

THORNDALE INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2013

THORNDALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	Independent Auditors' Report	2
	Management's Discussion and Analysis	5
	 <u>Basic Financial Statements</u>	
	Government-Wide Statements:	
A-1	Statement of Net Position	12
B-1	Statement of Activities	13
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	14
C-1R	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balance	16
C-2R	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	18
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	19
	Notes to the Financial Statements	20
	 <u>Combining Schedules as Supplementary Information</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	39
H-2	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	41
	 <u>Other Supplementary Information Section</u>	
J-1	Schedule of Delinquent Taxes	43
J-2	Schedule of Expenditures for Computations of Indirect Cost	45
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Fund	46
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	47

THORNDALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS
(continued)

Other Supplementary Information Section (continued)

	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48
	Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	50
K-1	Schedule of Expenditures of Federal Awards	52
	Notes to Schedule of Expenditures of Federal Awards	53
	Schedule of Findings and Questioned Costs	
	Section I: Summary of Auditors' Results	54
	Section II: Financial Statement Findings	55
	Section III: Federal Awards Findings and Questioned Costs	56
L-1	Schedule of Required Responses to Selected School First Indicators	57

CERTIFICATE OF BOARD

Thorndale Independent School District
Name of School District

Milam
County

166-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2013, at a meeting of the Board of Trustees of such school district on the 9th day of December 2013.



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)

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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY
REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditors' Report

To the Board of Trustees of
Thorndale 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 Thorndale Independent School District as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Thorndale Independent School District as of August 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section 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 Thorndale Independent School District's basic financial statements. The combining schedules, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules, the Texas Education Agency required 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 schedules, the Texas Education Agency required 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 November 22, 2013 on our consideration of Thorndale Independent School 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 Thorndale Independent School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC
Austin, Texas

November 22, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Thorndale Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the independent auditors' report on page 2 and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by \$528,420 as a result of this year's operations, to end at \$2,947,263.
- The General Fund of the District reported a fund balance increase of \$215,307 for the year, to end at \$918,477.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds and the Debt Service Fund) reported an overall fund balance increase of \$283,309, to end at \$1,017,959.

USING THIS ANNUAL REPORT

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

The fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. For the current year the District did not engage in proprietary activities. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Combining Schedules as Supplementary Information section contains even more information about the District's individual nonmajor funds. This information is not required by TEA, but is included for its usefulness. The Other Supplementary Information Section includes TEA Required Schedules and information required by federal monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by the State of Texas in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, school district activities can be classified in two separate ways:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education in order to display separate accountability. The District's administration establishes many other funds to help it control and manage money for particular purposes (such as for campus activities). School districts use two different kinds of funds for operations, governmental and proprietary, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a District's other programs and activities, such as a District's self-insurance programs.

Our school district reported several governmental funds this year, however, we did not utilize proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I below) and changes in net position (Table II below) of the District's governmental activities.

Net assets of the District's governmental activities increased from \$2,418,843 to \$2,947,263. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$999,154 at August 31, 2013. The increase in governmental net assets was primarily due to results from 2012-2013 operations. The District's enrollment, and therefore, average daily attendance resulted in more state revenue than was anticipated. More information regarding the increase is presented in the paragraph following Table II on the next page.

Table I
THORNDALE INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2013	Governmental Activities 2012	Change
Current & other assets	\$ 1,274,803	\$ 1,060,061	\$ 214,742
Capital assets	3,422,537	3,195,985	226,552
Total assets	<u>4,697,340</u>	<u>4,256,046</u>	<u>441,294</u>
Current liabilities	165,827	240,203	(74,376)
Long-term liabilities	1,584,250	1,597,000	(12,750)
Total liabilities	<u>1,750,077</u>	<u>1,837,203</u>	<u>(87,126)</u>
Net Position:			
Net investment in capital assets	1,838,287	1,598,985	239,302
Restricted	109,822	31,480	78,342
Unrestricted	999,154	788,378	210,776
Total net position	<u><u>\$ 2,947,263</u></u>	<u><u>\$ 2,418,843</u></u>	<u><u>\$ 528,420</u></u>

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

Table II
THORNDALE INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2013	Governmental Activities 2012	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 297,412	\$ 164,703	\$ 132,709
Operating grants & contr.	1,560,034	1,443,966	116,068
General Revenues:			
Maintenance & operations taxes	1,419,534	1,402,729	16,805
Debt service taxes	195,630	192,769	2,861
State aid - formula grants	3,426,470	3,501,443	(74,973)
Grants & contributions not rest.	499	-	499
Investment earnings	12,407	10,723	1,684
Miscellaneous	-	75,974	(75,974)
Total Revenue	6,911,986	6,792,307	119,679
Expenses:			
Instruction	3,696,254	3,789,235	(92,981)
Instructional res. & media svcs.	152,209	110,085	42,124
Curriculum and staff dev.	707	2,542	(1,835)
Instructional leadership	66,111	65,520	591
School leadership	149,771	142,410	7,361
Guidance/counseling svcs.	139,290	138,443	847
Health services	53,853	51,827	2,026
Student transportation	159,826	156,164	3,662
Food services	315,776	308,583	7,193
Cocurricular/extracurricular act.	299,569	246,096	53,473
General administration	464,246	447,996	16,250
Plant maint. and operations	597,157	617,429	(20,272)
Data processing services	201,505	188,623	12,882
Debt service	53,484	58,385	(4,901)
Payments to fiscal agents	33,808	34,327	(519)
Total Expenses	6,383,566	6,357,665	25,901
Change in net assets	528,420	434,642	93,778
Net assets at 9/1/12 and 9/1/11	2,418,843	2,302,933	115,910
Prior period adjustment	-	(318,732)	318,732
Net assets at 8/31/13 and 8/31/12	\$ 2,947,263	\$ 2,418,843	\$ 528,420

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

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$918,477, which is \$215,307 more than last year's total of \$703,170. The increase in fund balance is mainly attributable to increased student enrollment, and therefore, average daily attendance revenues that were not budgeted but ultimately realized.

