

**CROCKETT INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2014

CROCKETT INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

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FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

CROCKETT INDEPENDENT SCHOOL DISTRICT

Name of School

HOUSTON

County

113-901

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and

**APPROVED --- DISAPPROVED
(Check One)**

for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 27th day of October, 2014.



SIGNATURE OF BOARD SECRETARY



SIGNATURE OF BOARD PRESIDENT

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

FINANCIAL SECTION

HLSK

Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Crockett Independent School District
1400 W. Austin Street
Crockett, Texas 75835

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 auditors' judgment, including the assessments of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 Crockett Independent School District's basic financial statements. The combining fund financial statements and supplementary information, including the schedule of required responses to selected school first indicators, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining funds financial statements and supplementary information, including the schedule of required responses to selected school first indicators, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and supplementary information, including the schedule of required responses to selected school first indicators, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014, on our consideration of the Crockett 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 Crockett Independent School District's internal control over financial reporting and compliance.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 7, 2014

Management's Discussion and Analysis

As management of the Crockett Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2014.

Financial Highlights

- The assets and deferred outflows of resource of the District exceeded its liabilities at the close of the most recent fiscal year by \$10,934,339 (net position). Of this amount, \$2,220,991 (unrestricted net position) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position increased by \$865,321.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,277,734, a decrease of \$275,276 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,463,561, or 14 percent of total general fund expenditures.
- The District's total debt decreased by \$491,123 primarily due to scheduled debt payments.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Data Processing Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, and Other Intergovernmental Charges*.

The government-wide financial statements can be found as noted in the table of contents of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents combining funds financial statements and supplementary information, which includes schedules required by the Texas Education Agency. Such supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$10,934,339 at the close of the most recent fiscal year.

CROCKETT INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2014		2013		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 3,659,365	14	\$ 4,190,351	16	\$ (530,986)	(13)
Capital Assets	23,201,575	86	22,547,306	84	654,269	3
Total Assets	26,860,940	100	26,737,657	100	123,283	
Total Deferred Outflows of Resources	950,355	100	994,930	100	(44,575)	(4)
Long-Term Liabilities Outstanding	16,373,163	97	16,864,286	95	(491,123)	(3)
Other Liabilities	503,793	3	799,283	5	(295,490)	(37)
Total Liabilities	16,876,956	100	17,663,569	100	(786,613)	
Net Position:						
Net Investment in Capital Assets	8,096,052	74	8,354,010	83	(257,958)	(3)
Restricted	617,296	6	498,896	5	118,400	24
Unrestricted	2,220,991	20	1,216,112	12	1,004,879	83
Total Net Position	\$ 10,934,339	100	\$ 10,069,018	100	\$ 865,321	

The largest portion of the District's net position \$8,096,052 (74 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position (\$617,296 or 6 percent of net position) are restricted for debt service and grants. The remaining balance *unrestricted net position* (\$2,220,991) may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in all categories of net position.

Governmental activities. Governmental activities increased the District's net position by \$865,321 from current operations. Key elements of this change are as follows:

CROCKETT INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2014		2013		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 149,212	1	\$ 96,049	1	\$ 53,163	55
Operating Grants and Contributions	3,574,508	23	3,106,028	18	468,480	15
Capital Grants and Contributions	168,916	1	3,361,110	19	(3,192,194)	(95)
General Revenues:						
Property Taxes, Levied for General Purpose	4,462,823	29	4,358,228	25	104,595	2
Property Taxes, Levied for Debt Service	911,942	6	954,971	5	(43,029)	(5)
Grants and Contributions Not Restricted to Specific Programs	6,035,187	39	5,404,465	31	630,722	12
Investment Earnings	2,802	-	14,601	-	(11,799)	(81)
Miscellaneous	120,205	1	143,343	1	(23,138)	(16)
Total Revenues	15,425,595	100	17,438,795	100	(2,013,200)	
Expenses:						
Instruction	7,286,053	50	6,832,991	53	453,062	7
Instructional Resources and Media Services	220,696	2	331,965	2	(111,269)	(34)
Curriculum and Staff Development	884	-	158	-	726	459
Instructional Leadership	92,582	1	33,045	-	59,537	180
School Leadership	870,787	6	819,895	6	50,892	6
Guidance, Counseling, and Evaluation Services	259,510	2	279,695	2	(20,185)	(7)
Social Work Services	-	-	19,344	-	(19,344)	(100)
Health Services	103,175	1	83,686	1	19,489	23
Student Transportation	626,692	4	550,852	4	75,840	14
Food Service	789,430	5	713,539	5	75,891	11
Extracurricular Activities	709,785	5	585,781	4	124,004	21
General Administration	739,316	5	631,773	5	107,543	17
Plant Maintenance and Operations	1,655,773	11	1,307,453	10	348,320	27
Data Processing Services	178,832	1	131,306	1	47,526	36
Interest on Long-term Debt	485,541	3	518,268	4	(32,727)	(6)
Issuance Costs and Fees	3,415	-	179,720	1	(176,305)	(98)
Facilities Repair and Maintenance	377,105	3	186,786	1	190,319	102
Other Intergovernmental Charges	160,698	1	153,738	1	6,960	5
Total Expenses	14,560,274	100	13,359,995	100	1,200,279	
Change in Net Position	865,321		4,078,800		(3,213,479)	
Net Position - Beginning	10,069,018		6,260,701		3,808,317	
Prior Period Adjustment - Implement GASB 65 for Bond Issuance Costs	-		(270,483)		270,483	
Net Position - Beginning, as restated	10,069,018		5,990,218		4,078,800	
Net Position - Ending	\$ 10,934,339		\$ 10,069,018		\$ 865,321	

Although revenues decreased due to the decrease in grant funds, the increase in net position was primarily the result of state revenue exceeding the increase in instruction and related expenses.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$9,778,611) represent 63 percent of total revenues and property taxes (\$5,374,765) represent 35 percent of total revenues. The remaining 2 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expenses of the District are instruction (\$7,286,053) which represents 50 percent of total expenses, and plant maintenance and operations (\$1,655,773) which represents 11 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,277,734 a decrease of \$275,276 in comparison with the prior year.

The general fund is the primary operating fund of the District. At year-end, unassigned and total fund balance of the general fund was \$1,463,561. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 14 percent of total general fund expenditures. The fund balance of the general fund increased \$303,901 during the year, primarily due to the increase in state revenues exceeded the increase in instruction and related expenses.

The debt service fund ended the year with a total fund balance of \$755,081, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased by \$49,232 during the year due to less issuance cost and fees primarily from the issuance of debt in the prior year.

The capital projects fund ended the year with a total fund balance of \$0. The capital projects fund balance decreased by \$686,218 during the year representing the completion cost of the dome project.

