

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

Cleveland Independent School District
Annual Financial Report
For the Year Ended August 31, 2014

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

CLEVELAND INDEPENDENT SCHOOL DISTRICT
Name of School District

Liberty
County

146901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 17th day of November 2014.

Skye Hamilton
Signature of Board Secretary

Chris Wood
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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FINANCIAL SECTION

WIGGINS & SMITH

Certified Public Accountants

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 10316 - 715 MAIN STREET - LIBERTY, TEXAS 77575 - (936) 336-6661 - FAX(936) 336-7086

Independent Auditor's Report

Board of Trustees
Cleveland Independent School District
316 East Dallas
Cleveland, Texas 77327

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cleveland 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cleveland Independent School District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information-

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-13 and 42 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 Cleveland Independent School District's basic financial statements. The other supplementary information as listed in the table of contents and the accompanying schedule of expenditures of federal awards as required by OMB Circular A-133, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules 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 schedule of expenditures of federal awards and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

Wiggins & Smith
WIGGINS & SMITH
Certified Public Accountants

November 6, 2014

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CLEVELAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the management of the Cleveland Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2014. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$2,794,675, or 11.0%, as a result of this year's operations.
- Total cost of all of the District's programs was \$35,039,090 in fiscal 2014, which represents approximately a 12.9% increase from the prior year total program costs.
- The General Fund ended the year with a fund balance of \$17,583,183, an increase of \$2,380,307 from the prior year-end.
- The District had capital expenditures during the current year totaling \$369,684. These expenditures included the purchase of 3 buses, 2 vans, security system improvements, and computer system improvements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 and B-1). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriation budget. For the proprietary activities (the internal service fund), fund financial statements tell how goods or services of the District were provided to departments within the District. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 27) provide narrative explanation or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Required Supplementary Information includes a budgetary comparison schedule for the general fund, a major governmental fund for which a budget must be prepared. The section labeled Other Supplementary Information – TEA Required Schedules, and the Federal Award Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

CLEVELAND INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as payments received from students for food service and grants from state and federal agencies for specific programs (program revenues), and revenues provided by the local taxpayers or by the state in equalization funding processes (general revenues). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

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

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity, Governmental Activities. The District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two fund types, governmental and proprietary, use different accounting approaches.

- *Governmental funds*-Most of the District's basic services are reported in governmental funds. These use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities reported in the Statement of Net Position and the Statement of Activities, and governmental funds in reconciliation schedules following each of the fund financial statements.
- *Proprietary funds*-The District reports activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund (the District's only proprietary fund) reports activities that provide services for the District's other programs and activities-such as the District's self-funded workers' compensation program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 25 and 26. We excluded these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CLEVELAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$25,505,099 to \$28,299,774. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$20,777,948 at August 31, 2014, an increase of \$2,601,553 from the prior year end.

Table I
Cleveland Independent School District

NET POSITION

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Current and other assets	\$27,453,397	\$25,257,169	\$2,196,228
Capital assets, net	41,791,736	43,184,229	(1,392,493)
Deferred charges for refunding	<u>2,089,621</u>	<u>2,356,552</u>	<u>(266,931)</u>
Total assets and deferred outflow of resources	<u>\$71,334,754</u>	<u>\$70,797,950</u>	<u>\$536,804</u>
Long-term liabilities	\$41,651,843	\$42,975,019	(\$1,323,176)
Other liabilities	<u>1,383,137</u>	<u>2,317,832</u>	<u>(934,695)</u>
Total liabilities	<u>\$43,034,980</u>	<u>\$45,292,851</u>	<u>(\$2,257,871)</u>
Net Position:			
Invested in capital assets, net of related debt	\$2,315,604	\$2,653,855	(\$338,251)
Restricted	5,206,222	4,674,849	531,373
Unrestricted	<u>20,777,948</u>	<u>18,176,395</u>	<u>2,601,553</u>
Total net position	<u>\$28,299,774</u>	<u>\$25,505,099</u>	<u>\$2,794,675</u>

Unrestricted net position includes \$4,800,000 which has been assigned by management as funds, recorded in the general fund, earmarked for potential construction or emergency expenditures. Since assignment by management does not create a legally binding commitment, this amount is not considered a "restricted" net asset for the purposes of the government-wide financial statements.

The net effect of the changes in current assets and other liabilities basically reflects the results of operations for the current fiscal year. Other liabilities at the end of the prior year included \$1,070,640 of state entitlement overpayments to the District. At the end of the current year, the District had a receivable from the state of \$1,335,625.