The District's major Special Revenue Fund, Title I SIP Academy Grant Fund, did not report a fund balance as of year-end due to the type of grant funding the Fund receives. The grant provides additional funding and technical assistance to support District school improvement.

The District's other governmental funds reported a fund balance of \$99,482 as compared to \$31,480 in 2012, which is \$68,002 more than the previous year. The primary difference between fiscal 2012 and fiscal 2013 governmental funds was that the school nutrition fund balance increased by \$45,928 due to more student meals served than in the prior year, combined with effective management of expenses in the fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. None of the amendments were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2013, the District had \$3,422,537 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. A summary of the ending balances of capital assets by major category for both 2013 and 2012 is as follows:

	Governmental Activities 2013	Governmental Activities 2012	Change
Land	\$ 157,858	\$ 157,858	\$ -
Buildings	5,803,814	5,493,789	310,025
Furniture and Equipment	933,605	836,150	97,455
Total	<u>6,895,277</u>	<u>6,487,797</u>	<u>407,480</u>
Less Accumulated Depreciation	(3,472,740)	(3,291,812)	(180,928)
Capital assets, net of depreciation	<u>\$ 3,422,537</u>	<u>\$ 3,195,985</u>	<u>\$ 226,552</u>

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

Debt

At year-end, the District had \$1,584,250 in bonds and other long-term debt outstanding versus \$1,597,000 last year. The decrease is attributable to scheduled payments on debt during fiscal 2013. The District executed a capital lease for \$334,250 during the current year related to energy efficiency upgrades. A summary of the ending balances of long-term debt by type for both 2013 and 2012 is as follows:

	Governmental Activities 2013	Governmental Activities 2012	Change
U/L Tax Refunding Bond	\$ 820,000	\$ 1,075,000	\$ (255,000)
Notes Payable	430,000	522,000	(92,000)
Capital Lease Payable	334,250	-	334,250
Total	<u>\$ 1,584,250</u>	<u>\$ 1,597,000</u>	<u>\$ (12,750)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2013-2014 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. A steadily increasing enrollment population, coupled with a moderate increase in property values, has led to a General Fund budget of \$5.2 million for the 2013-2014 fiscal year. The budget increased from 2012-2013 to 2013-2014 by approximately \$150 thousand, a direct result from increased average daily attendance, which generates more state revenues.

For the 2013-2014 budget year, the District has held constant its maintenance and operations tax rate to \$1.17 per hundred of taxable value. The District adopted a debt service tax rate of \$.14 for the 2013-2014 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2013-2014 budget year is \$1.31 per hundred of taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Thorndale Independent School District, 300 North Main, Thorndale, Texas 76577, or by calling (512) 898-2538.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Data Control Codes	Primary Government 1 Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 930,661
1120 Current Investments	10,995
1225 Property Taxes Receivable (net)	95,704
1240 Due from Other Governments	236,443
1410 Deferred Expenditures or Expenses	1,000
Capital Assets:	
1510 Land	157,858
1520 Buildings and Improvements, Net	2,989,294
1530 Furniture and Equipment, Net	275,385
1000 Total Assets	4,697,340
LIABILITIES	
2110 Accounts Payable	15,986
2140 Interest Payable	4,687
2160 Accrued Wages Payable	125,877
2200 Accrued Expenses	19,003
2300 Deferred Revenue	274
Noncurrent Liabilities:	
2501 Bonds, Loans & Other Payable-Due Within One Year	406,488
2502 Bonds Payable - Due in More than One Year	1,177,762
2000 Total Liabilities	1,750,077
NET POSITION	
3200 Investments in Capital Assets, Net of Debt	1,838,287
Restricted for:	
3820 Federal & State Programs	45,928
3850 Debt Service	63,894
3900 Unrestricted	999,154
3000 Total Net Position	\$ 2,947,263

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

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

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Assets
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,696,254	\$ 107,208	\$ 1,177,572	\$ (2,411,474)
12 Instructional Resources & Media Services	152,209	-	8,266	(143,943)
13 Curriculum & Staff Development	707	-	-	(707)
21 Instructional Leadership	66,111	-	3,314	(62,797)
23 School Leadership	149,771	-	6,288	(143,483)
31 Guidance/Counseling/Evaluation Services	139,290	-	47,991	(91,299)
33 Health Services	53,853	-	3,103	(50,750)
34 Student Transportation	159,826	-	21,993	(137,833)
35 Food Services	315,776	157,363	7,202	(151,211)
36 Extracurricular Activities	299,569	25,641	5,113	(268,815)
41 General Administration	464,246	7,200	143,273	(313,773)
51 Plant Maintenance and Operations	597,157	-	13,297	(583,860)
53 Data Processing Services	201,505	-	9,600	(191,905)
72 Interest on Long-Term Debt	52,534	-	113,022	60,488
73 Bond Issuance Cost & Fees	950	-	-	(950)
93 Payments to Fiscal Agent/Member Districts of SSA	33,808	-	-	(33,808)
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 6,383,566</u>	<u>\$ 297,412</u>	<u>\$ 1,560,034</u>	<u>(4,526,120)</u>

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,419,534
DT	Property Taxes, Levied for Debt Service	195,630
SF	State Aid - Formula Grants	3,426,470
GC	Grants and Contributions, not Restricted	499
IE	Investment Earnings	12,407
TR	Total General Revenues, Special Items, and Transfers	<u>5,054,540</u>
CN	Change in Net Position	528,420
NB	Net Position -- Beginning	2,418,843
NE	Net Position -- Ending	<u>\$ 2,947,263</u>

