending because it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenditures. As a measure of the General Fund's liquidity, unassigned fund balance represents 45% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$598,130, all of which is restricted for the payment of debt service. The net decrease in fund balance during the year in the Debt Service Fund was \$133,346. This decrease was primarily due to the payments made to decrease outstanding debt during the year. For the 2013-14 fiscal year, the District adopted a maintenance and operations tax rate of \$1.17 per \$100 in valuation and a debt service rate of \$0.37.

Other governmental funds, which consist of the Capital Projects and Special Revenue Funds, have total fund balances of \$1,542,782, an increase of \$274,397 since last year. Overall, fund balance related to the Special Revenue Funds has increased by \$272,218, and the fund balance for the Capital Projects Fund has increased by \$2,179. Combining schedules for the Special Revenue and Capital Projects Funds are provided in this report on pages 38 through 43.

BUDGETARY HIGHLIGHTS

The District had three budget amendments during the 2013-14 fiscal year that increased the budget by a total of \$799,443. The amendments were for the following items: (1) \$220,443 for campus facilities improvements and for campus furniture and equipment; (2) \$579,000 for the iPad 1:1 initiative at the middle school; and (3) \$1,400,000 for transfer of funds from the General Fund to the Debt Service Fund to make annual debt service payments. Only \$530,000 was actually transferred from the General Fund to the Debt Service Fund to make debt service payments.

Key differences between the final amended budget and actual amounts can be briefly summarized as follows:

- Excess budgeted instructional expenditures related to the growth fund for teacher salaries, campus supplies and materials, travel, and contracted services
- Excess budgeted student transportation expenditures related to contracted services, fuel and parts
- Excess budgeted extracurricular activities related to travel expenditures
- Excess budgeted facilities maintenance and operations expenditures related to payroll and equipment

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities at August 31, 2014 amounts to approximately \$62.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

**Elgin Independent School District
Capital Assets
(Net of accumulated depreciation)**

| | |
|----------------------------|-----------------------------|
| Land | \$ 1,485,355 |
| Buildings and improvements | 59,577,776 |
| Furniture and equipment | <u>1,575,303</u> |
| Total | <u><u>\$ 62,638,434</u></u> |

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of approximately \$66.6 million. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of A+ and A1, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2015 budget and tax rate. The student population increased by approximately 2.1%. Assessed property values increased by approximately 4.78% over last year. The District adopted a \$34,953,363 budget for fiscal year 2015. The budget will be funded through a \$1.54 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.37 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same total tax rate adopted in fiscal year 2014. The 2015 fiscal year budget is approximately 2.8% more than the 2014 fiscal year final amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources.

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 financial information, contact the District's Business Services Department at Elgin Independent School District (512) 281-3434.

BASIC FINANCIAL STATEMENTS

ELGIN INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

August 31, 2014

| | Governmental Activities |
|---|------------------------------------|
| ASSETS: | |
| Cash and temporary investments | \$ 18,803,842 |
| Receivables: | |
| Property taxes - delinquent | 1,242,885 |
| Allowance for uncollectible taxes | (367,893) |
| Due from other governments | 623,365 |
| Other receivables | 3,329 |
| Inventory | 28,161 |
| Capital assets (net of accumulated depreciation): | |
| Land | 1,485,355 |
| Buildings and improvements | 59,577,776 |
| Furniture and equipment | 1,575,303 |
| Total assets | <u>82,972,123</u> |
| DEFERRED OUTFLOWS OF RESOURCES- | |
| Deferred charges on refundings | <u>1,980,094</u> |
| LIABILITIES: | |
| Current liabilities: | |
| Accounts payable | 837,742 |
| Payroll deductions and withholdings | 240,715 |
| Accrued wages payable | 983,594 |
| Bond interest payable | 514,578 |
| Bonds payable | 3,475,000 |
| Capital lease payable | 495,799 |
| Due to other governments | 15,253 |
| Unearned revenue | 117,769 |
| Noncurrent liabilities: | |
| Bonds payable | 67,401,713 |
| Accretion payable | 983,546 |
| Capital lease payable | 9,381 |
| Total liabilities | <u>75,075,090</u> |
| NET POSITION: | |
| Net investment in capital assets | (6,232,837) |
| Restricted for: | |
| Debt service | 309,759 |
| Food service | 936,317 |
| Unrestricted | 14,863,888 |
| Total net position | <u>\$ 9,877,127</u> |

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended August 31, 2014

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| Instruction | \$ 21,064,726 | 228,951 | 3,243,352 | (17,592,423) |
| Instructional resources and media services | 433,682 | - | 17,092 | (416,590) |
| Curriculum and staff development | 540,632 | - | 292,035 | (248,597) |
| Instructional leadership | 1,238,456 | - | 121,825 | (1,116,631) |
| School leadership | 2,097,420 | - | 105,517 | (1,991,903) |
| Guidance, counseling, and evaluation services | 1,139,235 | - | 91,031 | (1,048,204) |
| Social work services | 111,599 | - | 5,647 | (105,952) |
| Health services | 288,662 | - | 12,143 | (276,519) |
| Student transportation | 1,841,989 | - | 138,127 | (1,703,862) |
| Food services | 2,420,492 | 461,490 | 2,065,258 | 106,256 |
| Extracurricular activities | 1,596,929 | 269,719 | 35,419 | (1,291,791) |
| General administration | 1,395,334 | 40,166 | 45,213 | (1,309,955) |
| Facilities maintenance and operations | 4,548,910 | - | 167,426 | (4,381,484) |
| Security and monitoring services | 214,243 | - | 1,563 | (212,680) |
| Data processing services | 584,460 | - | 18,922 | (565,538) |
| Community services | 280,075 | - | 9,671 | (270,404) |
| Debt service | 3,717,457 | - | 2,022,405 | (1,695,052) |
| Facilities acquisition and construction | 8,316 | - | - | (8,316) |
| Payments related to shared services arrangements | 25,692 | - | - | (25,692) |
| Other intergovernmental charges | 175,241 | - | - | (175,241) |
| Total governmental activities | \$ 43,723,550 | 1,000,326 | 8,392,646 | (34,330,578) |
| General revenues: | | | | |
| Property taxes levied for general purposes | | | | \$ 10,428,152 |
| Property taxes levied for debt service | | | | 3,304,303 |
| State aid-formula grants | | | | 21,490,992 |
| Investment earnings | | | | 57,296 |
| Miscellaneous | | | | 221,727 |
| Total general revenues | | | | 35,502,470 |
| Change in net position | | | | 1,171,892 |
| Net position - beginning | | | | 8,705,235 |
| Net position - ending | | | | \$ 9,877,127 |

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

ELGIN INDEPENDENT SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
August 31, 2014**

