

**TAYLOR INDEPENDENT  
SCHOOL DISTRICT**

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

MAXWELL  
& LOCKE  
RITTER

# TAYLOR INDEPENDENT SCHOOL DISTRICT

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**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Annual Financial Report**  
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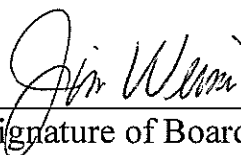
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## **FINANCIAL SECTION**

**CERTIFICATE OF BOARD**

Taylor Independent School District      Williamson      246911  
Name of School District      County      Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the fiscal year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 12<sup>th</sup> day of JANUARY, 2015.

  
Signature of Board Secretary

  
Signature of Board President

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



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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Taylor Independent School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

*This firm is not a CPA firm*

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

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

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 12, 2015



# TAYLOR INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year by approximately \$12.1 million. Of this amount, approximately \$2.5 million (unrestricted net position) may be used to meet the District's ongoing obligations.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$6.6 million. Approximately 70% of this amount, \$4.6 million, is available for spending at the government's discretion (unassigned fund balance).

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

**Fiduciary Funds** - The District is the trustee, or *fiduciary*, for certain funds. 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.

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

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

### **Government-wide Financial Analysis**

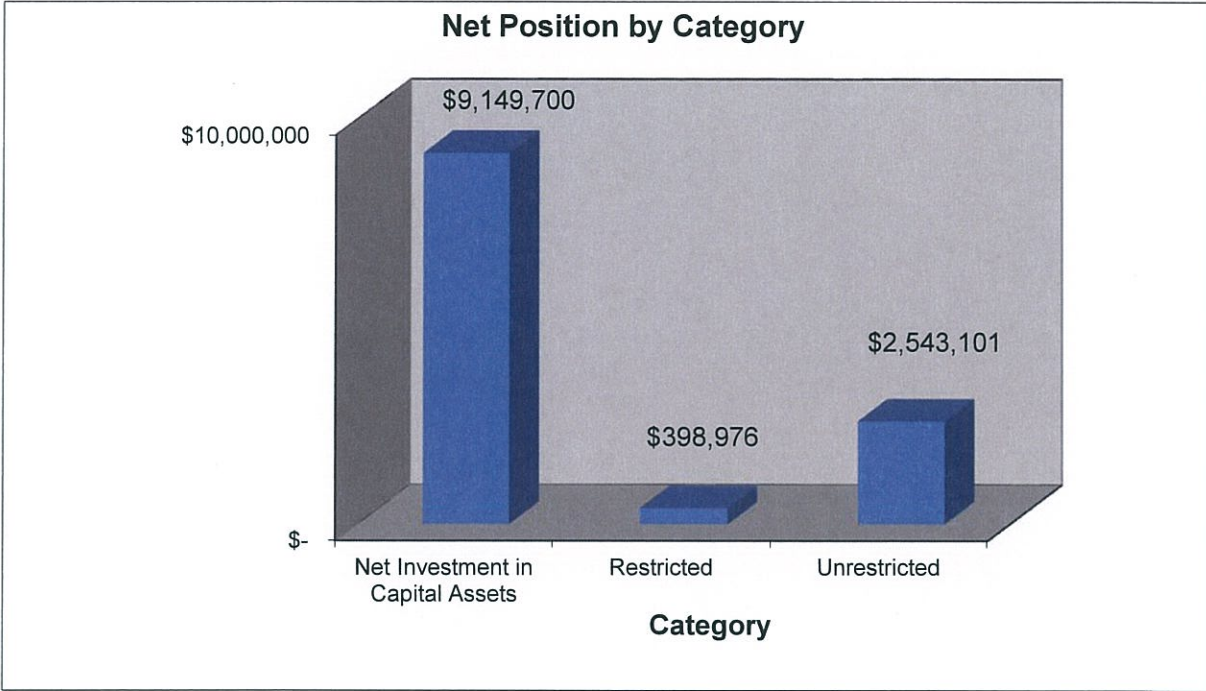
Net position may serve over time as a useful indicator of the District's financial position. For the year ended August 31, 2014, net position was \$12,091,777, a decrease of \$558,999 as compared to net position for the year ended August 31, 2013.

Net position for the year ended August 31, 2014 as compared to the year ended August 31, 2013 can be presented as follows:

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

	Governmental Activities as of	
	August 31, 2014	August 31, 2013
Current assets:		
Cash and temporary investments	\$ 6,606,417	\$ 8,980,375
Property taxes, net	216,531	188,205
Due from other governments	800,426	1,001,509
Other receivables and inventories	230,785	378,861
Total current assets	7,854,159	10,548,950
Capital assets, net of accumulated depreciation	65,114,502	65,679,854
Total assets	\$ 72,968,661	\$ 76,228,804
Current liabilities:		
Accounts payable and accrued liabilities	\$ 971,933	\$ 1,955,344
Due to other governments and student groups	52,004	48,165
Unearned revenue	5,761	16,679
Bond interest payable	94,103	99,995
Bonds payable	1,680,000	1,615,000
Capital lease and note payable	249,350	246,331
Accumulated unpaid vacation and benefits	9,070	84,236
Total current liabilities	3,062,221	4,065,750
Long-term liabilities:		
Bonds and accretion payable	55,174,530	56,495,464
Capital lease and note payable	2,492,382	2,741,732
Accumulated unpaid vacation and benefits	147,751	275,082
Total liabilities	\$ 60,876,884	\$ 63,578,028
Net position:		
Net investment in capital assets	\$ 9,149,700	\$ 7,989,625
Restricted	398,976	789,511
Unrestricted	2,543,101	3,871,640
Total net position	\$ 12,091,777	\$ 12,650,776

The District has unrestricted net position of \$2,543,101 as of August 31, 2014. For the fiscal year ending August 31, 2014, restricted net position decreased by \$390,535 and unrestricted net position decreased by \$1,328,539. Overall cash and investments decreased from the previous fiscal year.



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

## Governmental Activities

Governmental activities decreased the District's net position by \$558,999 during the year ended August 31, 2014. Key elements of this decrease are as follows:

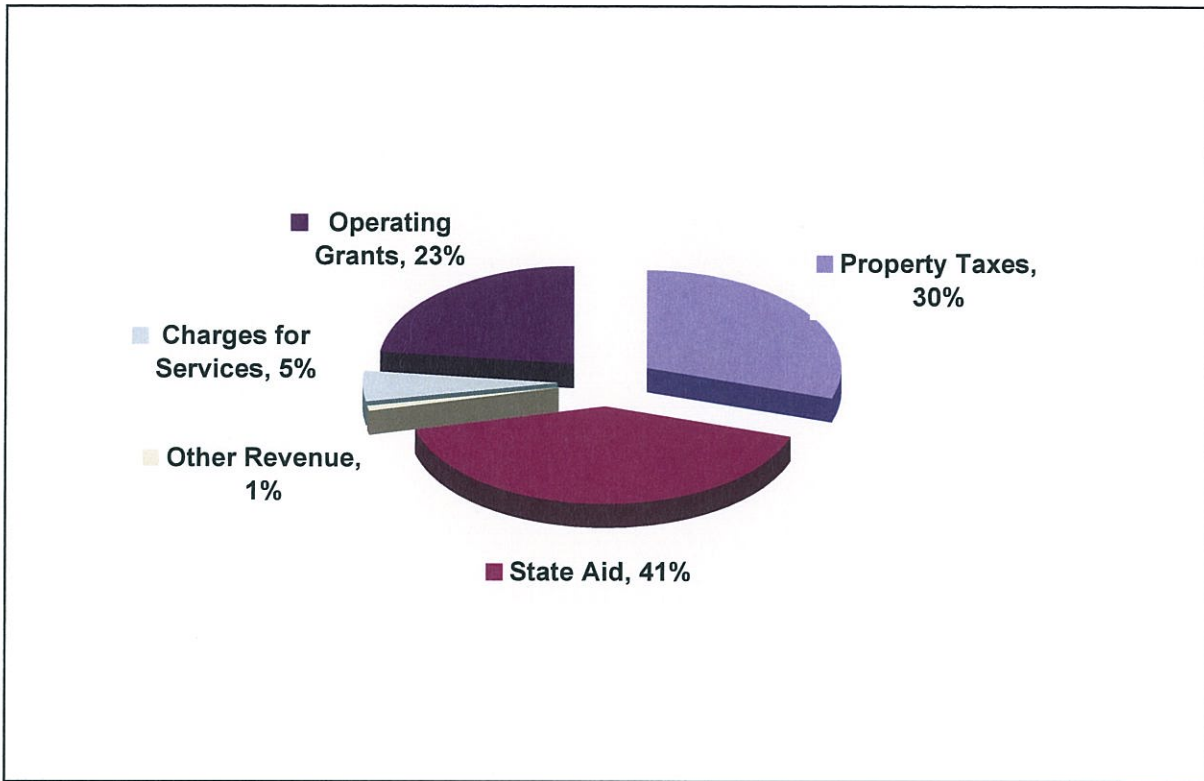
### Taylor Independent School District's Changes in Net Position

	Governmental Activities for the year ended	
	August 31, 2014	August 31, 2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,792,039	\$ 1,208,629
Operating grants and contributions	8,962,647	8,782,161
General revenues:		
Property taxes	11,558,164	11,520,622
State aid - formula grants	15,631,319	14,374,045
Investment earnings	41,793	33,348
Miscellaneous	411,340	313,321
Total revenues	38,397,302	36,232,126
Expenses:		
Instructional	19,185,970	18,309,968
Instructional leadership	3,455,142	3,458,823
Student support services	2,587,398	2,402,475
Food services	1,904,582	1,820,028
Extracurricular activities	1,475,035	1,190,843
General administration	1,001,496	881,432
Support services	3,949,843	3,697,853
Community services	472,933	458,268
Debt service	2,503,478	2,547,065
Facilities acquisition and construction	47,393	536,921
Payments to other districts/agencies	2,373,031	1,840,137
Total expenses	38,956,301	37,143,813
Change in net position	(558,999)	(911,687)
Net position beginning	12,650,776	13,562,463
Net position ending	\$ 12,091,777	\$ 12,650,776

Investment earnings decreased significantly in the last several years due to the Federal Reserve Bank dropping the interest rate to practically 0%. Due to requirements of the Public Funds Investment Act, it makes it very difficult to invest in any type of fiduciary instrument other than investment pools and certificates of deposit. The District's enrollment is approximately 70% economically disadvantaged which qualifies the District for more funding from state and federal sources. The District actively pursues this avenue to acquire much needed funding for the District.

Overall property taxes account for 30% of the District's revenue sources while state funding represents 41%. Operating grants account for 23% of revenue sources.

### Revenues by Type



### Governmental Funds

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

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,607,930. Of this amount \$4,606,806 constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it is in nonspendable form or it will be used for bond projects, debt service and other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenses. As a measure of the General Fund's liquidity, unassigned fund balance represents 17% of the total General Fund expenditures.

The District sets maintenance and debt tax rates in August of each year. For the 2013-14 fiscal year the District adopted a maintenance and operations tax rate of \$1.17 per \$100 in valuation and a debt service rate of \$0.28.

The Debt Service Fund had a total fund balance of \$49,266, all of which is restricted for payment of debt service.

## Budgetary Highlights

The District's Board approved nine major budget amendments during the 2013-14 fiscal year. The District had to re-appropriate \$256,732 for the T.H. Johnson (THJ) roof replacement although it was previously approved in the prior fiscal year. Then due to Maintenance of Effort (MOE) changes in the Special Education department, the EWCC contribution was increased by \$155,704, but the Estimated Revenues for Medicaid monies was also increased by \$243,915. During the year, repairs were made to the T.H. Johnson campus. As a result of this, \$99,682 was approved for A/C renovations, \$150,000 was approved for Instructional Technology improvements and \$184,000 was approved for other general renovation expenses. The Middle School track needed resurfacing, so the Board approved \$189,310 to resurface the track. In an effort to convert the THJ gym to a warehouse, the Board also approved \$415,800 to enclose the THJ pavilion and convert it to a gym for the THJ students. \$406,000 was approved to complete the Main Street Campus renovation, and the last budget amendment of \$151,000 was approved for the District to purchase new computers.

## Capital Assets and Debt Administration:

### Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2014 amounts to \$65,114,502 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

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

Land	\$	1,437,326
Buildings and improvements		62,489,190
Furniture and equipment		<u>1,187,986</u>
Total	\$	<u>65,114,502</u>

Additional information on the District's capital assets can be found in Note 6 of this report.

### Long-term Debt

At the end of the current fiscal year the District had total bonded debt outstanding of \$53,819,943. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 8 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The District's elected and appointed officials considered population growth and available resources from State revenues and tax revenues when setting the fiscal year 2015 budget and tax rate. The student population increased by approximately 3%, and the District expects a higher increase in 2014-15. Assessed property values increased by approximately 6% over last year. The District adopted a \$33,963,489 budget (General Fund, Debt Service Fund and Food Service Fund) for fiscal year 2015. The budget will be funded through a \$1.45 overall tax rate consisting of a \$1.17 M&O tax rate and \$0.28 I&S tax rate, State Per Capita and Foundation revenues, and other local revenues. The total tax rate adopted is the same total tax rate adopted in fiscal year 2014. The 2015 fiscal year budget is approximately 3% less than the 2014 fiscal year amended budget. If the District does not incur any unforeseen expenditures or reductions in revenues, it should accomplish the task of educating the students in the District with the available resources and not use any significant amount of its General Fund fund balance.

## **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 Office at Taylor Independent School District, 602 West 12<sup>th</sup> Street, Taylor, Texas 76574.