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

FUND BASIS FINANCIAL STATEMENTS

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

Data Control Codes	10 General Fund	276 Title I, SIP Academy Grant Fund	Other Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 846,292	\$ -	\$ 84,369	\$ 930,661
1120 Investments - Current	10,995	-	-	10,995
1220 Property Taxes - Delinquent	94,849	-	11,489	106,338
1230 Allow. for Uncollectible Taxes (Credit)	(9,485)	-	(1,149)	(10,634)
1240 Due from Other Governments	114,998	92,738	28,707	236,443
1260 Due from Other Funds	101,141	-	1,784	102,925
1410 Deferred Expenditures	1,000	-	-	1,000
1000 Total Assets	<u>\$ 1,159,790</u>	<u>\$ 92,738</u>	<u>\$ 125,200</u>	<u>\$ 1,377,728</u>
LIABILITIES				
2110 Accounts Payable	\$ 15,555	\$ -	\$ 431	\$ 15,986
2160 Accrued Wages Payable	120,007	-	5,870	125,877
2170 Due to Other Funds	1,784	92,738	8,403	102,925
2200 Accrued Expenditures	18,603	-	400	19,003
2300 Unearned Revenues	-	-	274	274
2000 Total Liabilities	<u>155,949</u>	<u>92,738</u>	<u>15,378</u>	<u>264,065</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows	85,364	-	10,340	95,704
Total Deferred Inflows of Resources	<u>85,364</u>	<u>-</u>	<u>10,340</u>	<u>95,704</u>
FUND BALANCES				
Nonspendable:				
3430 Prepaid Items	1,000	-	-	1,000
Restricted for:				
3450 Federal or State Funds Restricted	-	-	45,928	45,928
3480 Retirement of Long-Term Debt	-	-	53,554	53,554
Assigned for:				
3590 Other Assigned Fund Balance	150,000	-	-	150,000
3600 Unassigned Fund Balance	767,477	-	-	767,477
3000 Total Fund Balances	<u>918,477</u>	<u>-</u>	<u>99,482</u>	<u>1,017,959</u>
4000 Total Liabilities, Def. Inflows, and Fund Balances	<u>\$ 1,159,790</u>	<u>\$ 92,738</u>	<u>\$ 125,200</u>	<u>\$ 1,377,728</u>

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

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

Total Fund Balances - Governmental Funds	\$ 1,017,959
¹ Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$6,487,797 for capital assets and \$3,291,812 for accumulated depreciation to the Statement of Net Position was an increase in net position.	3,195,985
² Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Position. The effect of capitalizing current expenditures for capital outlays during the year was an increase in net position.	407,480
³ Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The effect of recording depreciation expense to the Statement of Net Position is a decrease in net position.	(180,928)
⁴ Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net position.	(1,597,000)
⁵ Long-term debt issued by governmental activities is treated as an inflow of financial resources and not reported as a liability. The effect of recording the long-term debt issued during the year as a liability on the Statement of Net Position is a decrease in net position.	(334,250)
⁶ Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The effect of reducing long-term debt is an increase in net position.	347,000
⁷ Accrued interest related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds. The effect of recording accrued interest is a decrease in net position.	(4,687)
⁸ Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in net position.	95,704
¹⁹ Net Position of Governmental Activities	<u><u>\$ 2,947,263</u></u>

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

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

Data	10	276	98	
Control	General	Title I, SIP		Total
Codes	Fund	Academy Grant Fund	Other Funds	Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 1,561,398	\$ -	\$ 353,089	\$ 1,914,487
5800 State Program Revenues	3,662,280	-	145,373	3,807,653
5900 Federal Program Revenues	499	873,404	305,447	1,179,350
5020 Total Revenues	<u>5,224,177</u>	<u>873,404</u>	<u>803,909</u>	<u>6,901,490</u>
EXPENDITURES:				
0011 Instruction	2,784,679	711,376	150,280	3,646,335
0012 Instructional Resources & Media Services	147,908	-	-	147,908
0013 Curriculum & Instructional Staff Development	687	-	-	687
0021 Instructional Leadership	64,243	-	-	64,243
0023 School Leadership	145,539	-	-	145,539
0031 Guidance, Counseling & Evaluation Services	97,970	37,384	-	135,354
0033 Health Services	52,331	-	-	52,331
0034 Student (Pupil) Transportation	140,154	15,156	-	155,310
0035 Food Services	7,202	-	299,652	306,854
0036 Cocurricular/Extracurricular Activities	291,105	-	-	291,105
0041 General Administration	341,641	109,488	-	451,129
0051 Plant Maintenance and Operations	596,925	-	-	596,925
0053 Data Processing Services	195,811	-	-	195,811
0071 Debt Service - Principal	92,000	-	255,000	347,000
0072 Debt Service - Interest	17,372	-	30,475	47,847
0073 Debt Service - Bond Issuance Costs	450	-	500	950
0081 Facilities Acquisition and Construction	334,250	-	-	334,250
0093 Payments to Fiscal Agent/Member Dist. of SSA	32,853	-	-	32,853
6030 Total Expenditures	<u>5,343,120</u>	<u>873,404</u>	<u>735,907</u>	<u>6,952,431</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(118,943)</u>	<u>-</u>	<u>68,002</u>	<u>(50,941)</u>
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	334,250	-	-	334,250
7080 Total Other Financing Sources (Uses)	<u>334,250</u>	<u>-</u>	<u>-</u>	<u>334,250</u>
1200 Net Change in Fund Balance	215,307	-	68,002	283,309
0100 Fund Balance - Beginning	703,170	-	31,480	734,650
3000 Fund Balance - Ending	<u>\$ 918,477</u>	<u>\$ -</u>	<u>\$ 99,482</u>	<u>\$ 1,017,959</u>