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------|--|---|
| ASSETS: | | | | |
| Cash and temporary investments | \$ 16,605,396 | 523,531 | 1,674,915 | 18,803,842 |
| Receivables: | | | | |
| Property taxes - delinquent | 921,569 | 321,316 | - | 1,242,885 |
| Allowance for uncollectible taxes | (272,784) | (95,109) | - | (367,893) |
| Due from other governments | 169,364 | 74,599 | 379,402 | 623,365 |
| Due from other funds | 240,925 | - | - | 240,925 |
| Other receivables | 269 | - | 3,060 | 3,329 |
| Inventory | - | - | 28,161 | 28,161 |
| Total assets | <u>\$ 17,664,739</u> | <u>824,337</u> | <u>2,085,538</u> | <u>20,574,614</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 643,015 | - | 194,727 | 837,742 |
| Payroll deductions and withholdings | 240,715 | - | - | 240,715 |
| Accrued wages payable | 916,413 | - | 67,181 | 983,594 |
| Due to other funds | - | - | 240,925 | 240,925 |
| Due to other governments | 15,253 | - | - | 15,253 |
| Unearned revenue | 77,846 | - | 39,923 | 117,769 |
| Total liabilities | <u>1,893,242</u> | <u>-</u> | <u>542,756</u> | <u>2,435,998</u> |
| Deferred inflows of resources- | | | | |
| Deferred revenue - property taxes | 648,785 | 226,207 | - | 874,992 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Retirement of long-term debt | - | 598,130 | - | 598,130 |
| Authorized construction | - | - | 530,528 | 530,528 |
| Food service | - | - | 936,317 | 936,317 |
| Assigned to: | | | | |
| Retirement of long-term debt | 700,000 | - | - | 700,000 |
| Campus activities | - | - | 75,937 | 75,937 |
| Unassigned | 14,422,712 | - | - | 14,422,712 |
| Total fund balances | <u>15,122,712</u> | <u>598,130</u> | <u>1,542,782</u> | <u>17,263,624</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 17,664,739</u> | <u>824,337</u> | <u>2,085,538</u> | |

Amounts reported for *governmental activities* in the statement of net position are different because:

| | |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | \$ 62,638,434 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds | 874,992 |
| The following liabilities and deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Bonds payable, including premiums | (70,876,713) |
| Less: Deferred charges on refundings | 1,980,094 |
| Accretion of interest payable | (983,546) |
| Bond interest payable | (514,578) |
| Capital lease payable | (505,180) |
| Net position of governmental activities | <u>\$ 9,877,127</u> |

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2014

| | <u>General</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------|--|---|
| REVENUES: | | | | |
| Local and intermediate sources | \$ 11,102,676 | 3,329,653 | 651,587 | 15,083,916 |
| State program revenues | 22,851,088 | 2,022,405 | 721,793 | 25,595,286 |
| Federal program revenues | 307,837 | - | 3,980,515 | 4,288,352 |
| Total revenues | <u>34,261,601</u> | <u>5,352,058</u> | <u>5,353,895</u> | <u>44,967,554</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 17,460,235 | - | 2,108,842 | 19,569,077 |
| Instructional resources and media services | 395,253 | - | - | 395,253 |
| Curriculum and staff development | 231,240 | - | 286,909 | 518,149 |
| Instructional leadership | 1,060,615 | - | 78,963 | 1,139,578 |
| School leadership | 1,910,812 | - | 825 | 1,911,637 |
| Guidance, counseling, and evaluation services | 992,919 | - | 49,777 | 1,042,696 |
| Social work services | 101,710 | - | - | 101,710 |
| Health services | 263,083 | - | - | 263,083 |
| Student transportation | 1,856,588 | - | 79,000 | 1,935,588 |
| Food services | - | - | 2,206,008 | 2,206,008 |
| Extracurricular activities | 1,308,043 | - | 161,709 | 1,469,752 |
| General administration | 1,278,252 | - | - | 1,278,252 |
| Facilities maintenance and operations | 3,982,533 | - | 53,287 | 4,035,820 |
| Security and monitoring services | 195,259 | - | - | 195,259 |
| Data processing services | 558,343 | - | - | 558,343 |
| Community services | 255,257 | - | - | 255,257 |
| Debt service | 189,344 | 6,027,217 | - | 6,216,561 |
| Facilities acquisition and construction | 52,623 | - | 54,178 | 106,801 |
| Payments related to shared services arrangements | 25,692 | - | - | 25,692 |
| Other intergovernmental charges | 175,241 | - | - | 175,241 |
| Total expenditures | <u>32,293,042</u> | <u>6,027,217</u> | <u>5,079,498</u> | <u>43,399,757</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,968,559</u> | <u>(675,159)</u> | <u>274,397</u> | <u>1,567,797</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds of refunding bonds | - | 8,720,000 | - | 8,720,000 |
| Premium on sale of bonds | - | 1,196,799 | - | 1,196,799 |
| Payment to refunded bond escrow agent | - | (9,904,986) | - | (9,904,986) |
| Proceeds from capital lease | 28,169 | - | - | 28,169 |
| Transfers in | - | 530,000 | - | 530,000 |
| Transfers out | (530,000) | - | - | (530,000) |
| Total other financing sources (uses) | <u>(501,831)</u> | <u>541,813</u> | <u>-</u> | <u>39,982</u> |
| Net change in fund balances | 1,466,728 | (133,346) | 274,397 | 1,607,779 |
| Fund balances - beginning | 13,655,984 | 731,476 | 1,268,385 | 15,655,845 |
| Fund balances - ending | <u>\$ 15,122,712</u> | <u>598,130</u> | <u>1,542,782</u> | <u>17,263,624</u> |

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended August 31, 2014

| | |
|---|---------------------|
| Net change in fund balances-total governmental funds | \$ 1,607,779 |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. | |
| However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | |
| Capital outlay | 654,818 |
| Depreciation expense | (3,477,715) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Change in deferred tax revenue | (72,112) |
| Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. | |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | |
| Bond proceeds, including premiums | (9,916,799) |
| Repayment of bond principal | 3,190,000 |
| Proceeds from capital lease | (28,169) |
| Repayment of capital lease principal | 169,009 |
| Payment to refunded bond escrow agent | 9,904,986 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Change in accretion payable | (140,967) |
| Change in bond interest payable | 45,587 |
| Amortization of deferred charges on refundings | (1,039,488) |
| Amortization of bond premiums | 274,963 |
| Change in net position of governmental activities | <u>\$ 1,171,892</u> |