Governmental funds financial statements may be found by referring to the table of contents.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. There were no significant differences between the original budget and the final amended budget of the general fund.

There were no significant variations between final budget and actual results.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2014, amounts to \$23,201,575 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was 3 percent.

Major capital asset events during the current fiscal year included the following:

- \$938,168 – Construction continued on the dome project
- \$320,185 – Five vehicles
- \$221,157 – Renovation of playground

CROCKETT INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities					
	2014		2013		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 1,038,738	4	\$ 1,038,738	5	\$ -	-
Buildings and Improvements	21,073,673	91	16,629,702	74	4,443,971	27
Furniture and Equipment	868,007	4	712,378	3	155,629	22
Construction in Progress	221,157	1	4,166,488	18	(3,945,331)	(95)
Totals	\$ 23,201,575	100	\$ 22,547,306	100	\$ 654,269	

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

Commitments. At the end of the current fiscal year, the District had no commitments outstanding.

Noncurrent Liabilities. At the end of the current fiscal year, the District had total noncurrent liabilities outstanding of \$16,373,163. Of this amount, \$14,263,176 comprises debt backed by the full faith and credit of the District and \$2,109,987 is a liability for notes payable.

CROCKETT INDEPENDENT SCHOOL DISTRICT'S LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities					
	2014		2013		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 14,263,176	87	\$ 14,758,496	88	\$ (495,320)	(3)
Notes Payable (Net)	2,109,987	13	2,105,790	12	4,197	-
Totals	\$ 16,373,163	100	\$ 16,864,286	100	\$ (491,123)	

The District's debt decreased by \$(491,123) during the current fiscal year primarily due to scheduled debt payments.

The District's general obligation debt is backed by the full faith and credit District and is further guaranteed by the Texas Permanent School Fund Guarantee Program.

State statutes do not limit the rate or amount for the support of school districts bonded indebtedness.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment totals 1,283 students, which is an increase from 1,261 a year ago.
- District staff totals 178 employees, which consist of 96 teachers and 31 teachers' aides and secretaries.
- The District maintains five campuses for instruction.
- The unemployment rate for the County is currently 7.6 percent, which is a decrease from a rate of 8.6 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.5 percent.
- Property values of the District are expected to decrease 6% for the 2014-2015 fiscal year.
- A maintenance and operations of \$1.04 and a debt service tax rate of \$.21, a total rate of \$1.25 was adopted for 2014-15. Preceding year rates were \$1.04, \$.22707 and \$1.26707, respectively.

All of these factors were considered in preparing the District's budget for the 2015 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$1,463,561. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Crockett Independent School District, 1400 W. Austin Street, Crockett, Texas, 75835.

BASIC FINANCIAL STATEMENTS

CROCKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 2,034,001
1225	Property Taxes Receivables (Net)	904,544
1240	Due from Other Governments	720,820
	Capital Assets:	
1510	Land	1,038,738
1580	Construction in Progress	221,157
1520	Buildings and Improvements (Net)	21,073,673
1530	Furniture and Equipment (Net)	868,007
1000	Total Assets	<u>26,860,940</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1700	Deferred Charge on Refunding	950,355
	Total Deferred Outflows of Resources	<u>950,355</u>
LIABILITIES:		
2110	Accounts Payable	85,389
2140	Interest Payable	26,706
2165	Accrued Liabilities	332,837
2180	Due to Other Governments	8,263
2190	Due to Student Groups	50,598
	Noncurrent Liabilities:	
2501	Due within One Year	563,246
2502	Due in More Than One Year	15,809,917
2000	Total Liabilities	<u>16,876,956</u>
NET POSITION:		
3200	Net Investment in Capital Assets	8,096,052
3450	Restricted for Grants	57,916
3850	Restricted for Debt Service	559,380
3900	Unrestricted	2,220,991
3000	Total Net Position	<u>\$ 10,934,339</u>

The accompanying notes are an integral part of this statement.

CROCKETT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Capital Grants and Contributions		
	Governmental Activities:						
0011	Instruction	\$ 7,286,053	\$ 41,904	\$ 2,157,713	\$ -	\$ (5,086,436)	
0012	Instructional Resources and Media Services	220,696	-	209,641	-	(11,055)	
0013	Curriculum and Staff Development	884	-	-	-	(884)	
0021	Instructional Leadership	92,582	-	72,097	-	(20,485)	
0023	School Leadership	870,787	-	68,538	-	(802,249)	
0031	Guidance, Counseling, and Evaluation Services	259,510	-	72,326	-	(187,184)	
0033	Health Services	103,175	-	6,105	-	(97,070)	
0034	Student Transportation	626,692	-	21,541	-	(605,151)	
0035	Food Service	789,430	57,460	784,901	-	52,931	
0036	Extracurricular Activities	709,785	49,848	18,703	168,916	(472,318)	
0041	General Administration	739,316	-	140,470	-	(598,846)	
0051	Plant Maintenance and Operations	1,655,773	-	15,540	-	(1,640,233)	
0053	Data Processing Services	178,832	-	6,933	-	(171,899)	
0072	Interest on Long-term Debt	485,541	-	-	-	(485,541)	
0073	Issuance Costs and Fees	3,415	-	-	-	(3,415)	
0081	Facilities Repair and Maintenance	377,105	-	-	-	(377,105)	
0099	Other Intergovernmental Charges	160,698	-	-	-	(160,698)	
TG	Total Governmental Activities	<u>14,560,274</u>	<u>149,212</u>	<u>3,574,508</u>	<u>168,916</u>	<u>(10,667,638)</u>	
TP	Total Primary Government	<u>\$ 14,560,274</u>	<u>\$ 149,212</u>	<u>\$ 3,574,508</u>	<u>\$ 168,916</u>	<u>(10,667,638)</u>	
	General Revenues:						
MT	Property Taxes, Levied for General Purposes					4,462,823	
DT	Property Taxes, Levied for Debt Services					911,942	
GC	Grants and Contributions Not Restricted to Specific Programs					6,035,187	
IE	Investment Earnings					2,802	
MI	Miscellaneous					<u>120,205</u>	
TR	Total General Revenues					<u>11,532,959</u>	
CN	Change in Net Position					<u>865,321</u>	
NB	Net Position - Beginning					<u>10,069,018</u>	
NE	Net Position - Ending					<u>\$ 10,934,339</u>	

The accompanying notes are an integral part of this statement.

CROCKETT INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes	199	599
	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 1,133,599	\$ 771,069
1225 <i>Property Taxes Receivable (Net)</i>	764,440	140,104
1240 <i>Due from Other Governments</i>	281,532	-
1260 <i>Due from Other Funds</i>	410,743	-
1000 Total Assets	<u>\$ 2,590,314</u>	<u>\$ 911,173</u>
LIABILITIES:		
2110 <i>Accounts Payable</i>	\$ 20,756	\$ -
2160 <i>Accrued Wages Payable</i>	332,837	-
2170 <i>Due to Other Funds</i>	8,720	7,725
2180 <i>Due to Other Governments</i>	-	8,263
2190 <i>Due to Student Groups</i>	-	-
2000 Total Liabilities	<u>362,313</u>	<u>15,988</u>
DEFERRED INFLOWS OF RESOURCES:		
2600 <i>Unavailable Revenue-Property Taxes</i>	764,440	140,104
Total Deferred Inflows of Resources	<u>764,440</u>	<u>140,104</u>
FUND BALANCES:		
3450 <i>Restricted - Grant Funds</i>	-	-
3480 <i>Restricted - Debt Service</i>	-	755,081
3545 <i>Committed - Other</i>	-	-
3600 <i>Unassigned</i>	1,463,561	-
3000 Total Fund Balances	<u>1,463,561</u>	<u>755,081</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,590,314</u>	<u>\$ 911,173</u>

The accompanying notes are an integral part of this statement.

699 Capital Projects Funds	Other Governmental Funds	98 Total Governmental Funds
\$ -	\$ 129,333	\$ 2,034,001
-	-	904,544
340,597	98,691	720,820
-	8,720	419,463
<u>\$ 340,597</u>	<u>\$ 236,744</u>	<u>\$ 4,078,828</u>
\$ -	\$ 64,633	\$ 85,389
-	-	332,837
340,597	62,421	419,463
-	-	8,263
-	50,598	50,598
<u>340,597</u>	<u>177,652</u>	<u>896,550</u>
-	-	904,544
-	-	904,544
-	57,916	57,916
-	-	755,081
-	1,176	1,176
-	-	1,463,561
-	59,092	2,277,734
<u>\$ 340,597</u>	<u>\$ 236,744</u>	<u>\$ 4,078,828</u>

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

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 2,277,734

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 36,318,607	
Accumulated Depreciation of Governmental Capital Assets	<u>(13,117,032)</u>	23,201,575

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	904,544
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Long-term liabilities, which includes notes payable and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such long-term liabilities consist of:

Bonds Payable, at Original Par	\$ (12,749,999)	
Premium on Bonds Payable	(1,195,892)	
Accreted Interest on Capital Appreciation Bonds	(317,285)	
Accrued Interest on the Bonds	(18,520)	
Notes Payable	(2,109,987)	
Accrued Interest on the Notes Payable	<u>(8,186)</u>	(16,399,869)

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds due to it is not a current financial resource available to pay for current expenditures.	<u>950,355</u>
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Total Net Position - Governmental Activities (Exhibit A-1) \$ 10,934,339

The accompanying notes are an integral part of this statement.

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

Data Control Codes	199	599
	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 4,681,245	\$ 897,969
5800 <i>State Program Revenues</i>	6,297,204	28,201
5900 <i>Federal Program Revenues</i>	<u>146,802</u>	<u>-</u>
5020 Total Revenues	<u>11,125,251</u>	<u>926,170</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	5,205,859	-
0012 <i>Instructional Resources and Media Services</i>	11,055	-
0013 <i>Curriculum and Staff Development</i>	884	-
0021 <i>Instructional Leadership</i>	21,866	-
0023 <i>School Leadership</i>	849,644	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	199,207	-
0033 <i>Health Services</i>	103,175	-
0034 <i>Student Transportation</i>	859,444	-
0035 <i>Food Service</i>	-	-
0036 <i>Extracurricular Activities</i>	521,624	-
0041 <i>General Administration</i>	606,508	-
0051 <i>Plant Maintenance and Operations</i>	1,580,503	-
0053 <i>Data Processing Services</i>	178,832	-
Debt Service:		
0071 <i>Principal on Long-term Debt</i>	169,237	445,000
0072 <i>Interest on Long-term Debt</i>	66,090	430,113
0073 <i>Issuance Costs and Fees</i>	-	1,825
Capital Outlay:		
0081 <i>Facilities Acquisition and Construction</i>	49,806	-
Intergovernmental:		
0099 <i>Other Intergovernmental Charges</i>	<u>160,698</u>	<u>-</u>
6030 Total Expenditures	<u>10,584,432</u>	<u>876,938</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>540,819</u>	<u>49,232</u>
OTHER FINANCING SOURCES (USES):		
7914 <i>Noncurrent Loan Proceeds</i>	173,434	-
7915 <i>Transfers In</i>	-	-
8911 <i>Transfers Out</i>	<u>(410,352)</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>(236,918)</u>	<u>-</u>
1200 Net Change in Fund Balances	303,901	49,232
0100 Fund Balances - Beginning	<u>1,159,660</u>	<u>705,849</u>
3000 Fund Balances - Ending	<u>\$ 1,463,561</u>	<u>\$ 755,081</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

699	Other Governmental Funds	98 Total Governmental Funds
Capital Projects Funds	Funds	Funds
\$ -	\$ 57,460	\$ 5,636,674
-	52,028	6,377,433
<u>142,773</u>	<u>3,085,460</u>	<u>3,375,035</u>
<u>142,773</u>	<u>3,194,948</u>	<u>15,389,142</u>
-	1,862,247	7,068,106
-	209,641	220,696
-	-	884
-	70,716	92,582
-	21,143	870,787
-	60,303	259,510
-	-	103,175
-	5,171	864,615
-	784,445	784,445
-	107	521,731
-	123,366	729,874
-	-	1,580,503
-	-	178,832
-	-	614,237
-	-	496,203
-	-	1,825
1,239,343	-	1,289,149
-	-	160,698
<u>1,239,343</u>	<u>3,137,139</u>	<u>15,837,852</u>
<u>(1,096,570)</u>	<u>57,809</u>	<u>(448,710)</u>
-	-	173,434
410,352	-	410,352
-	-	(410,352)
<u>410,352</u>	<u>-</u>	<u>173,434</u>
(686,218)	57,809	(275,276)
686,218	1,283	2,553,010
<u>\$ -</u>	<u>\$ 59,092</u>	<u>\$ 2,277,734</u>

CROCKETT INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-3***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2014*

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) \$ (275,276)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 1,506,880	
Depreciation Expense	<u>(852,611)</u>	654,269

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 36,453

Issuance of bonds or notes payable provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Issuance of Notes Payable (173,434)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Payable Principal payment	\$ 445,000	
Notes Payable Principal payment	<u>169,237</u>	614,237

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accrued Interest on Notes Payable (<i>increased</i>) <i>decreased</i>	\$ 2,836	
Accrued Interest on Current Interest Bonds Payable (<i>increased</i>) <i>decreased</i>	491	
Interest Accreted on the Capital Appreciation Bonds	(4,373)	
Amortization of Bond Premium and Discount	54,693	
Amortization of Deferred Charge on Refunding	<u>(44,575)</u>	<u>9,072</u>

Change in Net Position for Governmental Activities (Exhibit B-1) \$ 865,321

The accompanying notes are an integral part of this statement.

CROCKETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-4

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2014**

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 4,228,636	\$ 4,376,223	\$ 4,681,245	\$ 305,022
5800	<i>State Program Revenues</i>	6,052,362	6,192,705	6,297,204	104,499
5900	<i>Federal Program Revenues</i>	40,000	116,472	146,802	30,330
5020	Total Revenues	<u>10,320,998</u>	<u>10,685,400</u>	<u>11,125,251</u>	<u>439,851</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	<i>Instruction</i>	5,200,325	5,270,115	5,205,859	64,256
0012	<i>Instructional Resources and Media Services</i>	31,400	17,204	11,055	6,149
0013	<i>Curriculum and Staff Development</i>	7,000	3,000	884	2,116
	Total Instruction & Instructional Related Services	<u>5,238,725</u>	<u>5,290,319</u>	<u>5,217,798</u>	<u>72,521</u>
Instructional and School Leadership:					
0021	<i>Instructional Leadership</i>	23,559	21,866	21,866	-
0023	<i>School Leadership</i>	862,837	886,062	849,644	36,418
	Total Instructional & School Leadership	<u>886,396</u>	<u>907,928</u>	<u>871,510</u>	<u>36,418</u>
Support Services - Student (Pupil):					
0031	<i>Guidance, Counseling, and Evaluation Services</i>	237,147	202,982	199,207	3,775
0033	<i>Health Services</i>	106,519	106,869	103,175	3,694
0034	<i>Student Transportation</i>	596,210	617,084	859,444	(242,360)
0036	<i>Extracurricular Activities</i>	571,860	593,489	521,624	71,865
	Total Support Services - Student (Pupil)	<u>1,511,736</u>	<u>1,520,424</u>	<u>1,683,450</u>	<u>(163,026)</u>
Administrative Support Services:					
0041	<i>General Administration</i>	624,176	630,101	606,508	23,593
	Total Administrative Support Services	<u>624,176</u>	<u>630,101</u>	<u>606,508</u>	<u>23,593</u>
Support Services - Nonstudent Based:					
0051	<i>Plant Maintenance and Operations</i>	1,417,821	1,618,980	1,580,503	38,477
0053	<i>Data Processing Services</i>	151,441	178,832	178,832	-
	Total Support Services - Nonstudent Based	<u>1,569,262</u>	<u>1,797,812</u>	<u>1,759,335</u>	<u>38,477</u>
Debt Service:					
0071	<i>Principal on Long-term Debt</i>	169,237	169,237	169,237	-
0072	<i>Interest on Long-term Debt</i>	154,782	153,089	66,090	86,999
	Total Debt Service	<u>324,019</u>	<u>322,326</u>	<u>235,327</u>	<u>86,999</u>
Capital Outlay:					
0081	<i>Facilities Acquisition and Construction</i>	-	49,806	49,806	-
	Total Capital Outlay	<u>-</u>	<u>49,806</u>	<u>49,806</u>	<u>-</u>
Intergovernmental Charges:					
0099	<i>Other Intergovernmental Charges</i>	166,684	166,684	160,698	5,986
	Total Intergovernmental Charges	<u>166,684</u>	<u>166,684</u>	<u>160,698</u>	<u>5,986</u>
6030	Total Expenditures	<u>10,320,998</u>	<u>10,685,400</u>	<u>10,584,432</u>	<u>100,968</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	-	-	540,819	540,819
OTHER FINANCING SOURCES (USES):					
7914	<i>Noncurrent Loan Proceeds</i>	-	-	173,434	173,434
8911	<i>Transfers Out</i>	-	-	(410,352)	(410,352)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(236,918)</u>	<u>(236,918)</u>
1200	Net Change in Fund Balances	-	-	303,901	303,901
0100	Fund Balances - Beginning	1,159,660	1,159,660	1,159,660	-
3000	Fund Balances - Ending	<u>\$ 1,159,660</u>	<u>\$ 1,159,660</u>	<u>\$ 1,463,561</u>	<u>\$ 303,901</u>

The accompanying notes are an integral part of this statement.

CROCKETT INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2014

EXHIBIT E-1

Data Control Codes		829 Private-Purpose Trust Fund <u>Scholarship Funds</u>	865 Agency Fund <u>Student Activity</u>
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 15,755	\$ 30,687
1000	Total Assets	<u>15,755</u>	<u>\$ 30,687</u>
LIABILITIES:			
2190	<i>Due to Student Groups</i>	-	\$ 30,687
2000	Total Liabilities	<u>-</u>	<u>\$ 30,687</u>
NET POSITION:			
3800	<i>Held in Trust</i>	15,755	
3000	Total Net Position	<u>\$ 15,755</u>	

The accompanying notes are an integral part of this statement.

CROCKETT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT E-2

<u>Data</u> <u>Control</u> <u>Codes</u>	829 Private-Purpose Trust Fund <u>Scholarship Funds</u>
ADDITIONS:	
5700 Increase in Fair Value of Investments	\$ <u>140</u>
Total Additions	<u>140</u>
DEDUCTIONS:	
6400 Scholarship Awards	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	140
Net Position-Beginning of the Year	<u>15,615</u>
Net Position-End of the Year	<u>\$ <u>15,755</u></u>

The accompanying notes are an integral part of this statement.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

I. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

B. Reporting Entity

The Crockett Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities.

Additionally, the District reports the following fund types:

The *private-purpose trust fund* is used to account for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. Primarily, the funds received in trust are for scholarships that are to be awarded to current and former students for post-secondary education purposes.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the amount due from/to agency is included in the governmental activities column.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in the governmental activities.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to notes payable, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and, bank demand or time deposits with original maturities of one year or less from the date of acquisition.

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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 two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	15-40
Furniture and Equipment	5-10

5. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue - property taxes*, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Net position Flow Assumption

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

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

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent and business manager to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Compensated Absences

Vacation

The District does not have a liability for unpaid vacation at year end due to the District's policy does not allow a carryover of vacation not taken at August 31.

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the District and, upon separation from service, no monetary obligation exists.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

4. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Data Control Codes

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

B. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund, and debt service fund. All other governmental funds adopt project-length budgets. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. 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 after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's Management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District amended general fund budget throughout the year between functions and total appropriations. There were no significant differences between the original and final budget of the general fund. Amendments made to debt service fund and national school breakfast and lunch program special revenue fund were not significant.

C. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

D. Excess of Expenditures Over Appropriations

For the year ended August 31, 2014, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	34	\$ 859,444	\$ 617,084	\$ 242,360
National School Breakfast and Lunch Program	35	773,570	784,445	(10,875)

III. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits. The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the TEA and shall be 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.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

Investments. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF. 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has stated maturity of 271 days or fewer from the date of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

As of August 31, 2014, the District's deposits were deposited under the terms of the depository contract and the District's investments consisted of savings accounts at the local depository.

Credit risk. For fiscal year 2014, the District is not exposed to credit risk.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment shall not exceed one year from the time of purchase, unless specifically authorized by the Board of Trustees.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2014, District's bank balance of \$2,426,777 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered in the District's name or the investments are held by the District or its agent.

B. Receivables

Receivables as of year end for the District's individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Other Governmental Funds	Total Governmental Funds
Receivables:					
Property Taxes	\$ 796,440	\$ 146,104	\$ -	\$ -	\$ 942,544
Due From Other Governments	281,532	-	340,597	98,691	720,820
Gross Receivables	1,077,972	146,104	340,597	98,691	1,663,364
Less: Allowance for Uncollectibles	(32,000)	(6,000)	-	-	(38,000)
Net Total Receivables	\$ 1,045,972	\$ 140,104	\$ 340,597	\$ 98,691	\$ 1,625,364

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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Tax revenues of the general and debt service fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ (1,037)
Uncollectibles Related to Debt Service Property Taxes	(793)
Total Uncollectibles of the Current Fiscal Year	<u><u>(1,830)</u></u>

Approximately 76% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund receivable/payable balances as of August 31, 2014, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 410,743	\$ 8,720
Debt Service Fund	-	7,725
Capital Projects Fund	-	340,597
Other Governmental Funds - Nonmajor	8,720	62,421
	<u><u>\$ 419,463</u></u>	<u><u>\$ 419,463</u></u>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s interfund transfers for the year ended August 31, 2014.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 410,352
Total		<u><u>\$ 410,352</u></u>

The transfer out of General Fund to Capital Projects Fund was to provide local funding for a capital project per the grant agreement.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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D. Capital Assets

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

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 1,038,738	\$ -	\$ -	\$ 1,038,738
Construction in Progress	4,166,488	1,159,326	(5,104,657)	221,157
Total Capital Assets, not being Depreciated	5,205,226	1,159,326	(5,104,657)	1,259,895
Capital Assets, being Depreciated:				
Buildings and Improvements	27,421,667	15,965	5,104,657	32,542,289
Furniture and Equipment	2,184,834	331,589	-	2,516,423
Total Capital Assets, being Depreciated	29,606,501	347,554	5,104,657	35,058,712
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,791,965)	(676,651)	-	(11,468,616)
Furniture and Equipment	(1,472,456)	(175,960)	-	(1,648,416)
Total Accumulated Depreciation	(12,264,421)	(852,611)	-	(13,117,032)
Total Capital Assets, being Depreciated, net	17,342,080	(505,057)	5,104,657	21,941,680
Governmental Activities Capital Assets, net	\$ 22,547,306	\$ 654,269	\$ -	\$ 23,201,575

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

Governmental Activities:	
11 Instruction	\$ 439,104
34 Student Transportation	82,262
35 Food Service	4,985
36 Extracurricular Activities	188,054
41 General Administration	9,442
51 Plant Maintenance and Operations	128,764
Total Depreciation Expense-Governmental Activities	\$ 852,611

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and notes payable. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable are accounted for in the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bond	\$ 13,194,999	\$ -	\$ (445,000)	\$ 12,749,999	\$ 299,999
Less Deferred Amounts:					
For Issuance Premium (Discount) (CIB's)	1,250,585	-	(54,693)	1,195,892	-
For Accreted Interest (CAB's)	312,912	4,373	-	317,285	-
Total Bonds Payable, net	14,758,496	4,373	(499,693)	14,263,176	299,999
Notes Payable:					
Notes Payable	2,105,790	173,434	(169,237)	2,109,987	263,247
Governmental Activity Long-term Liabilities	\$ 16,864,286	\$ 177,807	\$ (668,930)	\$ 16,373,163	\$ 563,246

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 3-32 year current year or capital appreciation bonds (CAB) with various amounts of principal maturing each year. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2005 BLDG	3.5-5.0%	\$ 5,625,000	2037	\$ 250,000	\$ -	\$ (125,000)	\$ 125,000
2012 REF CAB		29,999	2015	29,999	-	-	29,999
2012 REF	2.0-3.5%	8,770,000	2035	8,205,000	-	(300,000)	7,905,000
2013 REF CAB		15,000	2018	15,000	-	-	15,000
2013 REF	2.0-4.0%	4,735,000	2037	4,695,000	-	(20,000)	4,675,000
Totals				\$ 13,194,999	\$ -	\$ (445,000)	\$ 12,749,999

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31	Principal Value	Interest	Total Requirements
2015	\$ 174,999	\$ 684,026	\$ 859,025
2016	435,000	413,625	848,625
2017	450,000	404,925	854,925
2018	410,000	455,925	865,925
2019	485,000	388,025	873,025
2020	480,000	376,725	856,725
2021	530,000	362,325	892,325
2022	520,000	346,425	866,425
2023	540,000	330,825	870,825
2024	540,000	312,825	852,825
2025	580,000	293,925	873,925
2026	580,000	273,625	853,625
2027	600,000	253,325	853,325
2028	645,000	232,325	877,325
2029	665,000	209,750	874,750
2030	685,000	186,475	871,475
2031	700,000	161,275	861,275
2032	745,000	137,300	882,300
2033	760,000	111,700	871,700
2034	800,000	83,775	883,775
2035	815,000	54,350	869,350
2036	305,000	24,400	329,400
2037	305,000	12,200	317,200
Totals	\$ 12,749,999	\$ 6,110,076	\$ 18,860,075

As of August 31, 2014, the District did not have any authorized but unissued bonds.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2014, the following outstanding bonds are considered defeased:

2005 General Obligation Bonds (maturing 2016-2037, callable August 15, 2015)	\$ 4,750,000
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Notes Payable

The District issues notes to provide funds for operations, equipment, and capital improvements. The maintenance tax notes are secured by the proceeds of a continuing direct annual ad valorem tax levied for maintenance and the remaining notes are secured by the related capital assets.

CROCKETT INDEPENDENT SCHOOL DISTRICT

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The following is a summary of changes in the notes payable during the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
National City Commercial Capital Corp	5.040%	773,919	2021	\$ 470,790	\$ -	\$ (49,237)	\$ 421,553
Time Warrants Series 2013	1.510%	500,000	2017	500,000	-	(120,000)	380,000
Limited Maintenance Tax Notes Series 2013	2.900%	450,000	2025	450,000	-	-	450,000
Limited Tax Refunding Bonds Series 2013	2.230%	790,000	2023	685,000	-	-	685,000
Bus Loan 2014	2.500%	173,434	2015	-	173,434	-	173,434
Total Notes Payable				\$ 2,105,790	\$ 173,434	\$ (169,237)	\$ 2,109,987

Annual debt service requirements to maturity of the notes payable are as follows:

Year Ending August 31	Principal Value	Interest	Total Requirements
2015	\$ 263,247	\$ 57,875	\$ 321,122
2016	266,225	53,010	319,235
2017	187,058	46,180	233,238
2018	199,932	36,982	236,914
2019	202,951	33,341	236,292
2020	211,122	26,791	237,913
2021	214,452	20,026	234,478
2022	150,000	13,037	163,037
2023	145,000	9,547	154,547
2024	135,000	5,873	140,873
2025	135,000	1,958	136,958
Totals	\$ 2,109,987	\$ 304,620	\$ 2,414,607

F. Fund Balance

Other committed fund balances include the following commitments of funds:

Nonmajor Governmental Fund - Special Revenue:

Campus Activity Funds	\$ 1,176
Total Other Committed Fund Balance	\$ 1,176

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Other Governmental Funds	Totals
Property Taxes	\$ 4,441,504	\$ 896,808	\$ -	\$ 5,338,312
Investment Income	1,641	1,161	-	2,802
Food Sales	-	-	57,460	57,460
Athletic Activity	49,848	-	-	49,848
Other	188,252	-	-	188,252
Total	\$ 4,681,245	\$ 897,969	\$ 57,460	\$ 5,636,674

IV. Other Information

A. Risk Management

Health Insurance

During the year ended August 31, 2014, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$203 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all the Districts with fewer than 500 employees to participate in the Plan.

CROCKETT INDEPENDENT SCHOOL DISTRICT

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Property and Liability

The District participates in the Texas Political Subdivisions Joint Self-Insurance Fund (Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for property and liability coverage and develop a comprehensive loss control program. The District pays a required contribution to the Fund for its property and liabilities coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member contributions. In the event that the Fund was to discontinue operations, the member political subdivisions would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Workers' Compensation

The District participates in the Deep East Texas Workers' Compensation Insurance Fund. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for workers' compensation coverage and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its workers' compensation coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. The Fund maintains stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1,000,000 per individual accident or disease. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2014, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangements:

Title III, Part A, English Language Acquisition and Language Enhancement

The District participates in a shared services arrangement for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

State Supplemental Visually Impaired Fund

The District participates in a shared services arrangement for the education of students with a visual impairment, funded under State Supplemental Visually Impaired funds, TEC Section 30.002, 19 TAC 89.238(6). The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region VI, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

D. Defined Benefit Pension Plan

Pension Plan for Employees Participating in Teacher Retirement System

Plan Description. The Crockett 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.

CROCKETT INDEPENDENT SCHOOL DISTRICT

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AUGUST 31, 2014

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following 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% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

Contribution Rates and Contribution Amounts

Year	Member		State		School District Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$ 409,426	6.800%	\$ 357,017	\$ 23,148
2013	6.4%	\$ 387,048	6.400%	\$ 314,539	\$ 21,219
2012	6.4%	\$ 418,956	6.000%	\$ 325,939	\$ 15,737

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. School District Retiree Health Plan

Plan Description. The Crockett Independent School 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 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

CROCKETT INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2014

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

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 41,582	1.00%	\$ 57,766	0.55%	\$ 35,185
2013	0.65%	\$ 39,310	0.50%	\$ 26,650	0.55%	\$ 33,262
2012	0.65%	\$ 42,550	1.00%	\$ 56,944	0.55%	\$ 36,004

In addition, the State of Texas contributed \$18,464, \$22,349 and \$31,515 in 2014, 2013, and 2012, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

F. Nonmonetary Transactions

During 2014, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$47,177. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$47,177 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

COMBINING FUNDS FINANCIAL STATEMENTS

CROCKETT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

Data Control Codes	211	224	225
	<u>ESEA Title I</u>	<u>IDEA - B, Formula</u>	<u>IDEA - B, Preschool</u>
ASSETS:			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	36,342	5,499	-
1260 Due from Other Funds	-	-	-
1000 Total Assets	<u>\$ 36,342</u>	<u>\$ 5,499</u>	<u>\$ -</u>
LIABILITIES:			
2110 Accounts Payable	15,409	-	-
2170 Due to Other Funds	20,933	5,499	-
2190 Due to Student Groups	-	-	-
2000 Total Liabilities	<u>36,342</u>	<u>5,499</u>	<u>-</u>
FUND BALANCES:			
3450 Restricted - Grant Funds	-	-	-
3545 Committed - Other	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 36,342</u>	<u>\$ 5,499</u>	<u>\$ -</u>

240 National School Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA, Title II, Part A, Teacher and Principal Training and	263 Title III, Part A, English Language Acquisition and Enhancement	270 ESEA, Title VI, Part B, Subpart 2 - Rural and Low-Income Program
\$ 76,224	\$ -	\$ -	\$ -	\$ -
21,556	-	5,501	10,308	585
8,720	-	-	-	-
<u>\$ 106,500</u>	<u>\$ -</u>	<u>\$ 5,501</u>	<u>\$ 10,308</u>	<u>\$ 585</u>
48,584	-	-	-	-
-	-	5,501	10,308	585
-	-	-	-	-
<u>48,584</u>	<u>-</u>	<u>5,501</u>	<u>10,308</u>	<u>585</u>
57,916	-	-	-	-
-	-	-	-	-
<u>57,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 106,500</u>	<u>\$ -</u>	<u>\$ 5,501</u>	<u>\$ 10,308</u>	<u>\$ 585</u>

CROCKETT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

	287	288	289
Data Control Codes	Crockett on Track	Literacy Initiative	Summer School LEP & SAMSHA
ASSETS:			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Due from Other Governments	18,607	293	-
1260 Due from Other Funds	-	-	-
1000 Total Assets	<u>\$ 18,607</u>	<u>\$ 293</u>	<u>\$ -</u>
LIABILITIES:			
2110 Accounts Payable	-	-	-
2170 Due to Other Funds	18,607	293	-
2190 Due to Student Groups	-	-	-
2000 Total Liabilities	<u>18,607</u>	<u>293</u>	<u>-</u>
FUND BALANCES:			
3450 Restricted - Grant Funds	-	-	-
3545 Committed - Other	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,607</u>	<u>\$ 293</u>	<u>\$ -</u>

385	404	410	461	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
State Supplemental Visually Impaired	Student Success Initiative	State Textbooks Fund	Campus Activity Funds	
\$ -	\$ 695	\$ -	\$ 52,414	\$ 129,333
-	-	-	-	98,691
-	-	-	-	8,720
<u>\$ -</u>	<u>\$ 695</u>	<u>\$ -</u>	<u>\$ 52,414</u>	<u>\$ 236,744</u>
-	-	-	640	64,633
-	695	-	-	62,421
-	-	-	50,598	50,598
<u>-</u>	<u>695</u>	<u>-</u>	<u>51,238</u>	<u>177,652</u>
-	-	-	-	57,916
-	-	-	1,176	1,176
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,176</u>	<u>59,092</u>
<u>\$ -</u>	<u>\$ 695</u>	<u>\$ -</u>	<u>\$ 52,414</u>	<u>\$ 236,744</u>

CROCKETT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211	224	225
<u>Codes</u>	<u>ESEA Title I</u>	<u>IDEA - B, Formula</u>	<u>IDEA - B, Preschool</u>
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-	-
5900 <i>Federal Program Revenues</i>	<u>884,850</u>	<u>336,471</u>	<u>8,386</u>
5020 <i>Total Revenues</i>	<u>884,850</u>	<u>336,471</u>	<u>8,386</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	814,436	205,452	8,386
0012 <i>Instructional Resources and Media Services</i>	-	-	-
0021 <i>Instructional Leadership</i>	-	70,716	-
0023 <i>School Leadership</i>	-	-	-
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	60,303	-
0034 <i>Student Transportation</i>	5,171	-	-
0035 <i>Food Service</i>	-	-	-
0036 <i>Extracurricular Activities</i>	-	-	-
0041 <i>General Administration</i>	<u>65,243</u>	<u>-</u>	<u>-</u>
6030 <i>Total Expenditures</i>	<u>884,850</u>	<u>336,471</u>	<u>8,386</u>
1200 <i>Net Change in Fund Balances</i>	-	-	-
0100 <i>Fund Balances - Beginning</i>	<u>-</u>	<u>-</u>	<u>-</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240	244	255	263	270
National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESEA, Title II, Part A, Teacher and Principal Training and Recruiting	Title III, Part A, English Language Acquisition and Enhancement	ESEA, Title VI, Part B, Subpart 2 - Rural and Low-Income Program
\$ 57,460	\$ -	\$ -	\$ -	\$ -
3,940	-	-	-	-
780,961	22,125	142,391	10,308	23,208
<u>842,361</u>	<u>22,125</u>	<u>142,391</u>	<u>10,308</u>	<u>23,208</u>
-	22,125	141,353	10,308	23,208
-	-	-	-	-
-	-	918	-	-
-	-	-	-	-
-	-	-	-	-
784,445	-	-	-	-
-	-	-	-	-
-	-	120	-	-
<u>784,445</u>	<u>22,125</u>	<u>142,391</u>	<u>10,308</u>	<u>23,208</u>
57,916	-	-	-	-
-	-	-	-	-
<u>\$ 57,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CROCKETT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	287	288	289
<u>Codes</u>	<u>Crockett on Track</u>	<u>Literacy Initiative</u>	<u>Summer School LEP & SAMSHA</u>
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-	-
5900 <i>Federal Program Revenues</i>	566,442	209,641	100,677
5020 <i>Total Revenues</i>	<u>566,442</u>	<u>209,641</u>	<u>100,677</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	562,343	-	26,548
0012 <i>Instructional Resources and Media Services</i>	-	209,641	-
0021 <i>Instructional Leadership</i>	-	-	-
0023 <i>School Leadership</i>	-	-	20,225
0031 <i>Guidance, Counseling, and Evaluation Services</i>	-	-	-
0034 <i>Student Transportation</i>	-	-	-
0035 <i>Food Service</i>	-	-	-
0036 <i>Extracurricular Activities</i>	-	-	-
0041 <i>General Administration</i>	4,099	-	53,904
6030 <i>Total Expenditures</i>	<u>566,442</u>	<u>209,641</u>	<u>100,677</u>
1200 <i>Net Change in Fund Balances</i>	-	-	-
0100 <i>Fund Balances - Beginning</i>	<u>-</u>	<u>-</u>	<u>-</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

385	404	410	461	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
State Supplemental Visually Impaired	Student Success Initiative	State Textbooks Fund	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ -	\$ 57,460
911	-	47,177	-	52,028
-	-	-	-	3,085,460
<u>911</u>	<u>-</u>	<u>47,177</u>	<u>-</u>	<u>3,194,948</u>
911	-	47,177	-	1,862,247
-	-	-	-	209,641
-	-	-	-	70,716
-	-	-	-	21,143
-	-	-	-	60,303
-	-	-	-	5,171
-	-	-	-	784,445
-	-	-	107	107
-	-	-	-	123,366
<u>911</u>	<u>-</u>	<u>47,177</u>	<u>107</u>	<u>3,137,139</u>
-	-	-	(107)	57,809
-	-	-	1,283	1,283
\$ -	\$ -	\$ -	\$ 1,176	\$ 59,092

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SUPPLEMENTARY INFORMATION

CROCKETT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2014

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2005 and Prior Years	Various	Various	\$ Various
2006	1.47000	0.18000	255,254,680
2007	1.34344	0.17000	261,209,070
2008	1.04000	0.20000	288,088,643
2009	1.04000	0.19000	390,011,899
2010	1.04000	0.18496	406,954,058
2011	1.04000	0.22988	391,555,083
2012	1.04000	0.22988	407,528,428
2013	1.04000	0.22707	406,978,462
2014 School Year Under Audit	1.04000	0.21000	419,028,320

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

EXHIBIT J-1

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 191,099	\$ -	\$ 7,388	\$ 898	\$ (16,974)	\$ 165,839
31,076	-	3,304	405	(2,826)	24,541
35,551	-	3,663	463	(2,583)	28,842
43,014	-	5,051	971	(2,373)	34,619
77,674	-	8,987	1,642	126	67,171
95,385	-	17,097	2,984	8,108	83,412
80,529	-	21,459	4,743	8,552	62,879
119,439	-	37,363	8,257	8,435	82,254
230,494	-	79,125	17,276	5,333	139,426
-	5,237,854	4,141,935	836,353	(6,005)	253,561
<u>\$ 904,261</u>	<u>\$ 5,237,854</u>	<u>\$ 4,325,372</u>	<u>\$ 873,992</u>	<u>\$ (207)</u>	<u>\$ 942,544</u>
		\$ -	\$ -		

CROCKETT INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 52,000	\$ 52,000	\$ 57,460	\$ 5,460
5800 <i>State Program Revenues</i>	4,300	4,300	3,940	(360)
5900 <i>Federal Program Revenues</i>	668,854	717,270	780,961	63,691
5020 Total Revenues	<u>725,154</u>	<u>773,570</u>	<u>842,361</u>	<u>68,791</u>
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035 <i>Food Service</i>	725,154	773,570	784,445	(10,875)
Total Support Services - Student (Pupil)	<u>725,154</u>	<u>773,570</u>	<u>784,445</u>	<u>(10,875)</u>
6030 Total Expenditures	<u>725,154</u>	<u>773,570</u>	<u>784,445</u>	<u>(10,875)</u>
1200 Net Change in Fund Balances	-	-	57,916	57,916
0100 Fund Balances - Beginning	-	-	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,916</u>	<u>\$ 57,916</u>

CROCKETT INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

*DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2014*

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 870,859	\$ 871,859	\$ 897,969	\$ 26,110
5800 <i>State Program Revenues</i>	5,754	5,754	28,201	22,447
5020 <i>Total Revenues</i>	<u>876,613</u>	<u>877,613</u>	<u>926,170</u>	<u>48,557</u>
EXPENDITURES:				
Debt Service:				
0071 <i>Principal on Long-term Debt</i>	445,000	445,000	445,000	-
0072 <i>Interest on Long-term Debt</i>	430,113	430,113	430,113	-
0073 <i>Issuance Costs and Fees</i>	1,500	2,500	1,825	675
<i>Total Debt Service</i>	<u>876,613</u>	<u>877,613</u>	<u>876,938</u>	<u>675</u>
6030 <i>Total Expenditures</i>	<u>876,613</u>	<u>877,613</u>	<u>876,938</u>	<u>675</u>
1200 <i>Net Change in Fund Balances</i>	-	-	49,232	49,232
0100 <i>Fund Balances - Beginning</i>	705,849	705,849	705,849	-
3000 <i>Fund Balances - Ending</i>	<u>\$ 705,849</u>	<u>\$ 705,849</u>	<u>\$ 755,081</u>	<u>\$ 49,232</u>

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OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS

HLSK

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

The Board of Trustees of
Crockett Independent School District
1400 W Austin Street
Crockett, Texas 75835

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 Crockett Independent School District (District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 7, 2014

HLSK

Hereford, Lynch, Sellars & Kirkham

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

The Board of Trustees of
Crockett Independent School District
1400 W Austin Street
Crockett, Texas 75835

Report on Compliance for Each Major Federal Program

We have audited Crockett Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Crockett 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, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 7, 2014

CROCKETT INDEPENDENT SCHOOL DISTRICT

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

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	No
3. Noncompliance material to the Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	No
5. Type of auditors’ report issued on compliance with major programs	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133?	No
7. Identification of Major Programs	84.215 Fund for the Improvement of Education Special Ed Cluster Child Nutrition Cluster
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$300,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II –FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	
None reported	

CROCKETT INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

PRIOR YEAR FINDINGS

2013-001 Collateralization of Bank Deposits

Criteria or Specific Requirement: In accordance with Local Government Code 2256, bank deposits must be guaranteed or insured by the Federal Deposit Insurance Corporation or collateralized with securities owned by the Depository Bank, which comply with state requirements.

Condition: The District's deposits were not adequately collateralized.

Context: The District's increase in tax deposits for a particular day resulted in bank deposits were not being adequately insured/collateralized.

Effect: The District's deposits were unsecured in the amount of \$471,055 on January 15, 2013.

Cause: The District's tax deposits exceeded expectations.

Recommendation: Review District procedures and implement a process to insure that the District's deposits are adequately collateralized and insured.

Views of responsible officials and planned corrective actions: See corrective action plan.

Responsible Party: Gail Hanson

Corrective Action Plan:

District employees will review cash positions before grants and tax collection deposits are made into the District's depository to see if collateral is sufficient to protect the District's interests. When determined that collateral is insufficient the District and the depository will make changes immediately to the collateral so that the District's interest will be protected the day before deposits are made.

Status: District implemented procedures and no instances of noncompliance were noted in the current fiscal year.

CROCKETT INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2014

CURRENT YEAR FINDINGS

None reported

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

EXHIBIT K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
<i>Fund For The Improvement Of Education - On Track</i>	84.215F	S215F130122	\$ 566,442
<i>Fund For The Improvement Of Education - Literacy Initiative</i>	84.215G	S215G120098	\$ 209,641
Total Program 84.215			776,083
Passed Through State Department of Education:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	14610101113901	799,343
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	13610101113901	64,036
<i>ESEA Title I, 1003 (A) Priority and Focus School Grant</i>	84.010A	14610112113901002	10,222
<i>ESEA Title I, 1003 (A) Priority and Focus School Grant</i>	84.010A	14610112113901102	11,141
<i>ESEA Title I - School Improvement Program</i>	84.010A	13610104113901002	108
Total Program 84.010A			884,850
Special Education Cluster (IDEA):			
<i>IDEA - Part B Formula</i>	84.027A	146600011139016600	312,224
<i>IDEA - Part B Formula</i>	84.027A	136600011139016600	24,247
<i>IDEA - Part B Preschool</i>	84.173A	146610011139016610	7,462
<i>IDEA - Part B Preschool</i>	84.173A	136610011139016610	924
Total Special Education Cluster (IDEA)			344,857
<i>Career and Technology - Basic Grant</i>	84.048A	14420006113901	22,125
<i>ESEA Title VI, Part B, Subpart 2 - Rural and Low-Income Program</i>	84.358B	14696001113901	22,020
<i>ESEA Title VI, Part B, Subpart 2 - Rural and Low-Income Program</i>	84.358B	13696001113901	1,188
Total Program 84.358B			23,208
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	14694501113901	130,475
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	13694501113901	11,916
Total Program 84.367A			142,391
<i>Summer School LEP</i>	84.369A	69551302	2,226
Passed Through Region VI Education Service Center:			
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	14671001236950	10,308
TOTAL U.S. DEPARTMENT OF EDUCATION			2,206,048
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct:			
<i>Good Behavior Game Initiative</i>	93.243	5U79SM060310-03	98,451
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through City of Crockett, Texas:			
<i>Hazard Mitigation Grant Program</i>	97.039	HMGP-DR-1791-297	142,773
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00607	48,779
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401401	247,523
<i>National School Lunch Program</i>	10.555	71301401	484,659
TOTAL U.S. DEPARTMENT OF AGRICULTURE- CHILD NUTRITION CLUSTER			780,961
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,228,233

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Crockett Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

Total Expenditures of Federal Awards per Exhibit K-1	\$ 3,228,235
General Fund - Federal Revenue:	
School Health and Related Services (SHARS)	79,206
E-rate	67,594
Total Federal Revenues per Exhibit C-2	\$ <u>3,375,035</u>

CROCKETT INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2014***EXHIBIT L-1**Data
Control
CodesResponses

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?	\$ 317,285