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

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

	Total Net Change in Fund Balances – Governmental Funds	\$ 283,309
1	Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Position. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in the change in net position.	407,480
2	Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Position is a decrease in the change in net position.	(180,928)
3	Long-term debt issued by governmental activities is treated as an inflow of financial resources for the governmental funds but an increase in liabilities on the Statement of Net Position. The net effect of this difference is a decrease in the change in net position.	(334,250)
4	Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The net effect of reducing long-term debt is an increase in the change in net position.	347,000
5	Accrued interest related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds. The effect of recording accrued interest is an increase/(decrease) in the change in net position.	(4,687)
6	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase/(decrease) in the change in net position.	10,496
19	Change in Net Position of Governmental Activities	<u>\$ 528,420</u>

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

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

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
REVENUES:				
5700 Local & Intermediate Sources	\$ 1,356,516	\$ 1,356,516	\$ 1,561,398	\$ 204,882
5800 State Program Revenues	3,691,826	3,705,634	3,662,280	(43,354)
5900 Federal Program Revenues	-	14,000	499	(13,501)
5020 Total Revenues	<u>5,048,342</u>	<u>5,076,150</u>	<u>5,224,177</u>	<u>148,027</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,879,283	2,824,713	2,784,679	40,034
0012 Instructional Resources & Media Services	157,242	154,275	147,908	6,367
0013 Curriculum and Staff Development	3,000	3,000	687	2,313
0021 Instructional Leadership	65,269	65,269	64,243	1,026
0023 School Leadership	141,738	146,738	145,539	1,199
0031 Guidance/Counseling/Evaluation Services	92,366	99,500	97,970	1,530
0033 Health Services	52,432	52,932	52,331	601
0034 Student Transportation	146,150	142,650	140,154	2,496
0035 Food Services	7,170	7,220	7,202	18
0036 Extracurricular Activities	262,008	291,169	291,105	64
0041 General Administration	286,145	341,645	341,641	4
0051 Facilities Maintenance & Operations	629,170	597,170	596,925	245
0053 Data Processing Services	202,406	197,406	195,811	1,595
Debt Service:				
0071 Principal on Long Term Debt	92,000	92,000	92,000	-
0072 Interest on Long Term Debt	17,908	17,908	17,372	536
0073 Bond Issuance Cost and Fees	450	450	450	-
Capital Outlay:				
0081 Facilities Acquisition & Construction	-	381,746	334,250	47,496
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Dist. of SSA	35,001	35,001	32,853	2,148
6030 Total Expenditures	<u>5,069,738</u>	<u>5,450,792</u>	<u>5,343,120</u>	<u>107,672</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,396)</u>	<u>(374,642)</u>	<u>(118,943)</u>	<u>255,699</u>
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	381,746	334,250	(47,496)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>381,746</u>	<u>334,250</u>	<u>(47,496)</u>
1200 Net Change in Fund Balances	(21,396)	7,104	215,307	208,203
0100 Fund Balance-Sept 1 (Beginning)	703,170	703,170	703,170	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 681,774</u>	<u>\$ 710,274</u>	<u>\$ 918,477</u>	<u>\$ 208,203</u>

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

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

Data Control Codes	Agency Fund
ASSETS	
1110 Cash and Cash Equivalents	\$ 73,730
1000 Total Assets	<u>\$ 73,730</u>
LIABILITIES	
Current Liabilities:	
2190 Due to Student Groups	\$ 73,730
2000 Total Liabilities	<u>\$ 73,730</u>

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

NOTES TO THE FINANCIAL STATEMENTS

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Thorndale Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Thorndale Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Title I, SIP Academy Grant Fund - The District accounts for its multi-year Schools In Need of Improvement Program (SIP) federal grant in this fund. This program provides additional funding and technical assistance to support the District in its continued efforts in the complex task of school improvement.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted, committed, or assigned for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Student activity funds are accounted for using agency funds.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

E. OTHER ACCOUNTING POLICIES

1. Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Inventories

The District does not report inventories of supplies for consumable maintenance, instructional, office, athletic, or transportation items do to the unused amount of these items being on hand at any given time being deemed immaterial.

3. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, unless the straight-line method is not materially different, in which case the straight-line method is used. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the year of issuance of the debt.

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

4. Vacation and Sick Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements if determined to be material at year end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	10-20
Vehicles	10
Office Equipment	3-5
Computer Equipment	3-5

6. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Assigned Fund Balance represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District purchased commercial insurance to cover general liabilities. Employees of the District were covered during the year by a workers' compensation insurance plan. There were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

8. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Fund and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears as Exhibit C-3 and the other two reports are Exhibits J-4 and J-5, respectively.

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

1. Prior to the end of each fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to the first day of the fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

Fund Balance - Special Revenue Funds	
Appropriated Budget Funds - Child Nutrition	\$ 45,928
All Special Revenue Funds	\$ 45,928

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no expenditures reported in excess of appropriations during the year in relation to any of the District's legally adopted budgets.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

C. DEFICIT FUND EQUITY

The District had no funds with deficit fund equity at year end.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$930,661 and the bank balance was \$1,025,667. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- a. Depository: Classic Bank NA, Texas.
- b. The fair market value of collateral pledged to the District, as of the date of the highest combined balance on deposit was \$1,739,560.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$1,706,453. These balances occurred during the month of February 2013.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$500,000.
- e. The amount of unsecured deposits was \$-0-.

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk for Deposits

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk.

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

District Policies and Legal and Contractual Provisions Governing Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Thorndale Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2013, Thorndale Independent School District had the following investments.