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended August 31, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-----------------------|-----------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local and intermediate sources | \$ 10,589,325 | 10,609,767 | 11,102,676 | 492,909 |
| State program revenues | 22,361,085 | 22,561,085 | 22,851,088 | 290,003 |
| Federal program revenues | 260,000 | 260,000 | 307,837 | 47,837 |
| Total revenues | <u>33,210,410</u> | <u>33,430,852</u> | <u>34,261,601</u> | <u>830,749</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 18,300,601 | 18,288,273 | 17,460,235 | 828,038 |
| Instructional resources and media services | 511,089 | 503,974 | 395,253 | 108,721 |
| Curriculum and staff development | 235,706 | 300,152 | 231,240 | 68,912 |
| Instructional leadership | 1,040,999 | 1,096,299 | 1,060,615 | 35,684 |
| School leadership | 1,826,900 | 1,917,469 | 1,910,812 | 6,657 |
| Guidance, counseling, and evaluation services | 1,108,350 | 1,107,899 | 992,919 | 114,980 |
| Social work services | 56,400 | 104,400 | 101,710 | 2,690 |
| Health services | 274,245 | 277,245 | 263,083 | 14,162 |
| Student transportation | 1,960,410 | 1,950,410 | 1,856,588 | 93,822 |
| Extracurricular activities | 1,297,400 | 1,412,900 | 1,308,043 | 104,857 |
| General administration | 1,130,700 | 1,291,506 | 1,278,252 | 13,254 |
| Facilities maintenance and operations | 4,130,600 | 4,125,733 | 3,982,533 | 143,200 |
| Security and monitoring services | 264,500 | 264,500 | 195,259 | 69,241 |
| Data processing services | 572,500 | 604,500 | 558,343 | 46,157 |
| Community services | 211,010 | 294,807 | 255,257 | 39,550 |
| Debt service | - | 189,344 | 189,344 | - |
| Facilities acquisition and construction | 44,000 | 64,442 | 52,623 | 11,819 |
| Payments related to shared services arrangements | 25,000 | 26,000 | 25,692 | 308 |
| Other intergovernmental charges | 220,000 | 190,000 | 175,241 | 14,759 |
| Total expenditures | <u>33,210,410</u> | <u>34,009,853</u> | <u>32,293,042</u> | <u>1,716,811</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(579,001)</u> | <u>1,968,559</u> | <u>2,547,560</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from capital lease | - | - | 28,169 | 28,169 |
| Transfers out | - | (1,400,000) | (530,000) | 870,000 |
| Total other financing uses, net | - | (1,400,000) | (501,831) | 898,169 |
| Net change in fund balance | - | (1,979,001) | 1,466,728 | 3,445,729 |
| Fund balance - beginning | <u>13,655,984</u> | <u>13,655,984</u> | <u>13,655,984</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 13,655,984</u> | <u>11,676,983</u> | <u>15,122,712</u> | <u>3,445,729</u> |

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

ELGIN INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
Agency Fund
August 31, 2014

| | <u>Agency Fund</u> |
|--------------------------------|------------------------|
| ASSETS- | |
| Cash and temporary investments | \$ 125,953 |
| Total assets | <u>\$ 125,953</u> |
| LIABILITIES: | |
| Accounts payable | \$ 10,429 |
| Due to student groups | <u>115,524</u> |
| Total liabilities | <u>\$ 125,953</u> |

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

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Elgin Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. In addition, there are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

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

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Capital Projects Fund includes the proceeds from sales of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

The Agency Fund is an unbudgeted fund and is used to account for activities of student groups and other types of activities requiring clearing accounts. This fund has no equity, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20th and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The facilities maintenance and operations function in the Food Service Fund exceeded budgeted amounts for the year ended August 31, 2014 by \$2,287.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at August 31, 2014 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents - The District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Investments - Temporary investments throughout the year consisted of investments in an external investment pool. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 10 to 30 years, furniture and equipment - 5 to 15 years.

Ad Valorem Property Taxes - Delinquent 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. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Sick Leave Liability - The State of Texas (the “State”) has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district’s local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District’s policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Fund Equity/Net Position - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year-end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to schools.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net position or fund balance.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is still evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended August 31, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68 related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 requires that, at the time of transition to GASB Statement No. 68, a government recognize beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is still evaluating the effects that the full implementation of GASB Statement No. 71 will have on its financial statements for the year ended August 31, 2015.

2. CASH AND TEMPORARY INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District’s agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2014, the carrying amount of the District’s deposits was \$3,384,499 and the bank balance was \$4,082,297.

The District’s deposits with financial institutions at August 31, 2014 and during the year ended August 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

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

- Name of depository bank: Prosperity Bank
- Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$23,418,182.
- Largest cash, savings and time deposit combined account balance amounted to \$11,676,589 and occurred during the month of September 2013.
- Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments held at August 31, 2014 consisted of the following:

| Type | Fair Value | Weighted Average Maturity (Days) | Standard & Poor’s Rating |
|---|----------------------|----------------------------------|--------------------------|
| Local governmental investment pool- Lone Star | <u>\$ 15,545,296</u> | 1 | AAAm |

The District had investments in one external local government investment pool at August 31, 2014: Lone Star Investment Pool (“Lone Star”). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. This investment is stated at fair value which is the same as the value of the pool shares.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

The investments are reported by the District at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Credit Risk - At August 31, 2014, investments were included in a local government investment pool in compliance with the District's investment policy.

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 credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At August 31, 2014, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At August 31, 2014, the District was not exposed to concentration of credit risk.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity of 180 days. Maturities of any other individual investment owned by the District should not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in a local government investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2014, investments were included in a local government investment pool which has a weighted average maturity of one day.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The Bastrop Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the District’s Board sets the tax rates on property and the Appraisal District’s tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of 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 year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2013, upon which the October 2013 levy was based, was \$883,145,467. The District levied taxes based on a combined tax rate of \$1.54 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance (“WADA”) meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district’s tax effort and the extent to which the district’s wealth per WADA exceeds the first equalized wealth level of \$495,000. The District was not above the equalized wealth level for the 2013-2014 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at August 31, 2014.

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Total |
|--------------------------|-------------------|----------------------|-----------------------------------|----------------|
| State entitlements | \$ 150,156 | 71,404 | - | 221,560 |
| Federal and state grants | - | - | 379,402 | 379,402 |
| Other | 19,208 | 3,195 | - | 22,403 |
| Total | <u>\$ 169,364</u> | <u>74,599</u> | <u>379,402</u> | <u>623,365</u> |

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances at August 31, 2014 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------------|-------------------|
| General Fund | Nonmajor Governmental Funds | <u>\$ 240,925</u> |

During the year, the General Fund transferred \$530,000 to the Debt Service Fund for current year principal and interest payments.