The decrease in capital assets primarily relates to current year depreciation of \$1,762,177, which was offset by net asset additions of \$369,684. The net changes in long-term liabilities and deferred charges for refunding reflects the scheduled repayment of bonds, net of accretion on capital appreciation bonds, and amortization of deferred amounts.

CLEVELAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table II
Cleveland Independent School District

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Revenues:			
Program Revenues:			
Charges for services	\$671,934	\$613,881	\$58,053
Operating grants and contributions	5,836,696	4,982,448	854,248
General Revenues:			
Maintenance and operations taxes	7,828,297	7,475,350	352,947
Debt service taxes	2,050,702	1,956,714	93,988
State aid – formula grants	20,695,340	18,670,837	2,024,503
Investment earnings	80,523	160,098	(79,575)
Penalty and interest - taxes	571,675	621,516	(49,841)
Miscellaneous	<u>98,598</u>	<u>307,229</u>	<u>(208,631)</u>
Total Revenues	<u>\$37,833,765</u>	<u>\$34,788,073</u>	<u>\$3,045,692</u>
Expenses:			
Instruction, curriculum and media services	\$18,901,591	\$17,010,616	\$1,890,975
Instructional and school leadership	1,971,183	1,796,238	174,945
Student support services	2,917,973	2,515,839	402,134
Child nutrition	1,944,016	1,913,779	30,237
Cocurricular activities	817,079	721,352	95,727
General administration	1,329,514	1,003,142	326,372
Plant maintenance, security and data processing	4,686,829	3,752,009	934,820
Community services	7,284	31,898	(24,614)
Debt services – interest and fees	1,812,615	1,536,997	275,618
Payments related to shared service arrangements	394,033	492,560	(98,527)
Other intergovernmental charges-CAD	<u>256,973</u>	<u>252,618</u>	<u>4,355</u>
Total Expenses	<u>\$35,039,090</u>	<u>\$31,027,048</u>	<u>\$4,012,042</u>
Increase (decrease) in net position	\$2,794,675	\$3,761,025	(\$966,350)
Net position at beginning of year	25,505,099	22,246,906	3,258,193
Prior period adjustment – debt issuance cost	<u>0</u>	<u>(502,832)</u>	<u>502,832</u>
Net position at end of year	<u>\$28,299,774</u>	<u>\$25,505,099</u>	<u>\$2,794,675</u>

The District's total revenues increased approximately 8.8% from prior year revenues. The total cost of all programs and services increased by 12.9% from prior year costs.

The District's primary sources of revenues include local taxes (28%), state aid from formula grants (55%), and other state and federal grants 15%. The remaining 2% of revenues includes charges for services and other revenue. The most significant costs are for instructional services (54%).

CLEVELAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in total revenues includes the following factors:

- (1) Overall property tax revenues, including penalty and interest, increased \$397,094, or 4.0% from the prior year, primarily as a result of an increase in taxable value of 6%.
- (2) State aid from formula grants increased for the 2013-2014 school year by \$2,024,503 or 10.8%. The increase results primarily from an increase in refined and weighted ADA as compared to the prior year, and formula increases as a result of legislation passed in the 83rd session of the Texas Legislature.
- (3) The increase in program revenue from operating grants results from a net increase in revenue from federal grant programs of \$332,185, and a net increase in state grant programs of \$522,063. The primary increase in federal program funding was an increase in ESEA, Title I funding of \$358,795. The increase in state grants included a \$382,741 increase in instructional material allotment funding for fiscal 2014 as compared to the prior year.

The increase in expenses is primarily the result of an overall increase in staff which produced an increase in payroll costs of approximately \$2.5 million. Facility maintenance and operating costs increased approximately \$500,000 due to increases in utility costs and contracted services.

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

Individual Funds

As of August 31, 2014, the District's governmental funds (as presented in the balance sheet – Exhibit C-1, on page 18) reported a combined fund balance of \$22,157,894, an increase of \$2,861,805 from the prior year's combined balance of \$19,296,089. The increase in the combined fund balance resulted primarily from the results of operations for the year in the General Fund – increase of \$2,380,307, the Debt Service Fund – increase of \$273,397, and the Food Service Fund – increase of \$208,101.

The improved results of operations of the governmental funds are essentially the result of the factors discussed above for the government-wide financial statements. The increase in state funding in the General Fund was approximately \$2.4 million.

General Fund Budgetary Highlights

In accordance with State law, the District prepares an annual budget for the General Fund, the Food Service Special Revenue Fund, and the Debt Service Fund. When necessary, the District also budgets a Capital Projects Fund for each project, which may cover more than one year, and other Special Revenue Funds on a project basis.