Investment Name	Investment Type	Maturity in Years	
		Less than 1	Recording Fund
Lone Star	Investment Pools	\$ 10,840	General Fund
Texas CLASS	Investment Pools	155	General Fund
	Total Investments	\$ 10,995	

Additional policies and contractual provisions governing investments for Thorndale Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in the U.S. Government or the State of Texas or its agencies and instrumentalities, commercial paper, corporate bonds, and mutual bond funds to only ones with quality ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2013, the district's investments in Lone Star and Texas CLASS were rated AAA and AAAM, respectively, by Standard & Poor's.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. However, investments in local government investment pools are excluded from this 5% requirement due to the low-risk nature of the underlying investments within government investment pools.

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk relating to investments.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1st of the year following the year in which imposed. On June 30th of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2013, consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
Special Revenue Funds	\$ 101,141	\$ 1,784
Total General Fund	101,141	1,784
Special Revenue Funds:		
General Fund	1,784	101,141
Total Special Revenue Funds	1,784	101,141
Grand Total	\$ 102,925	\$ 102,925

The District did not make any interfund transfers for the year ended August 31, 2013.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2013, were as follows:

	Property Taxes (net)	Other Governments	Due From Other Funds	Total Receivables
Governmental Activities:				
General Fund	\$ 85,364	\$ 114,998	\$ 101,141	\$ 301,503
Title I, SIP Academy Grant Fund	-	92,738	-	92,738
Other Governmental Funds	10,340	28,707	1,784	40,831
Total-Governmental Activities	\$ 95,704	\$ 236,443	\$ 102,925	\$ 435,072

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Payables at August 31, 2013, were as follows:

	Accounts Payable	Salaries/ Benefits	Accrued Expenditures	Total Payables
Governmental Activities:				
General Fund	\$ 15,555	\$ 120,007	\$ 18,603	\$ 154,165
Other Government Funds	431	5,870	400	6,701
Total-Governmental Activities	<u>\$ 15,986</u>	<u>\$ 125,877</u>	<u>\$ 19,003</u>	<u>\$ 160,866</u>

F. CAPITAL ASSET ACTIVITY

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

	Beginning Balance				Ending Balance
	9/1/12	Additions	Retirements	Adjustments	8/31/13
Governmental Activities:					
Land	\$ 157,858	\$ -	\$ -	\$ -	\$ 157,858
Buildings and Improvements	5,493,789	334,250	-	(24,225)	5,803,814
Furniture and Equipment	836,150	73,230	-	24,225	933,605
Totals at Historical Cost	<u>6,487,797</u>	<u>407,480</u>	<u>-</u>	<u>-</u>	<u>6,895,277</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(2,683,876)	(130,644)	-	-	(2,814,520)
Furniture and Equipment	(607,936)	(50,284)	-	-	(658,220)
Total Accumulated Depreciation	<u>(3,291,812)</u>	<u>(180,928)</u>	<u>-</u>	<u>-</u>	<u>(3,472,740)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,195,985</u>	<u>\$ 226,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,422,537</u>

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

Depreciation expense was charged to governmental functions as follows:

	Function	Depreciation Allocation
11	Instruction	\$ 106,024
12	Instructional Resources & Media	4,301
13	Curriculum & Staff Development	20
21	Instructional Leadership	1,868
23	School Leadership	4,232
31	Guidance/Counseling/Evaluation Services	3,936
33	Health Services	1,522
34	Student Transportation	4,516
35	Food Services	8,922
36	Cocurricular/Extracurricular Activities	8,464
41	General Administration	13,117
51	Plant Maintenance and Operations	17,357
53	Data Processing Services	5,694
93	Payments related to SSAs	955
	Totals	\$ 180,928

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

G. BONDS, NOTES, AND CAPITAL LEASES PAYABLE

Bonded indebtedness of the District is reflected in the government-wide financial statements. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2013 is as follows:

Description	Interest Rate	Original Issue	Current Year Interest	Outstanding 9/1/12	Additions	Deletions	Outstanding 8/31/13	Due in One Year
Bonds Payable - Principal								
U/L Tax Refund. Bonds, Series 2003	2.50-3.25%	\$2,610,000	\$ 30,475	\$1,075,000	\$ -	\$ (255,000)	\$ 820,000	\$ 265,000
Total Bonds Payable			30,475	1,075,000	-	(255,000)	820,000	265,000
Notes Payable - Principal								
Cert. of Obligation, Series 2005	2.40-4.17%	160,000	2,837	92,000	-	(12,000)	80,000	12,000
Cert. of Obligation, Series 2009	2.225-4.075%	115,000	2,976	85,000	-	(10,000)	75,000	10,000
Tax Notes, 2009	2.225-4.075%	250,000	7,865	220,000	-	(10,000)	210,000	10,000
Time Warrants, 2009	2.225-3.075%	235,000	3,694	125,000	-	(60,000)	65,000	65,000
Total Notes Payable			17,372	522,000	-	(92,000)	430,000	97,000
Total Bonds and Notes Payable			47,847	1,597,000	-	(347,000)	1,250,000	362,000
Capital Leases Payable								
Lease Purchase Agreement	2.35%	334,250	-	-	334,250	-	334,250	44,488
Total Capital Leases Payable			-	-	334,250	-	334,250	44,488
Grand Total Long-Term Debt			\$ 47,847	\$1,597,000	\$ 334,250	\$ (347,000)	\$1,584,250	\$ 406,488

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

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

H. DEBT SERVICE REQUIREMENTS – BONDS, NOTES, AND CAPITAL LEASES PAYABLE

Debt service requirements for bonds are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
2014	\$ 265,000	\$ 22,344	\$ 287,344
2015	275,000	13,569	288,569
2016	280,000	4,550	284,550
Totals	\$ 820,000	\$ 40,463	\$ 860,463