## **BASIC FINANCIAL STATEMENTS**

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**August 31, 2014**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and temporary investments	\$ 6,606,417
Receivables:	
Property taxes - delinquent	270,663
Allowance for uncollectible taxes	(54,132)
Due from other governments	800,426
Other receivables	105,184
Inventories	125,601
Capital assets (net of accumulated depreciation):	
Land	1,437,326
Buildings and improvements	62,489,190
Furniture and equipment	1,187,986
	<u>\$ 72,968,661</u>
 <b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 24,115
Payroll deductions and withholdings payable	45,123
Accrued wages payable	902,695
Due to other governments	103
Due to student groups	51,901
Unearned revenue	5,761
Bond interest payable	94,103
Bonds payable	1,680,000
Note payable	170,000
Capital lease payable	79,350
Accumulated unpaid vacation and benefits	9,070
Noncurrent liabilities:	
Bonds payable	51,621,284
Note payable	2,235,000
Accretion payable	3,553,246
Capital lease payable	257,382
Accumulated unpaid vacation and benefits	147,751
	<u>60,876,884</u>
 <b>NET POSITION:</b>	
Net investment in capital assets	9,149,700
Restricted for-	
Food service	398,976
Unrestricted	2,543,101
	<u>\$ 12,091,777</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction	\$ 18,887,325	866,974	4,437,915	(13,582,436)
Instructional resources and media services	298,645	-	13,963	(284,682)
Curriculum and staff development	814,241	2,478	547,031	(264,732)
Instructional leadership	767,294	-	455,991	(311,303)
School leadership	1,873,607	180,834	94,770	(1,598,003)
Guidance, counseling, and evaluation services	1,177,419	14,356	452,414	(710,649)
Social work services	105,720	-	105,720	-
Health services	292,712	-	15,475	(277,237)
Student transportation	1,011,547	-	40,276	(971,271)
Food services	1,904,582	234,885	1,539,363	(130,334)
Extracurricular activities	1,475,035	474,165	30,982	(969,888)
General administration	1,001,496	17,398	40,002	(944,096)
Facilities maintenance and operations	3,459,847	949	228,367	(3,230,531)
Security and monitoring services	90,066	-	114	(89,952)
Data processing services	399,930	-	17,242	(382,688)
Community services	472,933	-	109,543	(363,390)
Debt service	2,503,478	-	833,479	(1,669,999)
Facilities acquisition and construction	47,393	-	-	(47,393)
Payments related to shared services arrangements	2,193,055	-	-	(2,193,055)
Payments to juvenile justice alternative education programs	92,141	-	-	(92,141)
Other intergovernmental charges	87,835	-	-	(87,835)
<b>Total governmental activities</b>	<b>\$ 38,956,301</b>	<b>1,792,039</b>	<b>8,962,647</b>	<b>(28,201,615)</b>
<b>General revenues:</b>				
Property taxes levied for general purposes				\$ 9,323,651
Property taxes levied for debt service				2,234,513
State aid-formula grants				15,631,319
Investment earnings				41,793
Miscellaneous				411,340
<b>Total general revenues</b>				<b>27,642,616</b>
<b>Change in net position</b>				<b>(558,999)</b>
<b>Net position - beginning</b>				<b>12,650,776</b>
<b>Net position - ending</b>				<b>\$ 12,091,777</b>

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**August 31, 2014**

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 5,890,164	30	716,223	6,606,417
Receivables:				
Property taxes - delinquent	217,606	53,057	-	270,663
Allowance for uncollectible taxes:	(43,521)	(10,611)	-	(54,132)
Due from other governments	230,834	49,409	520,183	800,426
Due from other funds	383,819	-	1,003	384,822
Other receivables	71,162	-	34,022	105,184
Inventories	125,601	-	-	125,601
Total assets	<u>\$ 6,875,665</u>	<u>91,885</u>	<u>1,271,431</u>	<u>8,238,981</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	-	24,115	24,115
Payroll deductions and withholdings payable	34,283	-	10,840	45,123
Accrued wages payable	704,656	-	198,039	902,695
Due to other funds	1,003	173	383,646	384,822
Due to other governments	-	-	103	103
Due to student groups	-	-	51,901	51,901
Unearned revenue	5,761	-	-	5,761
Total liabilities	<u>745,703</u>	<u>173</u>	<u>668,644</u>	<u>1,414,520</u>
Deferred inflows of resources -				
Deferred revenue - property taxes:	174,085	42,446	-	216,531
Fund balances:				
Nonspendable-				
Inventories	125,601	-	-	125,601
Restricted for:				
Debt service	-	49,266	-	49,266
Authorized construction	-	-	78,214	78,214
Food service	-	-	398,976	398,976
Assigned to:				
Self insurance	178,470	-	-	178,470
Debt service	645,000	-	-	645,000
Construction	400,000	-	-	400,000
Legacy High School	-	-	110,975	110,975
Other state programs	-	-	14,622	14,622
Unassigned	4,606,806	-	-	4,606,806
Total fund balances	<u>5,955,877</u>	<u>49,266</u>	<u>602,787</u>	<u>6,607,930</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,875,665</u>	<u>91,885</u>	<u>1,271,431</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 65,114,502
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	216,531
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(54,195,751)
Less: Issuance discount	894,467
Note payable	(2,405,000)
Accretion of interest payable	(3,553,246)
Interest payable	(94,103)
Capital lease payable	(336,732)
Accumulated unpaid vacation and benefits	(156,821)
Net position of governmental activities	<u>\$ 12,091,777</u>

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

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

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Local and intermediate sources	\$ 9,906,924	2,228,241	1,605,715	13,740,880
State program revenues	16,868,764	833,479	1,594,367	19,296,610
Federal program revenues	469,046	-	4,778,844	5,247,890
Total revenues	<u>27,244,734</u>	<u>3,061,720</u>	<u>7,978,926</u>	<u>38,285,380</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	13,960,577	-	3,957,537	17,918,114
Instructional resources and media services	279,477	-	-	279,477
Curriculum and staff development	261,122	-	535,210	796,332
Instructional leadership	315,991	-	429,631	745,622
School leadership	1,583,093	-	181,938	1,765,031
Guidance, counseling, and evaluation services	706,455	-	422,512	1,128,967
Social work services	-	-	105,720	105,720
Health services	273,925	-	-	273,925
Student transportation	1,012,387	-	-	1,012,387
Food services	766	-	1,758,912	1,759,678
Extracurricular activities	985,110	-	417,309	1,402,419
General administration	937,217	-	-	937,217
Facilities maintenance and operations	3,423,265	-	50,935	3,474,200
Security and monitoring services	84,285	-	-	84,285
Data processing services	372,541	-	-	372,541
Community services	360,010	-	88,232	448,242
Debt service	92,668	4,252,121	-	4,344,789
Facilities acquisition and construction	305,876	-	905,769	1,211,645
Intergovernmental:				
Payments related to shared services arrangements	2,193,055	-	-	2,193,055
Payments to juvenile justice alternative education programs	92,141	-	-	92,141
Other intergovernmental charges	87,835	-	-	87,835
Total expenditures	<u>27,327,796</u>	<u>4,252,121</u>	<u>8,853,705</u>	<u>40,433,622</u>
Deficiency of revenues under expenditures	<u>(83,062)</u>	<u>(1,190,401)</u>	<u>(874,779)</u>	<u>(2,148,242)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	637,491	908,801	1,546,292
Transfers out	(1,546,292)	-	-	(1,546,292)
Proceeds of refunding bonds	-	6,525,000	-	6,525,000
Premium on sale of bonds	-	392,166	-	392,166
Payment to refunded bond escrow agent	-	(6,786,509)	-	(6,786,509)
Proceeds from sale of property	284,958	-	-	284,958
Total other financing sources (uses)	<u>(1,261,334)</u>	<u>768,148</u>	<u>908,801</u>	<u>415,615</u>
Net change in fund balances	<u>(1,344,396)</u>	<u>(422,253)</u>	<u>34,022</u>	<u>(1,732,627)</u>
Fund balances - beginning	7,300,273	471,519	568,765	8,340,557
Fund balances - ending	<u>\$ 5,955,877</u>	<u>49,266</u>	<u>602,787</u>	<u>6,607,930</u>