6. UNEARNED REVENUE

At August 31, 2014, unearned revenue in governmental funds consisted of the following:

| | General Fund | Nonmajor Governmental Funds | Total |
|--------------------------|------------------|-----------------------------------|----------------|
| State entitlements | \$ 77,846 | - | 77,846 |
| Federal and state grants | - | 39,923 | 39,923 |
| Total | <u>\$ 77,846</u> | <u>39,923</u> | <u>117,769</u> |

7. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------------|------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,485,355 | - | - | 1,485,355 |
| Construction in progress | 473,959 | - | (473,959) | - |
| Total capital assets, not being depreciated | <u>1,959,314</u> | <u>-</u> | <u>(473,959)</u> | <u>1,485,355</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 91,742,429 | 591,543 | - | 92,333,972 |
| Furniture and equipment | 4,961,752 | 537,234 | - | 5,498,986 |
| Total capital assets, being depreciated | <u>96,704,181</u> | <u>1,128,777</u> | <u>-</u> | <u>97,832,958</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (29,729,872) | (3,026,324) | - | (32,756,196) |
| Furniture and equipment | (3,472,292) | (451,391) | - | (3,923,683) |
| Total accumulated depreciation | <u>(33,202,164)</u> | <u>(3,477,715)</u> | <u>-</u> | <u>(36,679,879)</u> |
| Total capital assets, being depreciated, net | <u>63,502,017</u> | <u>(2,348,938)</u> | <u>-</u> | <u>61,153,079</u> |
| Governmental activities capital assets, net | <u>\$ 65,461,331</u> | <u>(2,348,938)</u> | <u>(473,959)</u> | <u>62,638,434</u> |

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

Governmental activities:

| | |
|--|---------------------|
| Instruction | \$ 1,697,610 |
| Instructional resources and media services | 38,429 |
| Curriculum and staff development | 22,483 |
| Instructional leadership | 103,121 |
| School leadership | 185,783 |
| Guidance, counseling, and evaluation services | 96,539 |
| Social work services | 9,889 |
| Health services | 25,579 |
| Student transportation | 180,511 |
| Food services | 214,484 |
| Extracurricular activities | 127,177 |
| General administration | 124,281 |
| Facilities maintenance and operations | 553,741 |
| Security and monitoring services | 18,984 |
| Data processing services | 54,286 |
| Community services | 24,818 |
| Total depreciation expense - governmental activities | <u>\$ 3,477,715</u> |

8. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended August 31, 2014:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--------------------------------|------------------------------|------------------|--------------------|---------------------------|
| Deferred charges on refundings | <u>\$ 1,834,596</u> | <u>1,184,986</u> | <u>(1,039,488)</u> | <u>1,980,094</u> |

9. LONG-TERM DEBT

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|-------------------|---------------------|---------------------------|
| General obligation bonds | \$ 69,774,984 | 8,720,000 | (11,910,000) | 66,584,984 |
| Premium on bonds | 3,369,893 | 1,196,799 | (274,963) | 4,291,729 |
| Capital lease payable | 646,020 | 28,169 | (169,009) | 505,180 |
| Accretion payable | 842,579 | 140,967 | - | 983,546 |
| Total | <u>\$ 74,633,476</u> | <u>10,085,935</u> | <u>(12,353,972)</u> | <u>72,365,439</u> |

Bonded debt consists of the following at August 31, 2014:

General obligation bonds:

| Series | Date of Issue | Amounts of Original Issue | Matures Through | Interest Rate | Outstanding at 8-31-14 | Due Within One Year |
|--------|---------------|---------------------------|-----------------|------------------|------------------------|---------------------|
| 2004 | 5-15-04 | 17,015,000 | 2015 | 3.25 - 5.00% | 490,000 | 490,000 |
| 2005 | 6-1-05 | 12,997,711 | 2024 | 3.25 - 4.50% | 10,145,000 | 710,000 |
| 2006 | 11-15-06 | 9,329,984 | 2029 | 4.00 - 4.125% | 9,144,984 | 90,000 |
| 2007 | 7-1-07 | 33,980,000 | 2024 | 4.00 - 5.00% | 12,945,000 | 1,305,000 |
| 2008 | 2-15-08 | 9,500,000 | 2028 | 3.50 - 4.00% | 8,275,000 | 445,000 |
| 2012 | 6-1-12 | 8,860,000 | 2028 | 2.50 - 3.50% | 8,435,000 | 435,000 |
| 2013 | 5-16-13 | 8,430,000 | 2028 | 2.50 - 3.50% | 8,430,000 | - |
| 2014 | 6-5-14 | 8,720,000 | 2026 | 2.00 - 3.00% | 8,720,000 | - |
| Total | | <u>\$ 108,832,695</u> | | | <u>\$ 66,584,984</u> | <u>\$ 3,475,000</u> |

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.37.

On June 5, 2014, the District issued \$8,720,000 of Refunding Bonds to advance refund \$8,720,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$9,904,986 (after payment of \$160,815 in underwriting fees, insurance, and other issuance costs) was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded. As a result, \$8,720,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,184,986. The amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of \$806,733.

The annual principal installments for each of the outstanding issues vary each year. At August 31, 2014, the debt service requirements of bonded indebtedness to maturity are as follows:

| Year Ended August 31, | Principal | Interest | Total |
|-----------------------|----------------------|-------------------|-------------------|
| 2015 | \$ 3,475,000 | 2,543,736 | 6,018,736 |
| 2016 | 3,955,000 | 2,401,466 | 6,356,466 |
| 2017 | 3,765,000 | 2,863,692 | 6,628,692 |
| 2018 | 4,530,000 | 2,110,290 | 6,640,290 |
| 2019 | 4,695,000 | 1,942,206 | 6,637,206 |
| 2020 - 2024 | 24,224,984 | 8,989,741 | 33,214,725 |
| 2025 - 2029 | 21,940,000 | 2,095,690 | 24,035,690 |
| Total | <u>\$ 66,584,984</u> | <u>22,946,821</u> | <u>89,531,805</u> |

The outstanding Series 2006, Series 2013, and Series 2014 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

In the current and prior year, the District defeased outstanding general obligation bonds through the Series 2013 and Series 2014 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At August 31, 2014, outstanding bonds of \$14,780,000 are considered defeased.

As of August 31, 2014, there were no general obligation bonds authorized by voters of the District, but unissued.

The District financed the purchase of copiers through a capital lease agreement (the "Copier Agreement") with a finance company. The purchase price of the copiers was \$827,116 which equates to the capital lease principal amount. Under the terms of the Copier Agreement, principal and interest payments of \$14,955 are due monthly beginning on July 16, 2012 through June 16, 2017. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all copiers for one dollar. Per the Copier Agreement, the District has the option of purchasing the copiers starting in July 2014. The District anticipates exercising this option in June 2015 at a purchase price of \$349,920. The effective interest rate on the lease is 3.55%.

The District financed the purchase of a server through a capital lease agreement (the "Server Agreement") with a finance company. The purchase price of the server was \$28,169 which equates to the capital lease principal amount. Under the terms of the Server Agreement, principal and interest payments of \$9,884 are due annually beginning on February 1, 2014 through February 1, 2016. At the end of the lease term, the District has a bargain purchase option allowing the District to acquire the server for no consideration. Per the Server Agreement, the District has the option of purchasing the server starting in February 2014. The effective interest rate on the lease is 5.36%.