During the year ended August 31, 2014, the Board of Trustees revised the budget for the General Fund several times. These amendments generally included reductions in functional categories of expenditures to more accurately reflect actual operations. Revenue budgets were amended to reflect increased tax revenues and state funding in excess of the original budget. Total estimated revenues included in the original budget were amended up by 4.3% during the year, with expenditure appropriations being decreased by approximately 8.4% from the original budget to the final amended budget.

As indicated on the Budgetary Comparison Schedule – General Fund on page 42, the overall budget variance for the year was positive, and there were no negative variances for any of the expenditure functions.

CLEVELAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2014, the District had \$62,615,954 invested in a broad range of capital assets, before depreciation, including facilities and equipment for instruction, transportation, athletics, administration, technology, and maintenance. This amount represents a net increase of \$369,684 above the prior year totals.

This year's major additions included:

Specially Equipped 47 Passenger Bus	\$87,803
2 – 77 Passenger Buses	181,158
2 – Dodge Caravans	40,000
Security Cameras – 5 Campuses	32,195
Computer System Improvements	<u>28,528</u>
Net additions	<u>\$369,684</u>

More detailed information about the District's capital assets is presented in Note III.F to the financial statements.

Debt

Following is a summary of the outstanding long-term liabilities at August 31, 2014. More detailed information regarding these outstanding obligations is presented in Note III.G to the financial statements.

Analysis of Long-Term Liabilities

	Governmental Activities <u>August 31, 2014</u>
Unlimited Tax Refunding Bonds – Series 2006	\$8,554,989
Unlimited Tax Refunding Bonds – Series 2007	6,835,000
Unlimited Tax Refunding Bonds – Series 2010	20,670,796
Premiums/Discounts and Accumulated Accretion	5,504,968
Accrued Interest	<u>86,090</u>
Total Long-Term Liabilities	<u>\$41,651,843</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Trustees and management officials considered many factors when setting the fiscal year 2015 budget and tax rates. Following are some items considered:

- Student enrollment for 2014-2015 is projected to increase approximately 1-2%.
- Revenues available for general operations from ad valorem taxes are projected to be similar to the prior year. Cleveland ISD adopted an M & O tax rate of \$1.04/\$100 valuation, plus a debt service rate of \$0.275/\$100 valuation for 2014-2015, the same rates as adopted for the 2013-2014 fiscal year.

CLEVELAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Preliminary estimates of State foundation program entitlements for the General Fund for the 2014-2015 school year indicate that the District should receive approximately \$20.7 million, an increase of approximately 6.5% from the 2013-2014 actual State foundation revenue.

After considering all factors, an operating budget for the General Fund of \$31,722,082 was adopted, a 16% increase from the fiscal 2014 actual expenditures. The budget increase includes an increase in the number of instructional personnel. No district-wide pay increases were made, other than the normal step increases. The District budgeted \$383,500 for capital expenditures for buses and other equipment. The budget, as adopted, projects the use of approximately \$1 million of the carryover fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Cleveland Independent School District, 316 East Dallas, Cleveland, Texas, 77327.

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BASIC FINANCIAL STATEMENTS

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

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 21,583,966
1220	Property Taxes Receivable (Delinquent)	4,126,091
1230	Allowance for Uncollectible Taxes	(412,609)
1240	Due from Other Governments	2,093,429
1290	Other Receivables, net	48,391
1300	Inventories	14,129
	Capital Assets:	
1510	Land	999,446
1520	Buildings, Net	39,540,748
1530	Furniture and Equipment, Net	1,251,542
1000	Total Assets	<u>69,245,133</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	2,089,621
1700	Total Deferred Outflows of Resources	<u>2,089,621</u>
LIABILITIES		
2110	Accounts Payable	360,529
2150	Payroll Deductions & Withholdings	269,678
2160	Accrued Wages Payable	714,116
2300	Unearned Revenue	38,814
	Noncurrent Liabilities	
2501	Due Within One Year	749,480
2502	Due in More Than One Year	40,902,363
2000	Total Liabilities	<u>43,034,980</u>
NET POSITION		
3200	Net Investment in Capital Assets	2,315,604
3820	Restricted for Federal and State Programs	658,330
3850	Restricted for Debt Service	4,547,892
3900	Unrestricted	20,777,948
3000	Total Net Position	<u><u>\$ 28,299,774</u></u>