Debt service requirements for notes payable and capital leases are as follows:

Year Ended August 31,			Total Requirements
	Principal	Interest	
2014	\$ 141,488	\$ 22,472	\$ 163,960
2015	122,533	18,315	140,848
2016	124,603	14,648	139,251
2017	126,699	10,950	137,649
2018	132,819	7,072	139,891
2019-2020	116,108	3,938	120,046
	\$ 764,250	\$ 77,395	\$ 841,645

I. DEFINED BENEFIT PENSION PLAN

Plan Description

Thorndale Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

Funding Policy

State law provides for fiscal years 2011, 2012 and 2013 a state contribution rate of 6.644%, 6.0%, and 6.4%, respectively, and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's contribution percentage. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

A summary of contributions made to the plan for the last three fiscal years is as follows:

Fiscal Year	Employee Contributions	State Contributions		District	
		Made to TRS On-Behalf of Employees		Contributions Related to Above Statutory Minimum Salaries	
2013	\$ 232,448	\$ 222,002	\$	20,848	
2012	246,237	229,584		17,216	
2011	243,562	246,985		20,433	

J. EMPLOYEE HEALTH CARE COVERAGE

For the year ended August 31, 2013, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$150 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas while Medco Health was assigned the prescription drug plan.

K. RETIREE HEALTH CARE PLANS

1. TRS-Care

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required 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 writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. 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. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2013, 2012, and 2011.

2. Medicare Part-D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part-D. One of the provisions of Medicare Part-D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last three fiscal years is as follows:

Fiscal Year	Medicare Part-D State On-Behalf Payments
2013	\$ 13,808
2012	10,033
2011	8,142

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program.

Fiscal Year	Early Retiree Reinsurance Program State On-Behalf Payments
2013	\$ -
2012	9,488
2011	-

THORNDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013

L. UNEARNED REVENUE

Unearned revenue at August 31, 2013 consisted of the following amounts:

Fund	State Grants
Non-Major Gov. Funds	\$ 274
Total	\$ 274

M. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 114,998	\$ -	\$ 114,998
Title I, SIP Academy Grant Fund	-	92,738	92,738
Non-Major Governmental Funds	11,168	17,539	28,707
Total	\$ 126,166	\$ 110,277	\$ 236,443

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Type	General Fund	Non-Major Governmental Funds	Total
Property Taxes	\$ 1,410,400	\$ 194,268	\$ 1,604,668
Tuition and Fees	9,660	-	9,660
Investment Income	10,949	1,458	12,407
Rent	7,200	-	7,200
Food Sales	-	157,363	157,363
Athletics	25,641	-	25,641
Miscellaneous Local Revenue	97,548	-	97,548
Total	\$ 1,561,398	\$ 353,089	\$ 1,914,487

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

O. LITIGATION

As of year end, there was either no litigation pending against or no litigation meeting the requirements of disclosure.

P. SUBSEQUENT EVENTS

There were no subsequent events that occurred after year end meeting the requirements for disclosure.

Q. COMMITMENTS AND CONTINGENCIES

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

COMBINING SCHEDULES

THORNDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data	211	240	255	289	410
Control	ESEA, Title I,	National Breakfast and Lunch Program	ESEA, Title	Federally Funded Spec.	State Textbook
Codes	Part A	Program	II, Part A	Rev. Fund	Fund
ASSETS					
1110 Cash and Cash Equivalents	\$ -	\$ 41,709	\$ -	\$ -	\$ 274
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allow. for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	2,508	5,106	-	9,925	-
1260 Due from Other Funds	-	1,784	-	-	-
1000A Total Assets	<u>\$ 2,508</u>	<u>\$ 48,599</u>	<u>\$ -</u>	<u>\$ 9,925</u>	<u>\$ 274</u>
LIABILITIES					
2110 Accounts Payable	\$ -	\$ 431	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	2,284	2,200	-	1,386	-
2170 Due to Other Funds	-	-	-	8,403	-
2200 Accrued Expenditures	224	40	-	136	-
2300 Unearned Revenues	-	-	-	-	274
2000 Total Liabilities	<u>2,508</u>	<u>2,671</u>	<u>-</u>	<u>9,925</u>	<u>274</u>
DEFERRED INFLOWS OF RESOURCES					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
3450 Federal or State Funds Restricted	-	45,928	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>45,928</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Def. Inflows, and Fund Balances	<u>\$ 2,508</u>	<u>\$ 48,599</u>	<u>\$ -</u>	<u>\$ 9,925</u>	<u>\$ 274</u>

599	Total
Debt Service	Non-Major
Fund	Governmental
Fund	Funds
\$ 42,386	\$ 84,369
11,489	11,489
(1,149)	(1,149)
11,168	28,707
-	1,784
<u>\$ 63,894</u>	<u>\$ 125,200</u>
\$ -	\$ 431
-	5,870
-	8,403
-	400
-	274
<u>-</u>	<u>15,378</u>
10,340	10,340
<u>10,340</u>	<u>10,340</u>
-	45,928
53,554	53,554
<u>53,554</u>	<u>99,482</u>
<u>\$ 63,894</u>	<u>\$ 125,200</u>