Lease payment requirements are as follows:

| Year Ended August 31, | Principal | Interest | Total |
|-----------------------|-------------------|---------------|----------------|
| 2015 | \$ 495,799 | 13,555 | 509,354 |
| 2016 | 9,381 | 503 | 9,884 |
| Total | <u>\$ 505,180</u> | <u>14,058</u> | <u>519,238</u> |

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

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, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2014, revenues from local and intermediate sources in governmental funds consisted of the following:

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Total |
|--|----------------------|----------------------|-----------------------------------|-------------------|
| Property taxes | \$ 10,275,768 | 3,257,250 | - | 13,533,018 |
| Food service | - | - | 461,490 | 461,490 |
| Investment income | 43,120 | 3,552 | 10,624 | 57,296 |
| Penalties, interest, and other tax related income | 202,699 | 68,851 | - | 271,550 |
| Tuition and fees from patrons | 208,399 | - | - | 208,399 |
| Co-curricular student activities | 110,795 | - | 158,924 | 269,719 |
| Other | 261,895 | - | 20,549 | 282,444 |
| Total | <u>\$ 11,102,676</u> | <u>3,329,653</u> | <u>651,587</u> | <u>15,083,916</u> |

12. RETIREMENT PLAN

The District's employees participate in the Teacher Retirement System of Texas (the "System"), a public employee retirement system ("PERS"). 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. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. During the years ended August 31, 2014, 2013, and 2012 contributions of approximately \$1,312,000, \$1,213,000, and \$1,214,000, respectively, were made by the State. These contributions made by the State on behalf of the District have been reflected in the accompanying basic financial statements as both revenue and expenditures. The System's annual financial report and other required disclosures are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the District's covered payroll. The District's employees' contributions to the System for the years ended August 31, 2014, 2013, and 2012 were approximately \$1,429,000, \$1,354,000 and \$1,282,000, respectively, which were equal to the required contributions for the years. Other contributions made from federal grants and from the District for salaries above the statutory minimum for the years ended August 31, 2014, 2013, and 2012 were approximately \$273,000, \$215,000 and \$179,000, respectively, which was equal to the required contributions for the year.

13. RETIREE HEALTH PLAN

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the System. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The System issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site 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.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2014.

Contribution Rates:

| Year | Active Member | | State | | School District | |
|------|---------------|------------|-------|------------|-----------------|------------|
| | Rate | Amount | Rate | Amount | Rate | Amount |
| 2014 | .65% | \$ 145,128 | 1.0% | \$ 223,269 | .55% | \$ 122,797 |
| 2013 | .65% | 137,502 | 0.5% | 105,775 | .55% | 116,356 |
| 2012 | .65% | 130,217 | 1.0% | 200,341 | .55% | 110,188 |

14. HEALTH CARE COVERAGE

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the “Health Plan”). The District contributed \$175 per month per employee to the Health Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All contributions were paid to a licensed insurer. The Health Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to the System on behalf of the District. For the year ended August 31, 2014, reimbursements of \$59,098 were received by the System and allocated to the District.

15. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended August 31, 2014, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

The District participates in a public entity risk pool for its workers compensation insurance (the Worker's Compensation Plan"), administered by the Texas Association of School Boards Worker's Compensation Self-Insurance Fund. The District pays overhead expenses annually and actual claims liabilities up to a maximum amount determined annually. Claims in excess of the District's guaranteed annual cap are paid by the pool. The Worker's Compensation Plan is documented by contractual agreement. The contract between the District, the licensed insurer and other participants of the self-funded pool is renewable in September 2015, and the terms of coverage and contributions and premium costs are included in the contractual provisions. Under the Worker's Compensation Plan, the District's estimated aggregate liability is \$1,268,634 for fiscal year 2013-14 of which \$977,086 has been paid. The District's estimated outstanding loss and aggregate liability at August 31, 2014 was \$291,548 and is reflected with accounts payable in the District's governmental funds balance sheet.

16. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through August 31, 2014, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2014, the District was obligated under operating leases for certain office equipment. Rent expenditures incurred under operating leases for the year ended August 31, 2014 were \$9,332. Future minimum lease payments on these operating leases is as follows:

| | | |
|-------|----|---------------|
| 2015 | \$ | 8,787 |
| 2016 | | 5,774 |
| 2017 | | 3,768 |
| Total | \$ | <u>18,329</u> |

17. SHARED SERVICES ARRANGEMENTS

The District participates in a Shared Services Arrangement which provides speech therapists for special education to member districts, including Hays Consolidated ISD, Bastrop ISD, La Grange ISD, Smithville ISD, the City of Bastrop, the City of Smithville, Bastrop County and Region XIII Education Service Center. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS**

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2014

| | Special Revenue Funds | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---------------------------------------|--------------------------------------|--------------------------------------|--|
| ASSETS: | | | |
| Cash and temporary investments | \$ 1,144,387 | 530,528 | 1,674,915 |
| Receivables: | | | |
| Due from other governments | 379,402 | - | 379,402 |
| Other receivables | 3,060 | - | 3,060 |
| Inventory | 28,161 | - | 28,161 |
| Total assets | <u>\$ 1,555,010</u> | <u>530,528</u> | <u>2,085,538</u> |
| LIABILITIES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 194,727 | - | 194,727 |
| Accrued wages payable | 67,181 | - | 67,181 |
| Due to other funds | 240,925 | - | 240,925 |
| Unearned revenue | 39,923 | - | 39,923 |
| Total liabilities | <u>542,756</u> | <u>-</u> | <u>542,756</u> |
| Fund balances: | | | |
| Restricted | 936,317 | 530,528 | 1,466,845 |
| Assigned | 75,937 | - | 75,937 |
| Total fund balances | <u>1,012,254</u> | <u>530,528</u> | <u>1,542,782</u> |
| Total liabilities and fund balances | <u>\$ 1,555,010</u> | <u>530,528</u> | <u>2,085,538</u> |

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended August 31, 2014

| | Special Revenue Funds | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|--------------------------------------|--------------------------------------|--|
| REVENUES: | | | |
| Local and intermediate sources | \$ 649,408 | 2,179 | 651,587 |
| State program revenues | 721,793 | - | 721,793 |
| Federal program revenues | 3,980,515 | - | 3,980,515 |
| Total revenues | 5,351,716 | 2,179 | 5,353,895 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction | 2,108,842 | - | 2,108,842 |
| Curriculum and staff development | 286,909 | - | 286,909 |
| Instructional leadership | 78,963 | - | 78,963 |
| School leadership | 825 | - | 825 |
| Guidance, counseling, and evaluation services | 49,777 | - | 49,777 |
| Student transportation | 79,000 | - | 79,000 |
| Food services | 2,206,008 | - | 2,206,008 |
| Extracurricular activities | 161,709 | - | 161,709 |
| Facilities maintenance and operations | 53,287 | - | 53,287 |
| Facilities acquisition and construction | 54,178 | - | 54,178 |
| Total expenditures | 5,079,498 | - | 5,079,498 |
| Net change in fund balances | 272,218 | 2,179 | 274,397 |
| Fund balances - beginning | 740,036 | 528,349 | 1,268,385 |
| Fund balances - ending | \$ 1,012,254 | 530,528 | 1,542,782 |