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

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

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Net change in fund balances-total governmental funds	\$ (1,732,627)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay, exclusive of non-capitalized items	1,561,018
Depreciation expense	(1,925,008)
Disposal of capital assets	(201,362)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	28,326
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal and contractual obligations	1,920,000
Repayment of capital lease principal	76,331
Bond proceeds, including premiums	(6,917,166)
Payments to refunded bond escrow agent	6,786,509
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accretion payable	(219,814)
Change in bond interest payable	5,892
Amortization of bond premiums	28,693
Amortization of bond issuance discounts	(35,779)
Amortization of deferred charge on refunding	(136,509)
Change in accumulated unpaid vacation and benefits	202,497
Change in net position of governmental activities	\$ (558,999)

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 9,816,562	9,892,397	9,906,924	14,527
State program revenues	16,509,553	16,635,109	16,868,764	233,655
Federal program revenues	195,000	438,915	469,046	30,131
Total revenues	<u>26,521,115</u>	<u>26,966,421</u>	<u>27,244,734</u>	<u>278,313</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	13,493,762	14,116,854	13,960,577	156,277
Instructional resources and media services	287,149	287,649	279,477	8,172
Curriculum and staff development	347,491	292,816	261,122	31,694
Instructional leadership	309,260	321,310	315,991	5,319
School leadership	1,673,327	1,598,414	1,583,093	15,321
Guidance, counseling, and evaluation services	667,352	706,902	706,455	447
Health services	278,002	278,002	273,925	4,077
Student transportation	1,074,076	1,059,066	1,012,387	46,679
Food services	1,295	1,295	766	529
Extracurricular activities	1,020,042	1,023,500	985,110	38,390
General administration	813,196	940,196	937,217	2,979
Facilities maintenance and operations	2,597,013	3,442,745	3,423,265	19,480
Security and monitoring services	80,145	85,145	84,285	860
Data processing services	341,629	383,629	372,541	11,088
Community services	361,221	361,771	360,010	1,761
Debt service	92,669	92,669	92,668	1
Facilities acquisition and construction	-	315,992	305,876	10,116
Intergovernmental:				
Payments related to shared services arrangements	1,907,555	2,193,298	2,193,055	243
Payments to juvenile justice alternative education programs	91,050	92,141	92,141	-
Other intergovernmental charges	96,142	95,051	87,835	7,216
Total expenditures	<u>25,532,376</u>	<u>27,688,445</u>	<u>27,327,796</u>	<u>360,649</u>
Excess (deficiency) of revenues over (under) expenditures	<u>988,739</u>	<u>(722,024)</u>	<u>(83,062)</u>	<u>638,962</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(207,491)	(1,586,292)	(1,546,292)	40,000
Proceeds from sale of property	2,000	285,000	284,958	(42)
Total other financing uses, net	<u>(205,491)</u>	<u>(1,301,292)</u>	<u>(1,261,334)</u>	<u>39,958</u>
Net change in fund balance	783,248	(2,023,316)	(1,344,396)	678,920
Fund balance - beginning	<u>7,300,273</u>	<u>7,300,273</u>	<u>7,300,273</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,083,521</u>	<u>5,276,957</u>	<u>5,955,877</u>	<u>678,920</u>

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

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**August 31, 2014**

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	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS-</b>		
Cash and temporary investments	\$ 2,945,675	\$ 170,434
Total assets	<u>\$ 2,945,675</u>	<u>\$ 170,434</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 15,282	\$ -
Due to student groups	<u>-</u>	<u>170,434</u>
Total liabilities	<u>\$ 15,282</u>	<u>\$ 170,434</u>
<b>NET POSITION-</b>		
Held in trust for private purposes	<u>\$ 2,930,393</u>	

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



**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended August 31, 2014**

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	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS-</b>	
Contributions	\$ 240,197
Total additions	<u>240,197</u>
<b>DEDUCTIONS-</b>	
Other operating costs	<u>52,473</u>
Total deductions	<u>52,473</u>
Change in net position	187,724
Net position - beginning of year	<u>2,742,669</u>
Net position - end of year	<u><u>\$ 2,930,393</u></u>

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

# TAYLOR INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2014

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

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

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

#### **Government-wide and Fund Financial Statements**

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

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

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

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

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

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

Private Purpose Trust Funds are fiduciary trust funds and are used to account for the principal and income that benefit individuals in the form of scholarships.

Agency Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

### **Budgetary Information**

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by August 20<sup>th</sup> and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budgets were amended by the Board as needed throughout the year. The debt service function in the Debt Service Fund exceeded budgeted amounts for the year ended August 31, 2014 by \$113,636.

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

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

Cash and Cash Equivalents - The District considers all liquid investments (including external investment pools and certificates of deposit) with original maturities of 90 days or less to be cash equivalents.

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

Capital Assets - Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 50 years, furniture and equipment - 5 to 10 years.

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

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accumulated Unpaid Vacation and Benefits - The District provides employees with compensation benefits for absences for vacation, sick leave, and personal matters. The costs of these benefits are recognized by the District when paid. There are limitations on carryover and accumulation of benefits, and the liability for accrued but unpaid benefits is included in the statement of net position.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 9 for additional information on those fund balance classifications.

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

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7 for additional information on deferred outflows of resources.

## **Recently Issued Accounting Pronouncements**

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

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

## **2. CASH AND TEMPORARY INVESTMENTS**

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

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

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

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

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

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,114,124 and the bank balance was \$10,228,379.

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

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

- a) Name of depository bank: Citizens National Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$17,089,036.
- c) Largest cash, savings and time deposit combined account balance amounted to \$15,425,085 and occurred during the month of February 2014.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

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

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools:			
MBIA	\$ 304,175	1	AAAm
Lone Star	304,227	1	AAAm
Total	<u>\$ 608,402</u>		

The District had investments in two external local government investment pools at August 31, 2014: MBIA Texas CLASS ("MBIA") and Lone Star Investment Pool ("Lone Star"). Although Lone Star is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. MBIA is registered with the SEC. These investments are stated at fair value which is the same as the value of the pool shares.

MBIA is administered by MBIA-Municipal Investors Service Corporation (“MISC”) and Wells Fargo Bank Texas. MISC is a subsidiary of MBIA Asset Management Group, one of the nation’s largest providers of administrative and portfolio management services for local government investment pools. MBIA is supervised by a board of trustees who are elected by participants. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, MBIA has an advisory board which provides input and feedback on the operations and direction of the program. Standard and Poor’s reviews the pool on a weekly basis to ensure the pool’s compliance with its rating requirements. MBIA’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

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

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2014, investments were included in local government investment pools with ratings in compliance with the District’s investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty’s trust department or agent not in the District’s name. At August 31, 2014, the District was not exposed to custodial credit risk.

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

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



### 3. APPRAISAL DISTRICT

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

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2013, upon which the October 2013 levy was based, was \$820,317,733. The District levied taxes based on a combined tax rate of \$1.45 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

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

### 4. DUE FROM OTHER GOVERNMENTS

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 230,834	49,409	-	280,243
Federal and state grants	-	-	520,183	520,183
<b>Total</b>	<b>\$ 230,834</b>	<b>49,409</b>	<b>520,183</b>	<b>800,426</b>

## 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 383,646
	Debt Service Fund	173
Total General Fund		383,819
Nonmajor Governmental Funds	General Fund	1,003
Total		<u>\$ 384,822</u>

During the year, the General Fund transferred \$637,491 to the Debt Service Fund to assist with future principal and interest payments and \$908,801 to the Capital Projects Fund to complete building construction.