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

Data Control Codes	211 ESEA, Title I, Part A	240 Breakfast and Lunch Program	255 ESEA, Title II, Part A	289 Federally Funded Spec. Rev. Fund	410 State Textbook Fund
REVENUES:					
5700 Local and Intermediate Sources	\$ -	\$ 158,062	\$ -	\$ -	\$ -
5800 State Program Revenues	-	1,768	-	-	30,583
5900 Federal Program Revenues	58,223	185,750	16,685	44,789	-
5020 Total Revenues	<u>58,223</u>	<u>345,580</u>	<u>16,685</u>	<u>44,789</u>	<u>30,583</u>
EXPENDITURES:					
0011 Instruction	58,223	-	16,685	44,789	30,583
0035 Food Services	-	299,652	-	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
6030 Total Expenditures	<u>58,223</u>	<u>299,652</u>	<u>16,685</u>	<u>44,789</u>	<u>30,583</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>45,928</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	45,928	-	-	-
0100 Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ 45,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

599 Debt Service Fund	Total Non-Major Governmental Funds
\$ 195,027	\$ 353,089
113,022	145,373
-	305,447
<u>308,049</u>	<u>803,909</u>
-	150,280
-	299,652
255,000	255,000
30,475	30,475
500	500
<u>285,975</u>	<u>735,907</u>
<u>22,074</u>	<u>68,002</u>
22,074	68,002
<u>31,480</u>	<u>31,480</u>
<u>\$ 53,554</u>	<u>99,482</u>

TEA REQUIRED SCHEDULES

THORNDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	Various	
2004	Various		Various	Various
2005	1.4100	0.1600		91,091,595
2006	1.4400	0.1400		104,315,569
2007	1.3170	0.1550		112,010,770
2008	1.1700	0.1450		99,963,275
2009	1.1700	0.1450		100,102,610
2010	1.1700	0.1450		99,982,831
2011	1.1700	0.1450		101,520,987
2012	1.1700	0.1600		119,502,180
2013	(School year under audit)		0.1600	120,424,582
TOTALS				

10	20	31	32	40	50
Beginning Balance 9/1/12	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/13
\$ 16,908	\$ -	\$ 140	\$ 16	\$ (1,625)	\$ 15,127
18,762	-	176	21	(389)	18,176
14,514	-	507	49	1,945	15,903
1,989	-	437	51	790	2,291
1,242	-	656	81	1,401	1,906
2,067	-	1,308	162	1,898	2,495
3,664	-	2,560	317	2,128	2,915
6,655	-	1,830	227	459	5,057
40,632	-	27,073	3,702	(213)	9,644
-	1,601,647	1,380,614	188,802	593	32,824
<u>\$ 106,433</u>	<u>\$ 1,601,647</u>	<u>\$ 1,415,301</u>	<u>\$ 193,428</u>	<u>\$ 6,987</u>	<u>\$ 106,338</u>

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

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Misc.	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 81,330	\$ 350,727	\$ -	\$ -	\$ 432,057
6149	Leave for Separating Employees in Fn 41 & 53				-			-
6149	Leave for Separating Emp. not in Fn 41 & 53				-			-
6211	Legal Services	-	-	34,174		-		34,174
6212	Audit Services				20,575			20,575
6213	Tax Appraisal/Collection - Appraisal in Fn 99		-					-
6214	Lobbying				-			-
621X	Other Professional Services	-	34,527	156	8	-	-	34,691
6220	Tuition & Transfer Pymts						-	-
6230	Education Service Centers	-	-	-	9,888	-	-	9,888
6240	Contr. Maint. And Repair					3,000		3,000
6250	Utilities					-		-
6260	Rentals	-	-	-	1,828	-	-	1,828
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	232	-	262	4,600	-	-	5,094
6410	Travel, Subst., Stipends	756	-	3,564	3,051	-	-	7,371
6420	Ins. And Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	2,130						2,130
6490	Miscellaneous Operating	7,296	-	1,921	22,806	-	-	32,023
6500	Debt Service						-	-
6600	Capital Outlay						-	-
6000	TOTAL	\$ 10,414	\$ 34,527	\$ 121,407	\$ 413,483	\$ 3,000	\$ -	\$ 582,831
Total expenditures/expenses for General and Special Revenue Funds:							9	\$ 6,666,456
LESS: Deductions of Unallowable Costs								
FISCAL YEAR								
	Total Capital Outlay (6600)					10	\$ 407,480	
	Total Debt & Lease (6500)					11	109,372	
	Plant Maintenance (Function 51, 6100-6400)					12	579,800	
	Food (Function 35, 6341 and 6499)					13	137,390	
	Stipends (6413)					14	-	
	Column 4 (above) - Total Indirect Cost						413,483	
	Subtotal:							1,647,525
	Net Allowed Direct Cost							\$ 5,018,931
CUMULATIVE								
	Total Cost of Buildings before Depreciation (1520)					15	\$ 5,803,814	
	Historical Cost of Building over 50 years old					16	67,087	
	Amount of Federal Money in Building Cost (Net of #16)					17	-	
	Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)					18	933,605	
	Historical Cost of Furniture & Equipment over 16 years old					19	107,690	
	Amount of Federal Money in Furniture & Equipment (Net of #19)					20	-	

8a Note-1 \$ 131,702 Fn 53 expenditures are included in this report on Administrative costs.

8b Note-2 \$ - Fn 99 expenditures for appraisal district costs are included in this report on administrative costs.