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
August 31, 2014

| | ESEA Title X, Part C Education for Homeless Children | ESEA Title I, Part A Improving Basic Programs | ESEA Title I, Part C Education of Migratory Children | IDEA - Part B Formula | IDEA - Part B Preschool | National School Breakfast and Lunch Program | Summer Feeding Program | Vocational Education Basic | ESEA, Title II Part A, Principal and Teacher Training and Recruiting |
|---------------------------------------|---|--|---|-----------------------------|-------------------------------|---|------------------------------|----------------------------------|---|
| Assets: | | | | | | | | | |
| Cash and temporary investments | \$ - | - | 180 | - | - | 903,973 | 94,521 | - | - |
| Receivables: | | | | | | | | | |
| Due from other governments | - | 83,555 | 9,577 | 61,686 | 1,257 | 52,170 | - | 643 | 6,278 |
| Other receivables | - | - | - | - | - | 3,060 | - | - | - |
| Inventory | - | - | - | - | - | 28,161 | - | - | - |
| Total assets | <u>\$ -</u> | <u>83,555</u> | <u>9,757</u> | <u>61,686</u> | <u>1,257</u> | <u>987,364</u> | <u>94,521</u> | <u>643</u> | <u>6,278</u> |
| Liabilities and fund balances: | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ - | 1,886 | 1,449 | 12,206 | 1,017 | 93,501 | 1,688 | - | - |
| Accrued wages payable | - | 20,322 | - | 22,002 | - | 22,218 | - | - | - |
| Due to other funds | - | 61,347 | 8,308 | 27,478 | 240 | - | - | 643 | 6,278 |
| Unearned revenue | - | - | - | - | - | 28,161 | - | - | - |
| Total liabilities | <u>-</u> | <u>83,555</u> | <u>9,757</u> | <u>61,686</u> | <u>1,257</u> | <u>143,880</u> | <u>1,688</u> | <u>643</u> | <u>6,278</u> |
| Fund balances: | | | | | | | | | |
| Restricted | - | - | - | - | - | 843,484 | 92,833 | - | - |
| Assigned | - | - | - | - | - | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>843,484</u> | <u>92,833</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>83,555</u> | <u>9,757</u> | <u>61,686</u> | <u>1,257</u> | <u>987,364</u> | <u>94,521</u> | <u>643</u> | <u>6,278</u> |

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
August 31, 2014

| | Title III, Part A English Language Acquisition and Language Enhancement | Medicaid Administrative Claiming Program | Summer School LEP | State Supplemental Visually Impaired | Advanced Placement Initiatives | Instructional Materials Allotment | Campus Activity | Elgin Education Foundation | Total Special Revenue Funds |
|---------------------------------------|--|---|----------------------------------|---|---|--|----------------------------|---|--|
| Assets: | | | | | | | | | |
| Cash and temporary investments | \$ - | 10,578 | - | - | - | 48,784 | 86,351 | - | 1,144,387 |
| Receivables: | | | | | | | | | |
| Due from other governments | 6,362 | - | - | - | 1,933 | 155,941 | - | - | 379,402 |
| Other receivables | - | - | - | - | - | - | - | - | 3,060 |
| Inventory | - | - | - | - | - | - | - | - | 28,161 |
| Total assets | <u>\$ 6,362</u> | <u>10,578</u> | <u>-</u> | <u>-</u> | <u>1,933</u> | <u>204,725</u> | <u>86,351</u> | <u>-</u> | <u>1,555,010</u> |
| Liabilities and fund balances: | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 256 | - | - | - | - | 72,310 | 10,414 | - | 194,727 |
| Accrued wages payable | 2,639 | - | - | - | - | - | - | - | 67,181 |
| Due to other funds | 3,467 | - | - | - | 1,933 | 131,231 | - | - | 240,925 |
| Unearned revenue | - | 10,578 | - | - | - | 1,184 | - | - | 39,923 |
| Total liabilities | <u>6,362</u> | <u>10,578</u> | <u>-</u> | <u>-</u> | <u>1,933</u> | <u>204,725</u> | <u>10,414</u> | <u>-</u> | <u>542,756</u> |
| Fund balances: | | | | | | | | | |
| Restricted | - | - | - | - | - | - | - | - | 936,317 |
| Assigned | - | - | - | - | - | - | 75,937 | - | 75,937 |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,937</u> | <u>-</u> | <u>1,012,254</u> |
| Total liabilities and fund balances | <u>\$ 6,362</u> | <u>10,578</u> | <u>-</u> | <u>-</u> | <u>1,933</u> | <u>204,725</u> | <u>86,351</u> | <u>-</u> | <u>1,555,010</u> |

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended August 31, 2014

| | ESEA Title X, Part C Education for Homeless Children | ESEA Title I, Part A Improving Basic Programs | ESEA Title I, Part C Education of Migratory Children | IDEA - Part B Formula | IDEA - Part B Preschool | National School Breakfast and Lunch Program | Summer Feeding Program | Vocational Education Basic | ESEA, Title II Part A, Principal and Teacher Training and Recruiting |
|--|---|--|---|-----------------------------|-------------------------------|---|------------------------------|----------------------------------|---|
| Revenues: | | | | | | | | | |
| Local and intermediate sources | \$ - | - | - | - | - | 463,908 | 979 | - | - |
| State program revenues | - | - | - | - | - | 24,415 | - | - | - |
| Federal program revenues | 2,377 | 805,888 | 113,849 | 738,903 | 13,747 | 2,045,792 | 48,337 | 38,398 | 98,448 |
| Total revenues | <u>2,377</u> | <u>805,888</u> | <u>113,849</u> | <u>738,903</u> | <u>13,747</u> | <u>2,534,115</u> | <u>49,316</u> | <u>38,398</u> | <u>98,448</u> |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 2,377 | 600,903 | 79,588 | 567,907 | 13,747 | - | - | 35,344 | 28,394 |
| Curriculum and staff development | - | 200,596 | - | 3,335 | - | - | - | 2,750 | 70,054 |
| Instructional leadership | - | 4,389 | 34,261 | 39,488 | - | - | - | - | - |
| School leadership | - | - | - | - | - | - | - | - | - |
| Guidance, counseling and evaluation services | - | - | - | 49,173 | - | - | - | 304 | - |
| Student transportation | - | - | - | 79,000 | - | - | - | - | - |
| Food services | - | - | - | - | - | 2,146,887 | 59,121 | - | - |
| Extracurricular activities | - | - | - | - | - | - | - | - | - |
| Facilities maintenance and operations | - | - | - | - | - | 53,287 | - | - | - |
| Facilities acquisition and construction | - | - | - | - | - | 54,178 | - | - | - |
| Total expenditures | <u>2,377</u> | <u>805,888</u> | <u>113,849</u> | <u>738,903</u> | <u>13,747</u> | <u>2,254,352</u> | <u>59,121</u> | <u>38,398</u> | <u>98,448</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - | - | 279,763 | (9,805) | - | - |
| Fund balances - beginning | - | - | - | - | - | 563,721 | 102,638 | - | - |
| Fund balances - ending | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>843,484</u> | <u>92,833</u> | <u>-</u> | <u>-</u> |

(continued)

ELGIN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended August 31, 2014

| | Title III, Part A English Language Acquisition and Language Enhancement | Medicaid Administrative Claiming Program | Summer School LEP | State Supplemental Visually Impaired | Advanced Placement Initiatives | Instructional Materials Allotment | Campus Activity | Elgin Education Foundation | Total Special Revenue Funds |
|--|--|---|-------------------------|---|--------------------------------------|---|--------------------|----------------------------------|--------------------------------------|
| Revenues: | | | | | | | | | |
| Local and intermediate sources | \$ - | - | - | - | - | - | 163,969 | 20,552 | 649,408 |
| State program revenues | - | - | - | 1,752 | 2,833 | 692,793 | - | - | 721,793 |
| Federal program revenues | 70,324 | - | 4,452 | - | - | - | - | - | 3,980,515 |
| Total revenues | <u>70,324</u> | <u>-</u> | <u>4,452</u> | <u>1,752</u> | <u>2,833</u> | <u>692,793</u> | <u>163,969</u> | <u>20,552</u> | <u>5,351,716</u> |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 61,333 | - | 4,452 | 1,452 | - | 692,793 | - | 20,552 | 2,108,842 |
| Curriculum and staff development | 7,341 | - | - | - | 2,833 | - | - | - | 286,909 |
| Instructional leadership | 825 | - | - | - | - | - | - | - | 78,963 |
| School leadership | 825 | - | - | - | - | - | - | - | 825 |
| Guidance, counseling and evaluation services | - | - | - | 300 | - | - | - | - | 49,777 |
| Student transportation | - | - | - | - | - | - | - | - | 79,000 |
| Food services | - | - | - | - | - | - | - | - | 2,206,008 |
| Extracurricular activities | - | - | - | - | - | - | 161,709 | - | 161,709 |
| Facilities maintenance and operations | - | - | - | - | - | - | - | - | 53,287 |
| Facilities acquisition and construction | - | - | - | - | - | - | - | - | 54,178 |
| Total expenditures | <u>70,324</u> | <u>-</u> | <u>4,452</u> | <u>1,752</u> | <u>2,833</u> | <u>692,793</u> | <u>161,709</u> | <u>20,552</u> | <u>5,079,498</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - | - | - | 2,260 | - | 272,218 |
| Fund balances - beginning | - | - | - | - | - | - | 73,677 | - | 740,036 |
| Fund balances - ending | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,937</u> | <u>-</u> | <u>1,012,254</u> |

ELGIN INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local and intermediate sources | \$ 3,285,942 | 3,285,942 | 3,329,653 | 43,711 |
| State program revenues | 1,729,705 | 1,729,705 | 2,022,405 | 292,700 |
| Total revenues | <u>5,015,647</u> | <u>5,015,647</u> | <u>5,352,058</u> | <u>336,411</u> |
| EXPENDITURES- | | | | |
| Debt service | 6,346,878 | 6,507,693 | 6,027,217 | 480,476 |
| Total expenditures | <u>6,346,878</u> | <u>6,507,693</u> | <u>6,027,217</u> | <u>480,476</u> |
| Deficiency of revenues under expenditures | (1,331,231) | (1,492,046) | (675,159) | 816,887 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of refunding bonds | - | 8,720,000 | 8,720,000 | - |
| Premium on sale of bonds | - | 1,196,799 | 1,196,799 | - |
| Payment to refunded bond escrow agent | - | (9,904,986) | (9,904,986) | - |
| Transfers in | - | 1,400,000 | 530,000 | (870,000) |
| Total other financing sources, net | <u>-</u> | <u>1,411,813</u> | <u>541,813</u> | <u>(870,000)</u> |
| Net change in fund balance | (1,331,231) | (80,233) | (133,346) | (53,113) |
| Fund balance - beginning | 731,476 | 731,476 | 731,476 | - |
| Fund balance - ending | <u>\$ (599,755)</u> | <u>651,243</u> | <u>598,130</u> | <u>(53,113)</u> |

ELGIN INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2014

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local and intermediate sources | \$ 541,500 | 541,500 | 463,908 | (77,592) |
| State program revenues | 23,500 | 23,500 | 24,415 | 915 |
| Federal program revenues | 2,116,364 | 2,116,364 | 2,045,792 | (70,572) |
| Total revenues | <u>2,681,364</u> | <u>2,681,364</u> | <u>2,534,115</u> | <u>(147,249)</u> |
| EXPENDITURES- | | | | |
| Current: | | | | |
| Food services | 2,144,500 | 2,148,500 | 2,146,887 | 1,613 |
| Facilities maintenance and operations | 55,000 | 51,000 | 53,287 | (2,287) |
| Facilities acquisition and construction | 2,500 | 56,677 | 54,178 | 2,499 |
| Total expenditures | <u>2,202,000</u> | <u>2,256,177</u> | <u>2,254,352</u> | <u>1,825</u> |
| Excess of revenues over expenditures | 479,364 | 425,187 | 279,763 | (145,424) |
| Fund balance - beginning | <u>563,721</u> | <u>563,721</u> | <u>563,721</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,043,085</u> | <u>988,908</u> | <u>843,484</u> | <u>(145,424)</u> |

OTHER SCHEDULES

ELGIN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2014

| Years Ended | Tax Rates | | Assessed/ Appraised Value for School Tax Purposes | Beginning Balance 8/31/2013 | Current Year's Total Levy | Maintenance Total Collections | Debt Service Total Collections | Entire Year's Adjustment | Ending Balance 8/31/2014 |
|--------------------|--------------------|---------------------|--|--|--|--|---|---|---|
| | Maintenance | Debt Service | | | | | | | |
| 2005 & Prior | Various | Various | \$ Various | 116,448 | - | 4,263 | 434 | (21,915) | 89,836 |
| 2006 | 1.50 | 0.35 | 649,085,135 | 43,112 | - | 1,099 | 256 | (601) | 41,156 |
| 2007 | 1.37 | 0.28 | 704,029,151 | 49,179 | - | 2,636 | 539 | (536) | 45,468 |
| 2008 | 1.04 | 0.40 | 776,120,208 | 52,702 | - | 4,366 | 1,679 | (1,092) | 45,565 |
| 2009 | 1.04 | 0.44 | 836,970,743 | 82,832 | - | 11,440 | 4,840 | (1,232) | 65,320 |
| 2010 | 1.04 | 0.41 | 840,425,203 | 112,908 | - | 30,484 | 12,018 | 4,679 | 75,085 |
| 2011 | 1.04 | 0.50 | 858,363,312 | 180,745 | - | 54,747 | 26,320 | (1,912) | 97,766 |
| 2012 | 1.04 | 0.50 | 834,387,200 | 269,589 | - | 70,768 | 34,023 | 545 | 165,343 |
| 2013 | 1.17 | 0.37 | 873,949,606 | 437,803 | - | 149,722 | 47,348 | (4,303) | 236,430 |
| 2014 | 1.17 | 0.37 | 883,145,467 | - | 13,432,881 | 9,946,243 | 3,129,793 | 24,071 | 380,916 |
| Totals | | | | <u>\$ 1,345,318</u> | <u>13,432,881</u> | <u>10,275,768</u> | <u>3,257,250</u> | <u>(2,296)</u> | <u>1,242,885</u> |

ELGIN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2014

| Data Control Codes | | <u>Responses</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 weaknesses in internal controls? | No |
| SF9 | Was there any disclosure in the Annual Financial Report of material noncompliance? | No |
| SF10 | Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end: | 983,546 |

FEDERAL AWARDS SECTION



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

The Board of Trustees of
Elgin Independent School District:

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 Elgin Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

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 a 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
December 10, 2014



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Trustees of
Elgin Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Elgin Independent School District's (the "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 August 31, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 August 31, 2014.

Report on Internal Control Over Compliance

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

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

Maxwell Socha + Ritter LLP

Austin, Texas
December 10, 2014

ELGIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2014

| Project Number | Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Expenditures |
|--|--|---------------------------|---------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <u>Passed Through Texas Education Agency:</u> | | | |
| 13610101011902 | Title I Grants to Local Educational Agencies | 84.010A | \$ 10,103 |
| 13610104011902041 | Title I Grants to Local Educational Agencies | 84.010A | 846 |
| 14610101011902 | Title I Grants to Local Educational Agencies | 84.010A | 737,111 |
| 14610112011902102 | Title I Grants to Local Educational Agencies | 84.010A | 17,952 |
| 15610101011902 | Title I Grants to Local Educational Agencies | 84.010A | 39,876 |
| | Total CFDA Number 84.010A | | 805,888 |
| 14615001011902 | Migrant Education_State Grant Program | 84.011A | 105,541 |
| 15615001011902 | Migrant Education_State Grant Program | 84.011A | 8,308 |
| | Total CFDA Number 84.011A | | 113,849 |
| 136600010119026600 | Special Education_Grants to States | 84.027A | 9,601 |
| 146600010119026600 | Special Education_Grants to States | 84.027A | 729,302 |
| | Total CFDA Number 84.027A | | 738,903 |
| 136610010119026610 | Special Education_Preschool Grants | 84.173A | 1,560 |
| 146610010119026610 | Special Education_Preschool Grants | 84.173A | 12,187 |
| | Total CFDA Number 84.173A | | 13,747 |
| 14420006011902 | Career and Technical Education - Basic Grants to States | 84.048A | 38,398 |
| 13694501011902 | Improving Teacher Quality State Grants | 84.367A | 2,032 |
| 14694501011902 | Improving Teacher Quality State Grants | 84.367A | 96,416 |
| | Total CFDA Number 84.367A | | 98,448 |
| 13671001011902 | English Language Acquisition State Grants | 84.365A | 494 |
| 14671001011902 | English Language Acquisition State Grants | 84.365A | 69,830 |
| | Total CFDA Number 84.365A | | 70,324 |
| 69551302 | Grants for State Assessments and Related Activities | 84.369A | 4,452 |
| <u>Passed Through Education Service Center Region XIII-</u> | | | |
| 011902 | Education for Homeless Children and Youth | 84.196 | 2,377 |
| TOTAL DEPARTMENT OF EDUCATION | | | 1,886,386 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <u>Passed Through Texas Education Agency:</u> | | | |
| 71301401 | National School Lunch Program | 10.555 | 1,309,364 |
| 71401401 | School Breakfast Program | 10.553 | 587,836 |
| <u>Passed Through Texas Department of Agriculture-</u> | | | |
| | Summer Food Service Program for Children | 10.559 | 48,337 |
| <u>Passed Through the Texas Department of Human Services-</u> | | | |
| | Non-cash assistance - Food Distribution Program | 10.555 | 148,592 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | 2,094,129 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 3,980,515 |

The accompanying notes are an integral part of this schedule.

ELGIN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Elgin Independent School District (the "District").

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, School Breakfast Program, the Summer Feeding Program for Children, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District's basic financial statements in the Special Revenue Funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs - The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major federal programs:

Title I Grants to Local Educational Agencies unmodified
Child Nutrition Cluster unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major federal programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|-----------------------|--|
| 84.010A | Title I Grants to Local Educational Agencies |
| | Child Nutrition Cluster: |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.555 | Food Distribution Program |
| 10.559 | Summer Food Service Program for Children |

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

ELGIN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended August 31, 2014. There was one finding required to be reported in accordance with *Government Auditing Standards* for the year ended August 31, 2013.

Findings Relating to Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*:

2013-001 - Prior Year Finding

- Criteria: The District records additions to capital assets in compliance with the District's capitalization policy and records disposals of capital assets on a timely basis.
- Condition Found: The District included outlays that were below the District's capitalization policy in its recorded capital asset balance at August 31, 2012. In addition, the District's capital asset balance at August 31, 2012 included assets that were no longer held by the District.
- Effect: Adjustments identified and recorded decreased the District's beginning capital asset and net position balance for the year ended August 31, 2013 by \$1,444,998.
- Recommendations: District management should ensure that policies and procedures are in place so that only outlays in excess of the District's capitalization threshold are recorded as capital asset additions. The District should also review its policies and procedures for monitoring capital asset balances to ensure disposed of capital assets are removed from the District's capital asset detail on a timely basis.
- Corrective Action Plan: The District implemented policies and procedures to ensure assets are capitalized according to the District's capitalization threshold and to ensure disposed of capital assets are removed from the District's capital asset detail on a timely basis. The District had a company that specializes in capital asset inventory complete a physical inventory for the entire District. This company will return annually to assist in updating the District's capital asset inventory.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the year ended August 31, 2014. There were two findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the year ended August 31, 2013.

Findings Relating to Federal Awards Reported in Accordance with section 510(a) of OMB Circular A-133:

2013-002 - Prior Year Finding

- Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.
- Condition Found: The District's employees who worked solely on the Child Nutrition program did not complete semi-annual certifications during the current year.
- Questioned Costs: None
- Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed.
- Recommendations: District management should ensure that policies and procedures are in place and functioning so that employees complete semi-annual certifications.
- Corrective Action Plan: The District implemented policies and procedures to ensure that employees complete semi-annual certifications or maintain time and effort activity reports.

2013-003 - Prior Year Finding

- Criteria: OMB Circular A-87 requires that expenditures are reviewed and approved in accordance with the District's procurement policy.
- Condition Found: Certain selected expenditures for the Child Nutrition program were paid without proper approval.
- Questioned Costs: Expenditures related to this finding totaled \$55,590.
- Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if expenditures are not reviewed and approved according to the District's procurement policy.
- Recommendations: District management should ensure that policies and procedures are in place and functioning so that all expenditures are properly reviewed and approved prior to payment in accordance with the District's procurement policy.
- Corrective Action Plan: The District implemented policies and procedures to ensure that all expenditures are properly reviewed and approved prior to payment in accordance with the District's procurement policy.