## 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated-				
Land	\$ 1,437,326	-	-	1,437,326
Capital assets, being depreciated:				
Buildings and improvements	82,276,475	1,420,984	(319,623)	83,377,836
Furniture and equipment	5,173,387	140,034	(50,000)	5,263,421
Total capital assets, being depreciated	87,449,862	1,561,018	(369,623)	88,641,257
Less accumulated depreciation for:				
Buildings and improvements	(19,372,562)	(1,634,345)	118,261	(20,888,646)
Furniture and equipment	(3,834,772)	(290,663)	50,000	(4,075,435)
Total accumulated depreciation	(23,207,334)	(1,925,008)	168,261	(24,964,081)
Total capital assets, being depreciated, net	64,242,528	(363,990)	(201,362)	63,677,176
Governmental activities capital assets, net	<u>\$ 65,679,854</u>	<u>(363,990)</u>	<u>(201,362)</u>	<u>65,114,502</u>

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

**Governmental activities:**

Instruction	\$ 975,376
Instructional resources and media services	19,168
Curriculum and staff development	17,909
Instructional leadership	21,672
School leadership	108,576
Guidance, counseling, and evaluation services	48,452
Health services	18,787
Student transportation	86,922
Food services	144,904
Extracurricular activities	72,616
General administration	64,279
Facilities maintenance and operations	288,486
Security and monitoring services	5,781
Data processing services	27,389
Community services	24,691
Total depreciation expense - governmental activities	<u>\$ 1,925,008</u>

**7. DEFERRED OUTFLOWS OF RESOURCES**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on refundings	\$ -	136,509	(136,509)	-

**8. LONG-TERM DEBT**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 55,694,943	6,525,000	(8,400,000)	53,819,943
Accretion payable	3,333,432	219,814	-	3,553,246
Premium on bonds	12,335	392,166	(28,693)	375,808
Issuance discount on bonds	(930,246)	-	35,779	(894,467)
Capital lease payable	413,063	-	(76,331)	336,732
Note payable	2,575,000	-	(170,000)	2,405,000
Accumulated unpaid vacation and benefits	359,318	16,000	(218,497)	156,821
Total	<u>\$ 61,457,845</u>	<u>7,152,980</u>	<u>(8,857,742)</u>	<u>59,753,083</u>

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

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 8-31-14	Due Within One Year
2009	5-19-09	\$ 37,999,943	2039	2.00 - 5.25%	\$ 36,789,943	\$ 295,000
2009 Refunding	5-19-09	8,805,000	2021	1.30 - 3.75%	6,300,000	810,000
2010	12-22-10	5,000,000	2029	2.00 - 3.70%	4,340,000	230,000
2013 Refunding	11-19-13	<u>6,525,000</u>	2025	2.00 - 3.00%	<u>6,390,000</u>	<u>345,000</u>
Total		<u>\$ 58,329,943</u>			<u>\$ 53,819,943</u>	<u>\$ 1,680,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for the current year is \$0.28.

In December 2012, the District issued \$2,575,000 in Maintenance Tax Notes, Series 2012, to renovate the District's old high school in order to accommodate a 4th and 5th grade intermediate elementary campus, the District's central administration and technology departments, and the East Williamson County Co-op headquarters. The note bears interest at interest rates ranging from 0.48% to 2.3% over the life of the note, with principal and interest payments due annually through February 2027.

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

Year Ended August 31,	Principal	Interest	Total
2015	\$ 1,850,000	2,209,006	4,059,006
2016	1,900,000	2,162,532	4,062,532
2017	1,945,000	2,111,478	4,056,478
2018	2,005,000	2,052,709	4,057,709
2019	2,070,000	1,988,762	4,058,762
2020 - 2024	11,450,000	8,862,348	20,312,348
2025 - 2029	5,204,943	15,040,861	20,245,804
2030 - 2034	14,380,000	5,497,213	19,877,213
2035 - 2039	<u>15,420,000</u>	<u>1,672,036</u>	<u>17,092,036</u>
Total	<u>\$ 56,224,943</u>	<u>41,596,945</u>	<u>97,821,888</u>

On November 19, 2013, the District issued \$6,525,000 of Refunding Bonds to currently refund \$6,650,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$6,787,066 (after payment of \$130,100 in underwriting fees, insurance, and other issuance costs) were used for the following: \$6,786,509 was deposited with an escrow agent to provide the debt service payment on the bonds currently refunded and \$557 was deposited in the Debt Service Fund for future interest and principal payments. As a result, \$6,650,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. All outstanding bonds considered defeased were retired during the year; therefore there are no bonds considered defeased as of August 31, 2014. The reacquisition price exceeded the net carrying amount of the old debt by \$136,509. The amount is netted against the new debt and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The current refunding resulted in an economic gain of \$768,430.

The outstanding 2009 Series Bonds includes both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

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

The District financed the purchase of school buses through a capital lease agreement with a finance company. The purchase price of the school buses was \$557,123 which equates to the original capital lease principal amount. At August 31, 2014, these assets had accumulated depreciation of \$167,137 and a net book value of \$389,986. Under the terms of the capital lease agreement, principal and interest payments of \$92,668 are due annually on August 5th beginning on August 5, 2012 through August 5, 2018. The effective interest rate on the lease is 3.96%.

Lease payment requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2015	\$ 79,350	13,318	92,668
2016	82,489	10,179	92,668
2017	85,751	6,917	92,668
2018	89,142	3,526	92,668
Total	\$ 336,732	33,940	370,672

Upon retirements or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employees or their estate. A summary of changes in the accumulated unpaid vacation and benefits liability for the year ended August 31, 2014 is as follows:

	Sick Leave	Vacation Leave	Total	Due Within One Year
Beginning Balance	\$ 154,256	205,062	359,318	84,236
Additions	16,000	-	16,000	3,680
Deductions	(27,935)	(190,562)	(218,497)	(78,846)
Ending Balance	\$ 142,321	14,500	156,821	9,070

## 9. FUND BALANCES

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

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

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

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

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

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

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

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

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

## 10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 9,234,891	2,210,513	-	11,445,404
Food services	-	-	234,885	234,885
Investment income	39,648	1,142	1,003	41,793
Penalties, interest, and other tax related income	67,848	16,586	-	84,434
Tuition and fees from patrons	162,538	-	-	162,538
Co-curricular student activities	56,856	-	416,364	473,220
Shared services arrangements	-	-	903,998	903,998
Other	345,143	-	49,465	394,608
<b>Total</b>	<b>\$ 9,906,924</b>	<b>2,228,241</b>	<b>1,605,715</b>	<b>13,740,880</b>

## 11. PENSION PLAN OBLIGATIONS

The District's employees participate in the Teacher Retirement System of Texas (the "System"), a public employee retirement system ("PERS"). It is a cost-sharing multiple employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. During the years ended August 31, 2014, 2013, and 2012, contributions of approximately \$1,169,000, \$961,000, and \$926,000, respectively, were made by the State. These contributions made by the State on behalf of the District have been reflected in the accompanying basic financial statements as both revenue and expenditures. The System's annual financial report and other required disclosures are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778, extension 6456.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State contributes an amount equal to 6.8% of the District's covered payroll. The District's employees' contributions to the System for the years ended August 31, 2014, 2013, and 2012 were approximately \$1,285,000, \$1,198,000, and \$1,150,000, respectively, which were equal to the required contributions for the years. Other contributions made from federal grants and from the District for salaries above the statutory minimum for the year ended August 31, 2014, 2013, and 2012 were approximately \$176,000, \$149,000, and \$170,000, respectively, which was equal to the required contributions for the year.