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

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
REVENUES:					
5700	Local & Intermediate Sources	\$ 127,000	\$ 152,000	\$ 158,062	\$ 6,062
5800	State Program Revenues	2,000	2,000	1,768	(232)
5900	Federal Program Revenues	151,000	151,000	185,750	34,750
5020	Total Revenues	<u>280,000</u>	<u>305,000</u>	<u>345,580</u>	<u>40,580</u>
EXPENDITURES:					
0035	Food Services	279,688	304,688	299,652	5,036
6030	Total Expenditures	<u>279,688</u>	<u>304,688</u>	<u>299,652</u>	<u>5,036</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>312</u>	<u>312</u>	<u>45,928</u>	<u>45,616</u>
1200	Net Change in Fund Balances	312	312	45,928	45,616
0100	Fund Balance-Sept 1 (Beginning)	-	-	-	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 312</u>	<u>\$ 312</u>	<u>\$ 45,928</u>	<u>\$ 45,616</u>

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

Data Control Codes	Budgeted Amounts		Actual	Variance With	
	Original	Final	Amounts (GAAP BASIS)	Final Budget	
REVENUES:					
5700	Local & Intermediate Sources	\$ 196,004	\$ 196,004	\$ 195,026	\$ (978)
5800	State Program Revenues	119,298	119,298	113,022	(6,276)
5020	Total Revenues	<u>315,302</u>	<u>315,302</u>	<u>308,048</u>	<u>(7,254)</u>
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	255,000	255,000	255,000	-
0072	Interest on Long Term Debt	33,103	33,103	30,475	2,628
0073	Bond Issuance Cost and Fees	2,000	2,000	500	1,500
6030	Total Expenditures	<u>290,103</u>	<u>290,103</u>	<u>285,975</u>	<u>4,128</u>
1200	Net Change in Fund Balances	25,199	25,199	22,073	(3,126)
0100	Fund Balance-Sept 1 (Beginning)	31,480	31,480	31,480	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 56,679</u>	<u>\$ 56,679</u>	<u>\$ 53,553</u>	<u>\$ (3,126)</u>

FEDERAL AWARDS SECTION



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

To the Board of Trustees of
Thorndale 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 Thorndale Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Thorndale Independent School District's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Thorndale Independent School 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 Thorndale Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Thorndale Independent School 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1, which we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thorndale Independent School 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.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC
Austin, Texas

November 22, 2013



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

To the Board of Trustees of
Thorndale Independent School District

Report on Compliance for Each Major Federal Program

We have audited Thorndale Independent School District's 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 Thorndale Independent School District's major federal programs for the year ended August 31, 2013. Thorndale Independent School 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 Thorndale Independent School 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 Thorndale Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Thorndale Independent School 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, 2013.

Report on Internal Control Over Compliance

Management of Thorndale Independent School 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 Thorndale Independent School 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 Thorndale Independent School 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 financial reporting that we consider to be material weaknesses, as defined above.

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Thorndale Independent School District as of and for the year ended August 31, 2013, and have issued our report thereon dated November 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC
Austin, Texas

November 22, 2013

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

1	2	2a	3
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency:</u>			
ESEA-Title I, Part A	84.010A	13-610101166905	\$ 58,223
Title II, Part A, Improving Teacher Quality	84.367A	13-694501166905	16,685
Title I, SIP Academy Grant	84.377A	12-6107047110034	873,903
Small Rural School Achievement	83.358A	S358A-13-2113	44,789
Total Passed Through State Dept of Education			993,600
TOTAL U.S. DEPARTMENT OF EDUCATION			993,600
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Education Agency:</u>			
School Breakfast Program*	10.553	71401301	38,820
National School Lunch Program - Cash Assistance*	10.555	71301301	129,196
<u>Passed Through the Texas Department of Agriculture:</u>			
Non-Cash Assistance - Food Distribution Program*	10.555	166905	17,734
TOTAL DEPARTMENT OF AGRICULTURE			185,750
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,179,350

*Cluster Programs as required by the Compliance Supplement 2013.

THORNDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

General – The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Thorndale 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, and the Food Distribution Program. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes 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, 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 the Basic Financial Statements – Expenditures of federal awards are reported in the District’s basic financial statements in 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.

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

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 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 programs:

Title I, SIP Academy Grant	Unmodified
----------------------------	------------

Any audit findings disclosed that are required to be Reported with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.377A	School Improvement Grants

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

Auditee qualified as low-risk auditee? Yes No

THORNDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

We identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency for the year ended August 31, 2013. This significant deficiency, 2013-1, is required to be reported in accordance with *Government Auditing Standards* and is described below.

2013-1

Criteria:

In order to ensure that Campus Activity Fund and Student Activity Fund money is spent only for allowable and approved purposes, invoices or receipts should be submitted during the purchasing process and maintained on file by the District. Additionally, deposits made by campus and club sponsors should be documented and verified by the District's Business Office and deposit support should be maintained. Finally, activity fund balances and transactions should be recorded in the District's accounting system.

Condition Found:

Based on our testing, we noted the lack of supporting documentation for activity fund deposits and disbursements. Further, we noted that the District does not record the Campus Activity Fund and the Student Activity Fund in its accounting system nor is the District able to identify individual campus and club balances.

Cause:

During the year, the District did not subject activity account transactions to its internal control procedures related to deposits and disbursements. Individual campus and club balances were not tracked and campus and student activity balances and transactions were not recorded in the District's accounting software.

Effect:

The effect is a lack of internal control over financial reporting related to activity accounts which may not allow management to prevent, or detect and correct misstatements on a timely basis or to ensure that activity fund money is deposited and disbursed appropriately.

Recommendation:

We recommend that the District subject activity account deposits and disbursements to its existing internal controls and maintain appropriate supporting documentation. We also recommend that the District record activity account transactions in the appropriate funds in its accounting system.

Management Views/Corrective Action Planned:

Management will identify specific activity account balances by campus and club, and then beginning in FY2014 the District will record these balances and FY2014 transactions in its accounting system. Management will also extend its internal control procedures related to deposits and disbursements to include activity accounts.

There were no findings or questioned costs required to be restated in accordance with *Government Auditing Standards* for the year ended August 31, 2012.

THORNDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2013

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Section 510(c) of OMB Circular A-133:

No findings or questioned costs required to be reported in accordance with Section 510(c) of OMB Circular A-133 for the years ended August 31, 2013 and 2012.

THORNDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		1 Responses
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	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -