

LINDALE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2014

**LINDALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

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CERTIFICATE OF BOARD

LINDALE INDEPENDENT SCHOOL DISTRICT SMITH 212-903
Name of School County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) approved disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 8 day of December, 2014.


Signature of Board Secretary


Signature of Board President

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lindale Independent School District
Lindale, Texas

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages v through xi and pages 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

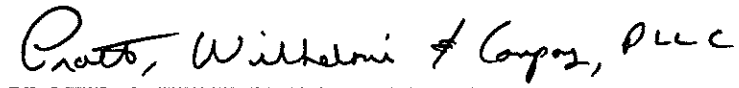
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by the Office of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

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is identified in the Table of Contents as Exhibits J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 8, 2014

LINDALE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

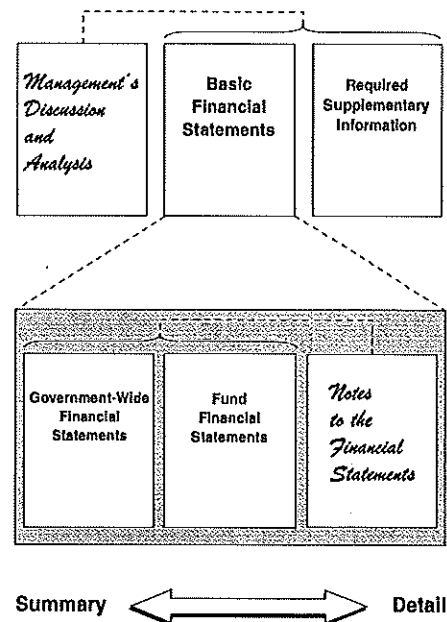
- The District's total combined net position was \$25,249 thousand at August 31, 2014.
- During the year, the District's General Fund net change in Unassigned fund balance was \$1,540 thousand, which is the difference of the total revenues less total expenditures. This increase is largely due to conservative budgeting and spending, increases in state funding formula allotments, increased enrollment, and cost saving practices. In addition the District sold a parcel of land, which was not conducive for future facility construction, for \$365 thousand.
- The total cost of the District's programs increased by approximately \$1,778 thousand from the prior year. The increase is a result of the growth in enrollment of the school district and purchases of technology to implement our one-to-one I-pad initiative and purchases of capital outlay including four school buses, transportation vehicles, and I-pads. The District began the technology instructional 1:1 I-pad initiative for student learning.
- During the year, the District completed construction on a new agricultural barn facility.
- The District voters approved a tax ratification election increasing the M&O tax rate from \$1.06 to \$1.08.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the District's operations in more detail than the Government-Wide Statements.
 - The Governmental Fund Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the District.
 - Fiduciary Fund Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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



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

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

FIGURE A-2
MAJOR FEATURES OF THE DISTRICT'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self-insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three types of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - We use internal service funds to report activities that provide supplies and services for the District's other programs and activities—such as the District's Workers Compensation Fund.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$25,249 thousand at August 31, 2014. (See Table A-1).

Table A-1

The District's Net Position

	Governmental Activities (in thousands)	
	2014	2013
Current and other assets	\$ 13,884	\$ 12,198
Capital and non-current assets	73,214	75,014
Total Assets	87,098	87,212
Current liabilities	1,493	1,972
Long term liabilities	60,356	62,772
Total Liabilities	61,849	64,744
Net Position		
Net investment in capital assets, net of related debt	12,985	12,361
Restricted	2,227	1,425
Unrestricted	10,037	8,682
Total Net Position	\$ 25,249	\$ 22,468

The \$10,037 thousand unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$38,174 thousand. A significant portion of the District's revenue comes from taxes and state aid.

The total cost of all programs and services was \$35,393 thousand. Of these costs \$19,384 thousand are for instructional and instructional related services and \$3,974 thousand are for plant maintenance, security, and data processing.

Governmental Activities

- Property tax assessment increased by 6.04 percent to \$1.234 billion, with a rate of \$1.08 for maintenance and operation and a rate of \$0.355 for interest and sinking.

Table A-2

Changes in the District's Net Position

	Governmental Activities	
	(in thousands)	
	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 1,135	\$ 1,104
Operating grants and contributions	4,130	3,655
General revenues:		
Property taxes	16,730	15,980
State Aid Grants and Contributions not Restricted	15,735	14,112
Miscellaneous	444	112
Total Revenues	38,174	34,963
Expenses		
Instruction, curriculum, media services	19,485	17,902
Instructional / school leadership	1,912	1,750
Student support services	2,846	2,849
Food services	1,723	1,734
Extracurricular activities	2,055	1,963
General administration	852	856
Plant maintenance, security, and data processing	3,974	4,007
Debt service	2,281	2,323
Payments to shared services arrangements	37	15
Other intergovernmental charges	228	218
Total Expenses	35,393	33,617
Increase in Net Position	2,781	1,346
Beginning Net Position	22,468	21,957
Reclassification-prior period debt issuance cost	-	(835)
Ending Net Position	\$ 25,249	\$ 22,468

Table A-3 presents the cost of each of the District's largest functions in addition to each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services and operating grants and contributions.

- The cost of all governmental activities this year was \$35,393 thousand.
- The amount that our taxpayers paid for these activities through property taxes was \$16,730 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$1,135 thousand or by operating grants and contributions of \$4,130 thousand.

Table A-3

Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	(in thousands)		(in thousands)	
	2013	2014	2013	2014
Instruction	\$ 17,479	\$ 18,993	\$ 15,327	\$ 16,476
School leadership	1,410	1,547	1,341	1,463
Student transportation	1,562	1,556	1,501	1,482
Co-curricular/extracurricular activities	1,963	2,055	1,494	1,525
Food services	1,734	1,723	(172)	(49)
Facilities maintenance & operations	3,700	3,671	3,619	3,582
Debt service	2,323	2,281	2,323	2,281

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$37,842 thousand (See Exhibit C-3 of the audit report), an increase of 8.3 percent over the preceding year. The increase is a result of the increase in the state revenue funding formulas and an increase in student average daily attendance.

General Fund Budgetary Highlights

- Over the course of the year, the District increased its budgeted expenditures several times. The District's General Fund balance increased \$1,540 thousand during the year ended August 31, 2014. This increase is largely due to conservative budgeting and spending, increases in state funding formula allotments, increased enrollment, and cost saving practices. In addition the District sold a parcel of land, which was not conducive for future facility construction, for \$365 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had \$73,214 thousand invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$1,800 thousand under last year largely due to annual depreciation.

More detailed information about the District's capital assets is presented in the Notes to the Financial Statements on page 23.

Long Term Debt

At year-end, the District had \$56,825 thousand in bonds outstanding versus \$59,011 thousand last year. The decrease is due to the maturity and payment of several bond issues during the year ended August 31, 2014. Proceeds from the bonds issued in prior years have been and will continue to be used to construct school facilities. More detailed information about the District's debt is presented in the Notes to the Financial Statements on page 24.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable property values used for the 2014-2015 budget preparation increased 4.7% over the prior year values. The maintenance and operations tax rate and the interest and sinking tax rate remained constant at \$1.08 and \$0.355, respectively.
- The District's 2014-2015 refined average daily attendance is expected to increase slightly by approximately 10%.

These indicators were taken into account when adopting the General Fund budget for 2014-2015. Amounts available for appropriation in the General Fund budget are \$29,250 thousand, an increase of \$380 thousand over the final 2013-2014 budget. Property tax revenue will increase due to increased property values. State revenue will increase due to increases in student refined average daily attendance. The largest expenditure increases will be for employee pay raises.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain the same or increase slightly at the close of 2014-2015. The Board of Trustees has carefully planned to maintain the three month operating costs fund balance as suggested by TEA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Office at (903) 881-4000.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 12,679,098
1220 Property Taxes Receivable (Delinquent)	964,970
1230 Allowance for Uncollectible Taxes	(4,139)
1240 Due from Other Governments	200,346
1290 Other Receivables, net	12,168
1300 Inventories	29,885
1410 Prepayments	1,880
Capital Assets:	
1510 Land	2,001,425
1520 Buildings, Net	68,846,756
1530 Furniture and Equipment, Net	1,618,768
1550 Leased Property Under Capital Leases, Net	746,571
1000 Total Assets	87,097,728
LIABILITIES	
2110 Accounts Payable	283,075
2140 Interest Payable	90,299
2160 Accrued Wages Payable	887,659
2180 Due to Other Governments	69,319
2200 Accrued Expenses	17,741
2300 Unearned Revenue	144,503
Noncurrent Liabilities	
2501 Due Within One Year	2,356,907
2502 Due in More Than One Year	57,999,324
2000 Total Liabilities	61,848,827
NET POSITION	
3200 Net Investment in Capital Assets	12,984,755
3820 Restricted for Federal and State Programs	758,400
3850 Restricted for Debt Service	1,432,542
3890 Restricted for Other Purposes	36,190
3900 Unrestricted	10,037,014
3000 Total Net Position	\$ 25,248,901

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 18,993,539	\$ 12,083	\$ 2,505,122	\$ (16,476,334)
12 Instructional Resources and Media Services	390,653	15,158	16,398	(359,097)
13 Curriculum and Staff Development	103,537	-	8,467	(95,070)
21 Instructional Leadership	364,179	-	15,111	(349,068)
23 School Leadership	1,547,479	-	84,050	(1,463,429)
31 Guidance, Counseling and Evaluation Services	979,226	-	62,346	(916,880)
33 Health Services	310,754	-	18,129	(292,625)
34 Student (Pupil) Transportation	1,555,526	-	73,627	(1,481,899)
35 Food Services	1,722,501	615,586	1,156,248	49,333
36 Extracurricular Activities	2,055,372	489,796	40,766	(1,524,810)
41 General Administration	851,614	2,165	32,868	(816,581)
51 Facilities Maintenance and Operations	3,671,140	-	89,536	(3,581,604)
52 Security and Monitoring Services	165,675	-	-	(165,675)
53 Data Processing Services	136,849	-	5,625	(131,224)
72 Debt Service - Interest on Long Term Debt	2,276,155	-	-	(2,276,155)
73 Debt Service - Bond Issuance Cost and Fees	4,550	-	-	(4,550)
93 Payments related to Shared Services Arrangements	37,145	-	21,935	(15,210)
99 Other Intergovernmental Charges	227,593	-	-	(227,593)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 35,393,487	\$ 1,134,788	\$ 4,130,228	(30,128,471)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	12,591,896
DT	Property Taxes, Levied for Debt Service	4,137,667
SF	State Aid - Formula Grants	13,896,551
GC	Grants and Contributions not Restricted	1,838,684
IE	Investment Earnings	29,281
MI	Miscellaneous Local and Intermediate Revenue	415,004
TR	Total General Revenues	32,909,083
CN	Change in Net Position	2,780,612
NB	Net Position - Beginning	22,468,289
NE	Net Position--Ending	\$ 25,248,901

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

LINDALE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 9,166,688	\$ 1,839,033	\$ 1,035,608	\$ 12,041,329
1220 Property Taxes - Delinquent	731,914	233,056	-	964,970
1230 Allowance for Uncollectible Taxes (Credit)	(3,139)	(1,000)	-	(4,139)
1240 Receivables from Other Governments	122,555	2,188	75,603	200,346
1260 Due from Other Funds	-	-	22,946	22,946
1290 Other Receivables	-	-	12,168	12,168
1300 Inventories	-	-	29,885	29,885
1410 Prepayments	1,880	-	-	1,880
1000 Total Assets	<u>\$ 10,019,898</u>	<u>\$ 2,073,277</u>	<u>\$ 1,176,210</u>	<u>\$ 13,269,385</u>
LIABILITIES				
2110 Accounts Payable	\$ 164,483	\$ 300	\$ 28,500	\$ 193,283
2160 Accrued Wages Payable	817,988	-	69,671	887,659
2170 Due to Other Funds	22,946	-	-	22,946
2180 Due to Other Governments	-	69,319	-	69,319
2200 Accrued Expenditures	12,728	-	5,013	17,741
2300 Unearned Revenues	18,215	-	126,288	144,503
2000 Total Liabilities	<u>1,036,360</u>	<u>69,619</u>	<u>229,472</u>	<u>1,335,451</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	728,775	232,056	-	960,831
2600 Total Deferred Inflows of Resources	<u>728,775</u>	<u>232,056</u>	<u>-</u>	<u>960,831</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	29,885	29,885
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	758,400	758,400
3480 Retirement of Long-Term Debt	-	1,771,602	-	1,771,602
3490 Other Restricted Fund Balance	-	-	36,190	36,190
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	-	-	122,263	122,263
3600 Unassigned Fund Balance	7,954,763	-	-	7,954,763
3000 Total Fund Balances	<u>8,254,763</u>	<u>1,771,602</u>	<u>946,738</u>	<u>10,973,103</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,019,898</u>	<u>\$ 2,073,277</u>	<u>\$ 1,176,210</u>	<u>\$ 13,269,385</u>

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

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

Total Fund Balances - Governmental Funds	\$	10,973,103
1 The District uses an internal service fund to charge the costs of insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position. See Exhibit D-1.		547,977
2 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Details of these assets are included in the notes to the financial statements and can be found in Note II:E. The net effect of including capital assets (net of depreciation) is to increase net position.		73,213,520
3 Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. The net effect of including interest payable is to decrease net position.		(90,299)
4 Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Details of these liabilities are included in the notes to the financial statements and can be found in Note II:F. The net effect of including long term liabilities is to decrease net position.		(60,356,231)
5 Taxes from current and prior year levies assumed to be collectible are reclassified from deferred revenue. The net effect of reclassifying this revenue is to increase net position.		960,831
19 Net Position of Governmental Activities	\$	25,248,901

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 12,951,825	\$ 4,148,277	\$ 879,241	\$ 17,979,343
5800 State Program Revenues	16,176,922	717,463	489,176	17,383,561
5900 Federal Program Revenues	179,928	-	2,299,357	2,479,285
5020 Total Revenues	<u>29,308,675</u>	<u>4,865,740</u>	<u>3,667,774</u>	<u>37,842,189</u>
EXPENDITURES:				
Current:				
0011 Instruction	15,949,484	-	1,690,970	17,640,454
0012 Instructional Resources and Media Services	337,473	-	22,670	360,143
0013 Curriculum and Instructional Staff Development	100,873	-	9,426	110,299
0021 Instructional Leadership	364,179	-	-	364,179
0023 School Leadership	1,522,207	-	112	1,522,319
0031 Guidance, Counseling and Evaluation Services	972,606	-	6,620	979,226
0033 Health Services	310,754	-	-	310,754
0034 Student (Pupil) Transportation	1,682,121	-	-	1,682,121
0035 Food Services	41,343	-	1,592,587	1,633,930
0036 Extracurricular Activities	1,331,717	-	187,212	1,518,929
0041 General Administration	868,782	-	2,813	871,595
0051 Facilities Maintenance and Operations	3,630,079	-	-	3,630,079
0052 Security and Monitoring Services	164,714	-	961	165,675
0053 Data Processing Services	135,345	-	-	135,345
Debt Service:				
0071 Principal on Long Term Debt	148,488	2,186,107	-	2,334,595
0072 Interest on Long Term Debt	35,386	2,336,023	-	2,371,409
0073 Bond Issuance Cost and Fees	-	4,550	-	4,550
Capital Outlay:				
0081 Facilities Acquisition and Construction	281,895	-	-	281,895
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	15,210	-	21,935	37,145
0099 Other Intergovernmental Charges	227,593	-	-	227,593
6030 Total Expenditures	<u>28,120,249</u>	<u>4,526,680</u>	<u>3,535,306</u>	<u>36,182,235</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,188,426	339,060	132,468	1,659,954
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	351,653	-	-	351,653
1200 Net Change in Fund Balances	1,540,079	339,060	132,468	2,011,607
0100 Fund Balance - September 1 (Beginning)	6,714,684	1,432,542	814,270	8,961,496
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,254,763</u>	<u>\$ 1,771,602</u>	<u>\$ 946,738</u>	<u>\$ 10,973,103</u>

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	2,011,607
Current year capital outlays are expenditures in the fund statements, but they should be shown as increases in capital assets in the government wide statement of activities. The net effect is to increase the change in net position. See Note II:E.		867,756
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. See Note II:E.		(2,668,153)
Capital leases provide current financial resources to governmental funds, while payments on the lease consumes the current financial resources of governmental funds. The net effect of the current year capital lease payments is to increase net position. See Note II:F.		148,488
Governmental funds report the effect of bond issuance and related repayments, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount includes current year principal payment \$2,186,107, loss on defeasement (\$68,509), amortization of bond premium \$246,973, and accreted interest (\$89,491). The net effect is to increase net position.		2,275,080
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because the 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, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the increase in accrued interest from the beginning of the period to the end of the period. The net effect is to decrease net position.		(6,280)
Sick leave payable 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, sick leave is recognized as the liability accrues, regardless of when it is due. This amount represents the increase in accrued sick leave from the beginning of the period to the end of the period. The net effect is to decrease net position. See Note II:F.		(7,435)
Internal service funds are used by the District to charge the costs of insurance to appropriate functions in other funds. The net income of the internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position. See Exhibit D-2.		166,731
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include adjusting current year revenue to show the revenue earned for the current year's tax levy. The net effect of this reclassification is to increase net position.		(7,182)
Change in Net Position of Governmental Activities	\$	2,780,612

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2014

EXHIBIT D-1

	Governmental Activities -	
	Internal Service Fund	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 637,769	
Total Assets	637,769	
LIABILITIES		
Current Liabilities:		
Accounts Payable	89,792	
Total Liabilities	89,792	
NET POSITION		
Unrestricted Net Position	547,977	
Total Net Position	\$ 547,977	

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT D-2

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 206,352
Total Operating Revenues	206,352
OPERATING EXPENSES:	
Professional and Contracted Services	39,621
Total Operating Expenses	39,621
Operating Income	166,731
Total Net Position - September 1 (Beginning)	381,246
 Total Net Position - August 31 (Ending)	 \$ 547,977

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 206,352
Cash Payments for Insurance Claims	(35,530)
Net Cash Provided by Operating Activities	<u>170,822</u>
Net Increase in Cash and Cash Equivalents	170,822
Cash and Cash Equivalents at Beginning of Year	<u>466,947</u>
Cash and Cash Equivalents at End of Year	<u>\$ 637,769</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 166,731
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	4,091
Net Cash Provided by Operating Activities	<u>\$ 170,822</u>

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

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

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 208,655
Total Assets	<u>\$ 208,655</u>
LIABILITIES	
Due to Student Groups	\$ 208,655
Total Liabilities	<u>\$ 208,655</u>

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

NOTES TO THE FINANCIAL STATEMENTS

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lindale Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board), which are elected by eligible registered voters. The District prepares its basic financial statements in conformity with United States generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *AU Section 411 "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles"* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board is elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units that are material to the reporting entity, and none are included in the financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include "charges for services" and "grants and contributions." The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. Non-program revenues are considered general revenue available to support all of the District's functions. Taxes are always general revenues. In the government-wide statements, indirect expenses (like depreciation) are allocated to functions based on the character of the expense.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. For the most part, the effect of interfund activity has been removed from the government-wide statements, although interfund services provided and used are not eliminated in the process of consolidation.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – continued

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Agency funds, however, are unlike all types of other funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- **General Fund** - This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program, and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.
- **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. FUND ACCOUNTING – continued

Additionally, the District reports the following fund types:

Governmental Funds:

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

Proprietary Funds:

- **Internal Service Funds** - These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. The District's Internal Service Fund is Workers' Compensation and is not a budgeted fund.

Fiduciary Funds:

- **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because these assets are not available to support District programs, these funds are not included in the government-wide statements. The District's agency funds include a Student Activity Fund and the Lindale Education Foundation.

E. FUND BALANCE CLASSIFICATION

During fiscal year ending 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications, as reported on Exhibit C-1, describe the relative strength of the spending constraints:

- **Nonspendable fund balance** – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. FUND BALANCE CLASSIFICATION – continued

- **Committed fund balance** – amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** – amounts the Board intends to use for a specific purpose. Intent can be expressed by the Superintendent or Director of Finance, through which the Board has delegated the authority. There were no assigned fund balance amounts as of August 31, 2014.
- **Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, (such as for the purchase of fixed assets, construction, debt service, or for other purposes), the Board designated the authority to the Superintendent and Director of Finance.

In the General Fund, the District's goal is to maintain sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District strives to maintain a yearly fund balance in the General Fund in which the total fund balance is equal to the unassigned fund balance plus the committed fund balance. The unassigned fund balance shall be equal to at least two months of the total operating expenditures. The ending unassigned fund balance as of August 31, 2014, exceeds two months of total operating expenditures.

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

F. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. See Section II, Note A for more detail on deposits and investments.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

F. **OTHER ACCOUNTING POLICIES – continued**

2. **Inventories**

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. **Bond Premiums and Discounts**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Bond issuance costs are expensed as incurred.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

4. **Use of Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. OTHER ACCOUNTING POLICIES – continued

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
Buildings	50
Building Improvements	20
Vehicles	8
Office Equipment	5
Computer Equipment	5
Large Equipment	15

Land and construction in progress, if any, are not depreciated.

6. Compensated Absences

It is the District’s policy to permit some employees to accumulate earned but unused sick pay benefits. The liability for accumulated unpaid sick leave benefits is reported as a Noncurrent Liability in the Statement of Net Position. See Section II, Note F for a summary of changes in the accumulated sick leave liability.

There is no liability for unpaid accumulated vacation leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

7. Internal Service Fund

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.

8. Grant Revenue

The District has reported restricted assets in the instance of grants received for restricted purposes.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

F. OTHER ACCOUNTING POLICIES – continued

9. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

10. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year’s budget.

11. Restricted and Unrestricted Assets

On the Statement of Net Position, when the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District’s policy to use restricted resources first, then unrestricted resources.

12. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

13. GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”

During the fiscal year 2013, the District implemented GASB 63 which changes the Statement of Net Assets to the Statement of Net Position. In addition, Exhibit C-1 (Balance Sheet), has been modified to segregate the reporting amounts involving deferred inflows and outflows.

14. GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities”

During the fiscal year 2013, the District early implemented GASB Statement No. 65 which established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At August 31, 2014, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$7,137,120 and the bank balance was \$7,292,371. The difference between the District's deposits and the bank balance are outstanding checks.

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

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

Lone Star Investment Pool (Pool) was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. The Pool is governed by an 11-member board, all of whom are participants in the Pool.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

A. DEPOSITS AND INVESTMENTS – continued

The carrying amount of investments at August 31, 2014, was \$5,745,528 (Pool). Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to compute share prices. Accordingly, the fair value of the position of these pools is the same as the value of the shares in each pool.

Policies Governing Deposits and Investments

In compliance with the Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's bank balance of \$7,292,371 was exposed to custodial credit risk as follows: \$250,000 was covered by federal depository insurance, and \$7,042,371 was covered by collateral held by the District's agent bank in the District's name. No amount was uninsured and under collateralized.

Custodial Credit Risk – Investments: 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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District's securities are all in instruments backed by the United States of America and are not exposed to custodial credit risk.

Foreign Currency Risk: The District does not have any deposits or investments denominated in a foreign currency.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2014, had a maturity of one year or less.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

A. DEPOSITS AND INVESTMENTS – continued

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, the Pool invests only in investments authorized under the Act. As of August 31, 2014, the Pool's investments credit quality rating was AAA (Standard & Poor's).

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2014, the District reported an allowance for uncollectible property taxes of \$4,139.

C. DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables at August 31, 2014 were as follows:

	<u>Property Taxes</u>	<u>Receivables From Other Governments</u>	<u>Total Receivables</u>
Governmental Activities:			
General Fund	\$ 731,914	\$ 122,555	\$ 854,469
Major Governmental Funds	233,056	2,188	235,244
Non-major Governmental Funds	-	75,603	75,603
Total Governmental Activities	<u>\$ 964,970</u>	<u>\$ 200,346</u>	<u>\$ 1,165,316</u>
 Amounts not scheduled for collection during the subsequent year	 <u>\$ 4,139</u>	 <u>\$ -</u>	 <u>\$ 4,139</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

C. DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES - continued

Payables at August 31, 2014 were as follows:

	<u>Accounts Payable</u>	<u>Accrued Wages Payable</u>	<u>Payables to Other Governments</u>	<u>Accrued Expenditures</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 164,483	\$ 817,988	\$ -	\$ 12,728	\$ 995,199
Major Governmental Funds	300	-	69,319	-	69,619
Non-major Governmental Funds	<u>28,500</u>	<u>69,671</u>	<u>-</u>	<u>5,013</u>	<u>103,184</u>
Total Governmental Activities	<u>\$ 193,283</u>	<u>\$ 887,659</u>	<u>\$ 69,319</u>	<u>\$ 17,741</u>	<u>\$ 1,168,002</u>

D. INTERFUND BALANCES

Interfund balances at August 31, 2014, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to Non-major Governmental Funds (Special Revenue) From:	
General Fund	\$ 22,946
Total	<u>\$ 22,946</u>

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

E. CAPITAL ASSET ACTIVITY

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 1,955,800	\$ 45,625	\$ -	\$ 2,001,425
Construction in progress	714,264	-	(714,264)	-
Total non-depreciable assets	<u>2,670,064</u>	<u>45,625</u>	<u>(714,264)</u>	<u>2,001,425</u>
Depreciable assets:				
Buildings and improvements	90,282,218	236,270	714,264	91,232,752
Furniture and equipment	5,290,487	585,861	-	5,876,348
Assets under capital lease	2,022,549	-	-	2,022,549
Total depreciable assets	<u>97,595,254</u>	<u>822,131</u>	<u>714,264</u>	<u>99,131,649</u>
Totals at historic cost	<u>100,265,318</u>	<u>867,756</u>	<u>-</u>	<u>101,133,074</u>
Less Accumulated Depreciation:				
Buildings and improvements	20,263,475	2,122,521	-	22,385,996
Furniture and equipment	3,805,269	452,311	-	4,257,580
Assets under capital lease	1,182,657	93,321	-	1,275,978
Total accumulated depreciation	<u>25,251,401</u>	<u>2,668,153</u>	<u>-</u>	<u>27,919,554</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,013,917</u>	<u>\$ (1,800,397)</u>	<u>\$ -</u>	<u>\$ 73,213,520</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,475,461
Instructional Resources and Media Services	30,510
School Leadership	25,160
Student Transportation	321,193
Food Services	88,871
Extracurricular Activities	597,508
General Administration	9,343
Facilities Maintenance and Operations	118,603
Data Processing Services	<u>1,504</u>
Total Depreciation Expense	<u>\$ 2,668,153</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

F. LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$59,010,650	\$ -	\$ (2,186,107)	\$56,824,543	\$ 2,200,268
Capital leases	643,827	-	(148,488)	495,339	156,639
CAB accreted interest	2,077,973	498,384	(408,893)	2,167,464	-
Premium and discount on issuance costs	1,395,209	3,940	(250,913)	1,148,236	-
Deferred gain (loss) on defeasance	(475,024)	68,509	-	(406,515)	-
Compensated absences	119,729	7,435	-	127,164	-
Total	\$62,772,364	\$ 578,268	\$(2,994,401)	\$60,356,231	\$ 2,356,907

Rebatable Arbitrage Payable

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds, if applicable, and must be remitted every five years from the date of issue. During the fiscal year ended August 31, 2014, no arbitrage payments were made to the IRS. Furthermore, there was no rebatable arbitrage liability at August 31, 2014.

Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position. The following is a summary of bonds payable outstanding at August 31, 2014:

Title of Issue	Maturity Date	Interest Rates	Amount Outstanding
Series 2005 Tax School Building and Refunding Bonds	2/15/2023	1.365-4.375%	\$ 9,370,662
Series 2007 Tax School Building Bonds	2/15/2018	3.45-3.90%	4,950,000
Series 2010 Tax School Building and Refunding Bonds	2/15/2040	2.00-5.40%	36,844,725
Series 2011 Unlimited Tax School Building Bonds	2/15/2030	3.82-4.6%	5,659,156
Total			\$ 56,824,543

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

F. LONG-TERM OBLIGATIONS – continued

The annual debt service requirements for principal and interest on the bonds are as follows:

Year Ending August 31	Principal	Interest	Total
2015	\$ 2,200,268	\$ 2,337,860	\$ 4,538,128
2016	2,780,000	1,700,771	4,480,771
2017	2,980,000	1,579,582	4,559,582
2018	3,025,000	1,455,306	4,480,306
2019	1,625,100	2,803,726	4,428,826
2020-2024	15,022,024	6,127,000	21,149,024
2025-2029	12,189,584	8,356,843	20,546,427
2030-2034	6,702,567	2,917,247	9,619,814
2035-2039	8,370,000	1,276,155	9,646,155
2040	1,930,000	155,232	2,085,232
Totals	<u>\$ 56,824,543</u>	<u>\$ 28,709,722</u>	<u>\$ 85,534,265</u>

Direct Subsidy – Build America Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to 35% of the interest paid on the Securities by the Issuer, which election is based on the Securities' qualification as "Build America Bonds" under section 54AA of the Internal Revenue Code of 1986, as amended (Code) and as "qualified bonds" under subsection 54AA(g) of the Code, and the Issuer's irrevocable election to treat the Securities as such at the time of their issuance. This tax credit is recorded as a direct offset to the payment of interest expense. The District was notified from the Internal Revenue Service during fiscal year 2014 that the tax credit was being reduced by 7.2%. As of August 31, 2014, the net amount of the tax credit received amounted to \$495,229.

Direct Subsidy – Qualified School Construction Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to the amount of interest which would have been payable on the Securities by the Issuer if such interest were determined at the credit rate determined under section 54A(b)(3) of the Code (which credit rate applicable to the Bonds is 5.35% per annum), which election is based on the Securities' qualification as "Qualified School Construction Bonds" under section 54F of the Code and as "qualified bonds" under subsection 6431(f)(1)(A) of the Code, and the Issuer's irrevocable election to treat the Securities as such at the time of their issuance. The District was notified from the Internal Revenue Service during fiscal year 2014 that the tax credit was being reduced by 7.2%. As of August 31, 2014, the net amount of the tax credit received amounted to \$284,331.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

G. CAPITAL LEASES

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2014, as follows:

Year Ending August 31,	Payment Amount
2015	\$ 183,875
2016	183,875
2017	183,875
Total minimum lease payments	551,625
Less: Amount representing interest costs	(56,286)
Net present value of lease payments	\$ 495,339

The effective interest rate on capital leases is as follows:

Energy solution system	5.43%
------------------------	-------

Principal reduced and interest expense for the year ended August 31, 2014, was \$148,488 and \$35,386.

H. PENSION PLAN

Plan Description

All employees of the District employed for one-half or more of the standard work load, and who are not exempted from membership under Texas Government Code, Title I, Subtitle C, Section 822.002, are required to participate in the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. State of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the retirement system during the fiscal year. The payments made by the State on behalf of the District are reflected in the accompanying financial statements as both revenue and expenditures/expenses.

TRS provides service retirement and disability retirement benefits, and death and survivor benefits to plan members and beneficiaries. TRS operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. TRS also administers proportional retirement benefits and service credit transfers under Texas Government code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

I. RETIREE HEALTH CARE PLAN

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the District's covered payroll, except for employees paid from federal and private grants and for that portion of salary exceeding the state minimum salary established under Section 21, Texas Education code, as determined by a statutory formula involving the price differential index and other factors. The District's employees' contributions to TRS for the years ending August 31, 2014, 2013, and 2012, were \$1,222,251, \$1,189,184, and \$1,185,672, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2014, 2013, and 2012, were \$189,995, \$187,077, and \$353,075, respectively, and were equal to the required contributions for each year.

In accordance with GASB Statement No. 24, the District has recognized as revenues and expenditures, contributions made by the State of Texas to the System on behalf of the District's employees. The amount contributed by the State on behalf of the District was \$1,287,954 for the year ended August 31, 2014. These equal revenues and expenditures are reflected in the fund financial statements for the General Fund.

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature, Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, 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. For the years ended August 31, 2014, 2013 and 2012, the State's contributions to TRS-Care were \$190,975, \$185,841, and \$181,529, respectively; the active member contributions were \$124,134, \$120,797, and \$117,496, respectively; and the District's contributions were \$110,558, \$107,810, and \$101,894, respectively, which equaled the required contributions each year.

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

I. RETIREE HEALTH CARE PLAN - continued

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2014, 2013 and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$51,124, \$70,772, and \$39,990, respectively. These equal revenues and expenditures are reflected in the fund financial statements for the General Fund.

J. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$267 per month for all employees to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2015, and terms of coverage and premium costs are included in the contractual provisions.

K. WORKERS' COMPENSATION

The District participates in a fully funded workers' compensation plan with the Texas Association of School Boards Risk Management Fund, a public entity risk pool currently operating a workers' compensation risk management and insurance program for the 2013-2014 school year.

A reconciliation of the change in the liability for claims for the current and previous fiscal year is presented below:

	Year Ended August 31, 2014	Year Ended August 31, 2013
Unpaid claims at September 1	\$ 85,701	\$ 75,803
Incurred claims (including incurred but not reported)	28,639	21,940
Total Payments	(24,548)	(12,042)
Total Unpaid Claims at August 31	\$ 89,792	\$ 85,701

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

L. UNEARNED REVENUE

Unearned revenue at year end consisted of ticket sales related to football games, money received from students related to lunches, and funds received for textbooks which have not been received.

	General Fund	Other Funds	Total
Athletic receipts	\$ 18,215	\$ -	\$ 18,215
Food service receipts	-	57,950	57,950
Textbook Allotment	-	68,338	68,338
	<hr/>	<hr/>	<hr/>
Total deferred	\$ 18,215	\$ 126,288	\$ 144,503

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA or are received directly from a federal agency and are reported on the combined financial statements as Due from Other Governments.

Fund	State/Federal		Total
	Grants	Other	
General	\$ -	\$ 122,555	\$ 122,555
Debt Service	-	2,188	2,188
Special Revenue	75,603	-	75,603
	<hr/>	<hr/>	<hr/>
Total	\$ 75,603	\$ 124,743	\$ 200,346

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as reported on Exhibit C-3 of the Funds Statements consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$ 12,421,974	\$ 4,086,942	\$ -	\$ 16,508,916
Penalties, Interest and Other Tax-Related Income	183,718	56,672	-	240,390
Investment Income	24,618	4,663	2,617	31,898
Food Sales	-	-	615,586	615,586
Co-Curricular Student Activities	-	-	216,538	216,538
Athletics	155,705	-	-	155,705
Other	165,810	-	44,500	210,310
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 12,951,825	\$ 4,148,277	\$ 879,241	\$ 17,979,343

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS – continued

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District purchased commercial insurance to cover general liabilities. 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.

P. COMMITMENTS AND CONTINGENCIES

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

Q. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2014, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LINDALE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 12,522,283	\$ 12,531,685	\$ 12,951,825	\$ 420,140
5800	State Program Revenues	15,699,237	15,699,237	16,176,922	477,685
5900	Federal Program Revenues	50,000	50,000	179,928	129,928
5020	Total Revenues	28,271,520	28,280,922	29,308,675	1,027,753
EXPENDITURES:					
Current:					
0011	Instruction	15,971,614	16,312,984	15,949,484	363,500
0012	Instructional Resources and Media Services	359,274	359,024	337,473	21,551
0013	Curriculum and Instructional Staff Development	45,838	112,590	100,873	11,717
0021	Instructional Leadership	362,746	383,052	364,179	18,873
0023	School Leadership	1,487,394	1,528,194	1,522,207	5,987
0031	Guidance, Counseling and Evaluation Services	990,240	990,761	972,606	18,155
0033	Health Services	299,435	323,935	310,754	13,181
0034	Student (Pupil) Transportation	1,933,559	1,792,961	1,682,121	110,840
0035	Food Services	33,500	48,500	41,343	7,157
0036	Extracurricular Activities	1,115,793	1,365,793	1,331,717	34,076
0041	General Administration	973,570	923,570	868,782	54,788
0051	Facilities Maintenance and Operations	3,904,511	3,672,574	3,630,079	42,495
0052	Security and Monitoring Services	206,000	186,000	164,714	21,286
0053	Data Processing Services	157,046	157,046	135,345	21,701
Debt Service:					
0071	Principal on Long Term Debt	148,489	148,489	148,488	1
0072	Interest on Long Term Debt	36,011	36,011	35,386	625
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	281,898	281,895	3
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	16,500	16,500	15,210	1,290
0099	Other Intergovernmental Charges	230,000	230,000	227,593	2,407
6030	Total Expenditures	28,271,520	28,869,882	28,120,249	749,633
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(588,960)	1,188,426	1,777,386
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	351,653	351,653
1200	Net Change in Fund Balances	-	(588,960)	1,540,079	2,129,039
0100	Fund Balance - September 1 (Beginning)	6,714,684	6,714,684	6,714,684	-
3000	Fund Balance - August 31 (Ending)	\$ 6,714,684	\$ 6,125,724	\$ 8,254,763	\$ 2,129,039

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2014

A. BUDGETARY DATA

The Board adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-2 and J-3.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

COMBINING STATEMENTS

LINDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ (1,473)	\$ -	\$ 784,651
1240	Receivables from Other Governments	17,091	26,018	479	24,285
1260	Due from Other Funds	-	-	-	22,946
1290	Other Receivables	-	-	-	12,168
1300	Inventories	-	-	-	29,885
1000	Total Assets	<u>\$ 17,091</u>	<u>\$ 24,545</u>	<u>\$ 479</u>	<u>\$ 873,935</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 257
2160	Accrued Wages Payable	15,581	22,381	436	26,688
2200	Accrued Expenditures	1,510	2,164	43	851
2300	Unearned Revenues	-	-	-	57,950
2000	Total Liabilities	<u>17,091</u>	<u>24,545</u>	<u>479</u>	<u>85,746</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	29,885
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	758,304
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>788,189</u>
4000	Total Liabilities and Fund Balances	<u>\$ 17,091</u>	<u>\$ 24,545</u>	<u>\$ 479</u>	<u>\$ 873,935</u>

EXHIBIT H-1 (Cont'd)

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Read to Succeed
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,700)	\$ 96,581	\$ 96
-	5,030	-	-	-	2,700	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,581</u>	<u>\$ 96</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,243	\$ -
-	4,585	-	-	-	-	-	-
-	445	-	-	-	-	-	-
-	-	-	-	-	-	68,338	-
-	5,030	-	-	-	-	96,581	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	96
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	96
<u>\$ -</u>	<u>\$ 5,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,581</u>	<u>\$ 96</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	461 Campus Activity Funds	481 Boylan Grants	482 CATE	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 122,263	\$ 21,160	\$ 15,030	\$ 1,035,608
1240	Receivables from Other Governments	-	-	-	75,603
1260	Due from Other Funds	-	-	-	22,946
1290	Other Receivables	-	-	-	12,168
1300	Inventories	-	-	-	29,885
1000	Total Assets	<u>\$ 122,263</u>	<u>\$ 21,160</u>	<u>\$ 15,030</u>	<u>\$ 1,176,210</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 28,500
2160	Accrued Wages Payable	-	-	-	69,671
2200	Accrued Expenditures	-	-	-	5,013
2300	Unearned Revenues	-	-	-	126,288
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,472</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	29,885
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	758,400
3490	Other Restricted Fund Balance	-	21,160	15,030	36,190
Committed Fund Balance:					
3545	Other Committed Fund Balance	122,263	-	-	122,263
3000	Total Fund Balances	<u>122,263</u>	<u>21,160</u>	<u>15,030</u>	<u>946,738</u>
4000	Total Liabilities and Fund Balances	<u>\$ 122,263</u>	<u>\$ 21,160</u>	<u>\$ 15,030</u>	<u>\$ 1,176,210</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 617,174
5800 State Program Revenues	-	-	-	10,293
5900 Federal Program Revenues	475,177	579,622	7,232	1,103,841
5020 Total Revenues	<u>475,177</u>	<u>579,622</u>	<u>7,232</u>	<u>1,731,308</u>
EXPENDITURES:				
Current:				
0011 Instruction	475,177	554,067	7,232	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	3,620	-	-
0035 Food Services	-	-	-	1,592,587
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	21,935	-	-
6030 Total Expenditures	<u>475,177</u>	<u>579,622</u>	<u>7,232</u>	<u>1,592,587</u>
1200 Net Change in Fund Balance	-	-	-	138,721
0100 Fund Balance - September 1 (Beginning)	-	-	-	649,468
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 788,189</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Read to Succeed
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	3,000	2,700	473,183	-
33,691	83,314	14,254	2,226	-	-	-	-
<u>33,691</u>	<u>83,314</u>	<u>14,254</u>	<u>2,226</u>	<u>3,000</u>	<u>2,700</u>	<u>473,183</u>	<u>-</u>
30,935	83,314	14,254	2,226	-	-	473,183	-
-	-	-	-	-	-	-	-
2,756	-	-	-	-	2,700	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>33,691</u>	<u>83,314</u>	<u>14,254</u>	<u>2,226</u>	<u>3,000</u>	<u>2,700</u>	<u>473,183</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	96
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96</u>

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

Data Control Codes	461 Campus Activity Funds	481 Boylan Grants	482 CATE	Total Nonmajor Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 217,617	\$ 29,420	\$ 15,030	\$ 879,241
5800	State Program Revenues	-	-	-	489,176
5900	Federal Program Revenues	-	-	-	2,299,357
5020	Total Revenues	<u>217,617</u>	<u>29,420</u>	<u>15,030</u>	<u>3,667,774</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	50,582	-	1,690,970
0012	Instructional Resources and Media Services	22,670	-	-	22,670
0013	Curriculum and Instructional Staff Development	165	3,805	-	9,426
0023	School Leadership	112	-	-	112
0031	Guidance, Counseling and Evaluation Services	-	-	-	6,620
0035	Food Services	-	-	-	1,592,587
0036	Extracurricular Activities	185,665	1,547	-	187,212
0041	General Administration	2,813	-	-	2,813
0052	Security and Monitoring Services	-	961	-	961
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	21,935
6030	Total Expenditures	<u>211,425</u>	<u>56,895</u>	<u>-</u>	<u>3,535,306</u>
1200	Net Change in Fund Balance	6,192	(27,475)	15,030	132,468
0100	Fund Balance - September 1 (Beginning)	<u>116,071</u>	<u>48,635</u>	<u>-</u>	<u>814,270</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 122,263</u>	<u>\$ 21,160</u>	<u>\$ 15,030</u>	<u>\$ 946,738</u>

REQUIRED TEXAS EDUCATION AGENCY (TEA) SCHEDULES

LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ 1,418,145,503
2006	1.500000	0.249000	785,650,372
2007	1.370000	0.223000	895,659,761
2008	1.040000	0.220000	969,735,873
2009	1.060000	0.245000	1,034,280,383
2010	1.060000	0.245000	1,110,722,066
2011	1.060000	0.415000	1,129,057,182
2012	1.060000	0.395000	1,150,096,897
2013	1.060000	0.395000	1,163,724,271
2014 (School year under audit)	1.080000	0.355000	1,234,017,931
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 72,522	\$ -	\$ 4,032	\$ 740	\$ (4,780)	\$ 62,970
29,509	-	2,996	497	(4,086)	21,930
30,297	-	3,720	605	(2,823)	23,149
36,284	-	6,173	1,306	(2,962)	25,843
59,784	-	18,540	4,285	(3,610)	33,349
76,317	-	24,813	5,735	1,309	47,078
110,789	-	30,432	11,914	4,121	72,564
174,761	-	54,622	20,354	4,683	104,468
395,108	-	139,407	51,951	2,592	206,342
-	16,534,894	12,137,239	3,989,555	(40,823)	367,277
<u>\$ 985,371</u>	<u>\$ 16,534,894</u>	<u>\$ 12,421,974</u>	<u>\$ 4,086,942</u>	<u>\$ (46,379)</u>	<u>\$ 964,970</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 637,000	\$ 637,000	\$ 617,174	\$ (19,826)
5800 State Program Revenues	10,000	10,000	10,293	293
5900 Federal Program Revenues	1,066,000	1,066,000	1,103,841	37,841
5020 Total Revenues	1,713,000	1,713,000	1,731,308	18,308
EXPENDITURES:				
0035 Food Services	1,713,000	1,713,000	1,592,587	120,413
6030 Total Expenditures	1,713,000	1,713,000	1,592,587	120,413
1200 Net Change in Fund Balances	-	-	138,721	138,721
0100 Fund Balance - September 1 (Beginning)	-	649,468	649,468	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 649,468	\$ 788,189	\$ 138,721

LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,011,123	\$ 4,011,123	\$ 4,148,277	\$ 137,154
5800	State Program Revenues	648,436	648,436	717,463	69,027
5020	Total Revenues	4,659,559	4,659,559	4,865,740	206,181
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,659,559	2,187,000	2,186,107	893
0072	Interest on Long Term Debt	-	2,467,559	2,336,023	131,536
0073	Bond Issuance Cost and Fees	-	5,000	4,550	450
6030	Total Expenditures	4,659,559	4,659,559	4,526,680	132,879
1200	Net Change in Fund Balances	-	-	339,060	339,060
0100	Fund Balance - September 1 (Beginning)	-	1,432,542	1,432,542	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 1,432,542	\$ 1,771,602	\$ 339,060

FEDERAL AWARDS SECTION

**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
Lindale Independent School District
Lindale, Texas

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 Lindale Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated December 8, 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 our opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

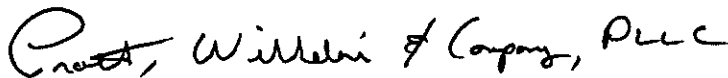
Compliance and Other Matters

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*.

We noted certain other matters that we reported to management of the District in a separate letter dated December 8, 2014.

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 of 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.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 8, 2014

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

The Board of Trustees
Lindale Independent School District
Lindale, Texas

Report On Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

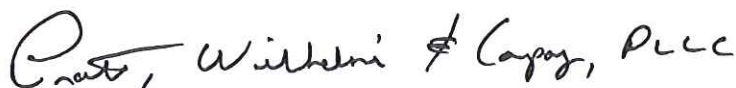
Report on Internal Control Over Compliance

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

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

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

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



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas
December 8, 2014

**LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

FEDERAL

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-Cash Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
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The District was classified as a low-risk auditee in accordance with OMB Circular A-133.

**LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014**

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
ENTER NAME OF DEPARTMENT			
<u>Direct Programs</u>			
Summer School LEP	84.369A	69551302	\$ 2,226
Total Direct Programs			\$ 2,226
TOTAL ENTER NAME OF DEPARTMENT			\$ 2,226
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101212903	\$ 458,086
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101212903	17,091
Total CFDA Number 84.010A			475,177
Total Title I, Part A Cluster			475,177
*IDEA - Part B, Formula	84.027	1466000121290366000	555,077
*IDEA - Part B, Formula	84.027	156600012129036600	24,545
Total CFDA Number 84.027			579,622
*IDEA - Part B, Preschool	84.173	146610012129036610	6,753
*IDEA - Part B, Preschool	84.173	156610012129036610	479
Total CFDA Number 84.173			7,232
Total Special Education Cluster (IDEA)			586,854
Career and Technical - Basic Grant	84.048	14420006212903	33,691
Title III, Part A - English Language Acquisition	84.365A	14671001212903	14,254
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501212903	78,284
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501212903	5,030
Total CFDA Number 84.367A			83,314
Total Passed Through State Department of Education			\$ 1,193,290
TOTAL DEPARTMENT OF EDUCATION			\$ 1,193,290
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 212,904
*National School Lunch Program - Cash Assistance	10.555		779,715
*National School Lunch Prog. - Non-Cash Assistance	10.555		111,222
Total CFDA Number 10.555			890,937
Total Child Nutrition Cluster			1,103,841
Total Passed Through the State Department of Agriculture			\$ 1,103,841
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,103,841
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,299,357

*Clustered Programs

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

1. For all Federal programs, the District uses the fund types specified in TEA's Guide. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, (i.e., both measurable and available,) and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering the District fiscal year beginning September 1, 2011, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.