**12. ON-BEHALF PAYMENTS**

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to the System on behalf of the District. For the year ended August 31, 2014, reimbursements of \$54,977 were received by the System and allocated to the District.

**13. RISK MANAGEMENT**

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

The District participates in a public entity risk pool for its workers compensation insurance with transfer of risk, whereas member districts pool risks and funds and share in the costs of losses. The plan year of the public entity risk pool begins September 1 and ends August 31 of each year. During the year ended August 31, 2014, the District was responsible for paying the cost of each of its claim occurrences up to a per-occurrence limit of \$61,428. For costs exceeding this limit, the member districts shared responsibility for paying the claims not covered by excess insurance. The District’s maximum financial exposure for the year ended August 31, 2014 was \$217,886. Excess insurance is provided by a commercial carrier. The policy provides for specific stop-loss attachment at \$250,000 per occurrence and additional aggregate stop-loss attachment of 125% of pool funds. At August 31, 2014, the General Fund has assigned fund balance of \$178,470 to pay for any open claims. Incurred but not reported claims were minimal at August 31, 2014.

**14. SHARED SERVICES ARRANGEMENTS**

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides speech therapists for special education to the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund, Shared Services Arrangements - Special Education. Contributions from the SSA are summarized below:

Taylor ISD	\$	897,764
Coupland ISD		18,121
Bartlett ISD		103,820
Granger ISD		98,661
Thrall ISD		140,063
Total	\$	<u>1,258,429</u>



**15. COMMITMENTS AND CONTINGENCIES**

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

**16. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the System. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The System issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the System at 1000 Red River Street, Austin, Texas 78701.

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

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	.65%	\$ 129,839	1.0%	\$ 199,753	.55%	\$ 109,864
2013	.65%	121,625	0.5%	93,558	.55%	102,914
2012	.65%	116,789	1.0%	179,675	.55%	98,821

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS**

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

	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>			
Cash and temporary investments	\$ 622,721	93,502	716,223
Receivables:			
Due from other governments	520,183	-	520,183
Due from other funds	1,003	-	1,003
Other receivables	34,022	-	34,022
Total assets	<u>\$ 1,177,929</u>	<u>93,502</u>	<u>1,271,431</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts payable	\$ 8,827	15,288	24,115
Payroll deductions and withholdings payable	10,840	-	10,840
Accrued wages payable	198,039	-	198,039
Due to other funds	383,646	-	383,646
Due to other governments	103	-	103
Due to student groups	51,901	-	51,901
Total liabilities	<u>653,356</u>	<u>15,288</u>	<u>668,644</u>
Fund balances:			
Restricted	398,976	78,214	477,190
Assigned	125,597	-	125,597
Total fund balances	<u>524,573</u>	<u>78,214</u>	<u>602,787</u>
Total liabilities and fund balances	<u>\$ 1,177,929</u>	<u>93,502</u>	<u>1,271,431</u>

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

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Local and intermediate sources	\$ 1,605,399	316	1,605,715
State program revenues	1,594,367	-	1,594,367
Federal program revenues	4,778,844	-	4,778,844
Total revenues	<u>7,978,610</u>	<u>316</u>	<u>7,978,926</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	3,957,537	-	3,957,537
Curriculum and staff development	535,210	-	535,210
Instructional leadership	429,631	-	429,631
School leadership	181,938	-	181,938
Guidance, counseling and evaluation services	422,512	-	422,512
Social work services	105,720	-	105,720
Food services	1,758,912	-	1,758,912
Extracurricular activities	417,309	-	417,309
Facilities maintenance and operations	50,935	-	50,935
Community services	88,232	-	88,232
Facilities acquisition and construction	-	905,769	905,769
Total expenditures	<u>7,947,936</u>	<u>905,769</u>	<u>8,853,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,674</u>	<u>(905,453)</u>	<u>(874,779)</u>
<b>OTHER FINANCING SOURCES-</b>			
Transfers in	-	908,801	908,801
Net change in fund balances	30,674	3,348	34,022
Fund balances - beginning	<u>493,899</u>	<u>74,866</u>	<u>568,765</u>
Fund balances - ending	<u>\$ 524,573</u>	<u>78,214</u>	<u>602,787</u>

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**All Nonmajor Governmental Funds**  
**August 31, 2014**

	Title I Grants to Local Educational Agencies	Migrant Education State Grant Program	National School Breakfast and Lunch Program	Summer Food Service Program for Children	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	Twenty- First Century Community Learning Centers
<b>Assets:</b>								
Cash and temporary investments	\$ -	-	317,261	19,507	-	8,431	1,621	1,837
Receivables:								
Due from other governments	61,090	10,778	34,221	-	-	4,185	1,540	-
Due from other funds	-	-	-	-	25	-	642	-
Other receivables	-	-	34,022	-	-	-	-	-
Total assets	\$ 61,090	10,778	385,504	19,507	25	12,616	3,803	1,837
<b>Liabilities and fund balances:</b>								
Accounts payable	\$ 8,827	-	-	-	-	-	-	-
Payroll deductions and withholdings payable	-	88	21	-	3	512	183	246
Accrued wages payable	29,304	702	4,651	-	22	11,560	3,620	1,591
Due to other funds	22,959	9,988	1,363	-	-	544	-	-
Due to other governments	-	-	-	-	-	-	-	-
Due to student groups	-	-	-	-	-	-	-	-
Total liabilities	61,090	10,778	6,035	-	25	12,616	3,803	1,837
<b>Fund balances:</b>								
Restricted	-	-	379,469	19,507	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Total fund balances	-	-	379,469	19,507	-	-	-	-
Total liabilities and fund balances	\$ 61,090	10,778	385,504	19,507	25	12,616	3,803	1,837

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**All Nonmajor Governmental Funds (continued)**  
**August 31, 2014**

	State Energy Program	Summer School LEP	Striving Readers			SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool	Parallel Pathways to Success	Pregnancy Education and Parenting	Advanced Placement Incentives
			Comprehensive Literacy Program	IDEA - Part B	IDEA - Part B					
<b>Assets:</b>										
Cash and temporary investments	\$ -	-	-	-	-	-	-	-	2	222
Receivables:										
Due from other governments	-	-	108,871	65,060	1,536	35,175	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	336	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Total assets	\$ -	-	108,871	65,060	1,536	35,175	338	-	222	
<b>Liabilities and fund balances:</b>										
Accounts payable	\$ -	-	-	-	-	-	-	-	-	-
Payroll deductions and withholdings payable	-	-	1,631	1,061	59	146	-	-	-	222
Accrued wages payable	-	-	20,008	40,221	1,019	851	-	-	-	-
Due to other funds	-	-	87,232	23,778	433	34,178	-	-	-	-
Due to other governments	-	-	-	-	25	-	-	-	-	-
Due to student groups	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	108,871	65,060	1,536	35,175	-	-	222	
<b>Fund balances:</b>										
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	338	-	-
Total fund balances	-	-	-	-	-	-	-	338	-	-
Total liabilities and fund balances	\$ -	-	108,871	65,060	1,536	35,175	338	-	222	

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**All Nonmajor Governmental Funds (continued)**  
**August 31, 2014**

	Instructional Materials Allotment	AP Campus Awards	SSA Visually Impaired	SSA Special Education	SSA Local Funded TSTC Co-Op	SSA Local Funded Legacy HS	Campus Activity Fund	Total Special Revenue Funds
<b>Assets:</b>								
Cash and temporary investments	\$ -	-	78	68,045	6,031	147,785	51,901	622,721
Receivables:								
Due from other governments	194,639	-	-	3,088	-	-	-	520,183
Due from other funds	-	-	-	-	-	-	-	1,003
Other receivables	-	-	-	-	-	-	-	34,022
Total assets	\$ 194,639	-	78	71,133	6,031	147,785	51,901	1,177,929
<b>Liabilities and fund balances:</b>								
Accounts payable	\$ -	-	-	-	-	-	-	8,827
Payroll deductions and withholdings payable	-	-	-	2,756	641	3,271	-	10,840
Accrued wages payable	-	-	-	48,777	4,740	30,973	-	198,039
Due to other funds	194,639	-	-	5,316	650	2,566	-	383,646
Due to other governments	-	-	78	-	-	-	-	103
Due to student groups	-	-	-	-	-	-	51,901	51,901
Total liabilities	194,639	-	78	56,849	6,031	36,810	51,901	653,356
<b>Fund balances:</b>								
Restricted	-	-	-	-	-	-	-	398,976
Assigned	-	-	-	14,284	-	110,975	-	125,597
Total fund balances	-	-	-	14,284	-	110,975	-	524,573
Total liabilities and fund balances	\$ 194,639	-	78	71,133	6,031	147,785	51,901	1,177,929

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

	Title I Grants to Local Educational Agencies	Migrant Education_ State Grant Program	National School Breakfast and Lunch Program	Summer Food Service Program for Children	Career and Technical Education - Basic Grants to States	Improving Teacher Quality State Grants	English Language Acquisition State Grants	Twenty- First Century Community Learning Centers
<b>Revenues:</b>								
Local and intermediate sources	\$ -	-	285,037	-	-	-	-	-
State program revenues	-	-	9,382	-	-	-	-	-
Federal program revenues	728,564	70,117	1,460,106	20,408	31,847	128,449	32,396	422,526
Total revenues	728,564	70,117	1,754,525	20,408	31,847	128,449	32,396	422,526
<b>Expenditures:</b>								
Current:								
Instruction	374,119	69,523	-	-	29,397	122,882	32,246	198,929
Curriculum and staff development	161,866	-	-	-	2,450	4,842	150	-
Instructional leadership	408	-	-	-	-	-	-	222,410
School leadership	-	-	-	-	-	725	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-	-
Social work services	105,720	-	-	-	-	-	-	-
Food services	-	-	1,745,235	13,677	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-	-
Community services	86,451	594	-	-	-	-	-	1,187
Total expenditures	728,564	70,117	1,745,235	13,677	31,847	128,449	32,396	422,526
Excess (deficiency) of revenues over (under) expenditures	-	-	9,290	6,731	-	-	-	-
Fund balances - beginning	-	-	370,179	12,776	-	-	-	-
Fund balances - ending	\$ -	-	379,469	19,507	-	-	-	-

(continued)



**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**All Nonmajor Governmental Funds (continued)**  
**Year Ended August 31, 2014**

	State Energy Program	Summer School LEP	Striving Readers			SSA - Part B IDEA - Part B Formula	SSA - Part B IDEA - Part B Preschool	Parallel Pathways to Success	Pregnancy Education and Parenting	Advanced Placement Incentives
			Comprehensive Literacy Program	IDEA - Part B Formula	SSA - Part B IDEA - Part B Preschool					
<b>Revenues:</b>										
Local and intermediate sources	\$ -	-	-	-	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	54,253	-	-	-
Federal program revenues	40,297	3,681	708,767	1,084,600	46,394	-	-	-	-	-
Total revenues	40,297	3,681	708,767	1,084,600	46,394	54,253	-	-	-	-
<b>Expenditures:</b>										
<b>Current:</b>										
Instruction	40,297	3,681	281,137	848,759	43,296	54,253	-	-	-	-
Curriculum and staff development	-	-	355,765	1,014	3,098	-	-	-	-	-
Instructional leadership	-	-	71,486	-	-	-	-	-	-	-
School leadership	-	-	379	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	234,827	-	-	-	-	-	-
Social work services	-	-	-	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-	-
Total expenditures	40,297	3,681	708,767	1,084,600	46,394	54,253	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	-	338	-	-
Fund balances - ending	\$ -	-	-	-	-	-	-	338	-	-

(continued)

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**All Nonmajor Governmental Funds (continued)**  
**Year Ended August 31, 2014**

	Instructional Materials Allotment	AP Campus Awards	SSA Visually Impaired	SSA Special Education	SSA Local Funded TSTC Co-Op	SSA Local Funded Legacy HS	Campus Activity Fund	Total Special Revenue Funds
<b>Revenues:</b>								
Local and intermediate sources	\$ -	-	-	-	187,590	716,408	416,364	1,605,399
State program revenues	268,289	555	3,459	1,258,429	-	-	-	1,594,367
Federal program revenues	-	-	-	692	-	-	-	4,778,844
Total revenues	268,289	555	3,459	1,259,121	187,590	716,408	416,364	7,978,610
<b>Expenditures:</b>								
Current:								
Instruction	268,289	555	3,459	882,648	187,590	516,477	-	3,957,537
Curriculum and staff development	-	-	-	3,547	-	2,478	-	535,210
Instructional leadership	-	-	-	135,327	-	-	-	429,631
School leadership	-	-	-	-	-	180,834	-	181,938
Guidance, counseling and evaluation services	-	-	-	173,329	-	14,356	-	422,512
Social work services	-	-	-	-	-	-	-	105,720
Food services	-	-	-	-	-	-	-	1,758,912
Extracurricular activities	-	-	-	-	-	945	416,364	417,309
Facilities maintenance and operations	-	-	-	49,986	-	949	-	50,935
Community services	-	-	-	-	-	-	-	88,232
Total expenditures	268,289	555	3,459	1,244,837	187,590	716,039	416,364	7,947,936
Excess (deficiency) of revenues over (under) expenditures	-	-	-	14,284	-	369	-	30,674
Fund balances - beginning	-	-	-	-	-	110,606	-	493,899
Fund balances - ending	\$ -	-	-	14,284	-	110,975	-	524,573

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**August 31, 2014**

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	Non-Expendable Trust Fund	Expendable Trust Fund	TOTALS
<b>ASSETS-</b>			
Cash and temporary investments	\$ 2,191,417	754,258	2,945,675
Total assets	\$ 2,191,417	754,258	2,945,675
<b>LIABILITIES-</b>			
Accounts payable	\$ 15,282	-	15,282
Total liabilities	\$ 15,282	-	15,282
<b>NET POSITION-</b>			
Held in trust for private purposes	\$ 2,176,135	754,258	2,930,393

**TAYLOR INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**Year Ended August 31, 2014**

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	<u>Non-Expendable Trust Fund</u>	<u>Expendable Trust Fund</u>	<u>TOTALS</u>
<b>ADDITIONS-</b>			
Contributions	\$ 222,725	17,472	240,197
Total additions	<u>222,725</u>	<u>17,472</u>	<u>240,197</u>
<b>DEDUCTIONS-</b>			
Other operating costs	<u>32,447</u>	<u>20,026</u>	<u>52,473</u>
Total deductions	<u>32,447</u>	<u>20,026</u>	<u>52,473</u>
Change in net position	190,278	(2,554)	187,724
Net position - beginning of year	<u>1,985,857</u>	<u>756,812</u>	<u>2,742,669</u>
Net position - end of year	<u>\$ 2,176,135</u>	<u>754,258</u>	<u>2,930,393</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 2,244,900	2,244,900	2,228,241	(16,659)
State program revenues	844,144	844,144	833,479	(10,665)
Total revenues	<u>3,089,044</u>	<u>3,089,044</u>	<u>3,061,720</u>	<u>(27,324)</u>
<b>EXPENDITURES-</b>				
Debt service	4,138,485	4,138,485	4,252,121	(113,636)
Total expenditures	<u>4,138,485</u>	<u>4,138,485</u>	<u>4,252,121</u>	<u>(113,636)</u>
Deficiency of revenues under expenditures	(1,049,441)	(1,049,441)	(1,190,401)	(140,960)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	207,491	400,000	637,491	237,491
Proceeds of refunding bonds	-	-	6,525,000	6,525,000
Premium on sale of bonds	-	-	392,166	392,166
Payment to refunded bond escrow agent	-	-	(6,786,509)	(6,786,509)
Total other financing sources, net	<u>207,491</u>	<u>400,000</u>	<u>768,148</u>	<u>368,148</u>
Net change in fund balance	(841,950)	(649,441)	(422,253)	227,188
Fund balance - beginning	471,519	471,519	471,519	-
Fund balance - ending	<u>\$ (370,431)</u>	<u>(177,922)</u>	<u>49,266</u>	<u>227,188</u>

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

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 387,935	421,960	285,037	(136,923)
State program revenues	9,781	9,781	9,382	(399)
Federal program revenues	1,491,308	1,491,308	1,460,106	(31,202)
Total revenues	<u>1,889,024</u>	<u>1,923,049</u>	<u>1,754,525</u>	<u>(168,524)</u>
<b>EXPENDITURES-</b>				
Current-				
Food services	1,821,644	1,821,644	1,745,235	76,409
Total expenditures	<u>1,821,644</u>	<u>1,821,644</u>	<u>1,745,235</u>	<u>76,409</u>
Excess of revenues over expenditures	67,380	101,405	9,290	(92,115)
Fund balance - beginning	<u>370,179</u>	<u>370,179</u>	<u>370,179</u>	<u>-</u>
Fund balance - ending	<u>\$ 437,559</u>	<u>471,584</u>	<u>379,469</u>	<u>(92,115)</u>

## **OTHER SCHEDULES**

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

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2013	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2014
	Maintenance	Debt Service							
2005 & Prior	Various	Various	Various	47,509	-	60	7	(16,947)	30,495
2006	1.50	0.17	659,065,219	7,357	-	267	30	-	7,060
2007	1.37	0.17	698,977,875	7,631	-	67	8	(17)	7,539
2008	1.04	0.16	756,752,497	5,452	-	119	18	(61)	5,254
2009	1.04	0.16	795,151,526	6,806	-	216	33	(87)	6,470
2010	1.04	0.45	812,805,823	11,389	-	945	409	4,673	14,708
2011	1.04	0.43	802,297,119	13,139	-	267	111	3,297	16,058
2012	1.04	0.41	809,861,018	28,991	-	1,949	769	(103)	26,170
2013	1.17	0.28	816,828,227	106,983	-	57,122	13,670	(4,003)	32,188
2014	1.17	0.28	820,317,733	-	11,476,577	9,173,879	2,195,458	17,481	124,721
Totals				\$ 235,257	11,476,577	9,234,891	2,210,513	4,233	270,663



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

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<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end:	\$ 3,553,246

**FEDERAL AWARDS SECTION**



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

The Board of Trustees of  
Taylor Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 Taylor Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2015.

**Internal Control Over Financial Reporting**

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 12, 2015



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

The Board of Trustees of  
Taylor Independent School District:

### **Report on Compliance for Each Major Federal Program**

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

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 12, 2015

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

<u>Project Number</u>	<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
14610101246911	Title I Grants to Local Educational Agencies	84.010A	\$ 728,564
14615001246911	Migrant Education_State Grant Program	84.011A	70,117
14420006246911	Career and Technical Education - Basic Grants to States	84.048A	31,847
14694501246911	Improving Teacher Quality State Grants	84.367A	128,449
14671001246911	English Language Acquisition State Grants	84.365A	32,396
136950147110057	Twenty-First Century Community Learning Centers	84.287C	422,526
69551302	Grants for State Assessments and Related Activities	84.369A	3,681
146600012469116000	SSA - Special Education_Grants to States	84.027A	1,084,600
146610012469116000	SSA - Special Education_Preschool Grants	84.173A	46,394
136460037110027	Striving Readers	84.371C	<u>708,767</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>3,257,341</b>
<b><u>U.S. DEPARTMENT OF ENERGY</u></b>			
<b><u>Passed Through Texas State Energy Conservation Office-</u></b>			
CM1363	State Energy Program	81.041	<u>40,297</u>
<b>TOTAL DEPARTMENT OF ENERGY</b>			<b>40,297</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
71301401	National School Lunch Program	10.555	932,235
71401401	School Breakfast Program	10.553	422,987
<b><u>Passed Through Texas Department of Agriculture-</u></b>			
	Summer Food Service Program for Children	10.559	20,408
<b><u>Passed Through the Texas Department of Human Services:</u></b>			
	Non-Cash Assistance - Food Distribution Program	10.555	<u>104,884</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b><u>1,480,514</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 4,778,152</u></b>

The accompanying notes are an integral part of this schedule.

# TAYLOR INDEPENDENT SCHOOL DISTRICT

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

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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



# TAYLOR INDEPENDENT SCHOOL DISTRICT

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

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

#### FEDERAL AWARDS

Internal control over major federal programs:

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

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

Child Nutrition Cluster unmodified

Title I Grants to Local Educational Agencies unmodified

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

Identification of major federal programs:

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

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

\$300,000

Auditee qualified as low-risk auditee?

yes     no

# TAYLOR INDEPENDENT SCHOOL DISTRICT

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

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### SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

##### 2013-001 - Prior Year Finding

Criteria:	The District records expenditures in the reporting period in which they are incurred and ensures fund balances agrees to the prior year's audited financial statements.
Condition Found:	Expenditures related to retainage on one District construction project was not recorded in the proper reporting period and the beginning Capital Projects Fund fund balance did not agree to the prior year's audited financial statements.
Effect:	There was \$266,801 in capital outlay expenditures incurred related to retainage as of August 31, 2013, thus expenditures and the related liability were understated. For the year ended August 31, 2013, the beginning fund balance in the Capital Projects Fund was overstated which resulted in a significant audit adjustment to correct this balance.
Recommendations:	District management should ensure that policies and procedures are in place and functioning so that expenditures are recorded in the proper reporting period based on when the expenditures were incurred by the District and that beginning fund balance agrees to the prior year's audited financial statements.
Corrective Action Plan/Status:	The Business Manager implemented procedures to ensure that all transactions are recorded in a timely manner and fund balances at the beginning of the year agree to the prior year's audited financials.

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned cost required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the years ended August 31, 2014 and 2013.