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
	Expenses			Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 17,825,365	\$ 263,718	\$ 2,941,280	\$ (14,620,367)
12 Instructional Resources and Media Services	326,345	-	17,759	(308,586)
13 Curriculum and Staff Development	749,881	-	290,143	(459,738)
21 Instructional Leadership	20,982	-	1,472	(19,510)
23 School Leadership	1,950,201	-	103,334	(1,846,867)
31 Guidance, Counseling and Evaluation Services	761,899	-	56,237	(705,662)
32 Social Work Services	27,052	-	13,267	(13,785)
33 Health Services	444,749	-	422,093	(22,656)
34 Student (Pupil) Transportation	1,684,273	-	47,609	(1,636,664)
35 Food Services	1,944,016	365,327	1,593,171	14,482
36 Extracurricular Activities	817,079	35,902	23,055	(758,122)
41 General Administration	1,329,514	-	44,181	(1,285,333)
51 Facilities Maintenance and Operations	3,630,747	6,987	242,632	(3,381,128)
52 Security and Monitoring Services	547,165	-	21,939	(525,226)
53 Data Processing Services	508,917	-	11,240	(497,677)
61 Community Services	7,284	-	7,284	-
72 Debt Service - Interest on Long Term Debt	1,811,140	-	-	(1,811,140)
73 Debt Service - Bond Issuance Cost and Fees	1,475	-	-	(1,475)
93 Payments related to Shared Services Arrangements	394,033	-	-	(394,033)
99 Other Intergovernmental Charges	256,973	-	-	(256,973)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 35,039,090	\$ 671,934	\$ 5,836,696	(28,530,460)
Data Control Codes	General Revenues:			
MT	Property Taxes, Levied for General Purposes			7,828,297
DT	Property Taxes, Levied for Debt Service			2,050,702
SF	State Aid - Formula Grants			20,695,340
GC	Grants and Contributions not Restricted			7,587
IE	Investment Earnings			80,523
MI	Miscellaneous Local and Intermediate Revenue			662,686
TR	Total General Revenues			31,325,135
CN	Change in Net Position			2,794,675
NB	Net Position - Beginning			25,505,099
NE	Net Position--Ending			\$ 28,299,774

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 16,871,526	\$ 3,900,629	\$ 531,252	\$ 21,303,407
1220 Property Taxes - Delinquent	3,322,090	804,001	-	4,126,091
1230 Allowance for Uncollectible Taxes (Credit)	(332,209)	(80,400)	-	(412,609)
1240 Receivables from Other Governments	1,848,920	-	244,509	2,093,429
1290 Other Receivables	38,639	9,752	-	48,391
1300 Inventories	-	-	14,129	14,129
1000 Total Assets	<u>\$ 21,748,966</u>	<u>\$ 4,633,982</u>	<u>\$ 789,890</u>	<u>\$ 27,172,838</u>
LIABILITIES				
2110 Accounts Payable	\$ 63,234	\$ -	\$ 73,860	\$ 137,094
2150 Payroll Deductions and Withholdings Payable	269,678	-	-	269,678
2160 Accrued Wages Payable	695,230	-	18,886	714,116
2170 Due to Other Funds	262,760	-	-	262,760
2300 Unearned Revenues	-	-	38,814	38,814
2000 Total Liabilities	<u>1,290,902</u>	<u>-</u>	<u>131,560</u>	<u>1,422,462</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	2,874,881	717,601	-	3,592,482
2600 Total Deferred Inflows of Resources	<u>2,874,881</u>	<u>717,601</u>	<u>-</u>	<u>3,592,482</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	658,330	658,330
3480 Retirement of Long-Term Debt	-	3,916,381	-	3,916,381
3490 Other Restricted Fund Balance	533,835	-	-	533,835
Assigned Fund Balance:				
3550 Construction	2,800,000	-	-	2,800,000
3590 Other Assigned Fund Balance	2,000,000	-	-	2,000,000
3600 Unassigned Fund Balance	12,249,348	-	-	12,249,348
3000 Total Fund Balances	<u>17,583,183</u>	<u>3,916,381</u>	<u>658,330</u>	<u>22,157,894</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,748,966</u>	<u>\$ 4,633,982</u>	<u>\$ 789,890</u>	<u>\$ 27,172,838</u>

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

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

Total Fund Balances - Governmental Funds	\$ 22,157,894
1 The District uses internal service funds to charge the costs of certain self-insurance activities to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.	319,884
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	41,791,736
3 Property taxes receivable which are not available to pay for current period expenditures are deferred in the governmental fund balance sheets.	3,592,482
4 Payables for unmatured bond principal are not reported in the governmental funds.	(36,060,785)
5 Accrued and accreted interest on long-term debt is not reported in the governmental funds.	(5,297,856)
6 Premiums and discounts on bonds, net of amortization, are not reported in the governmental funds.	(293,202)
7 Deferred amounts from bond refundings, net of amortization, are not reported in the governmental funds.	2,089,621
19 Net Position of Governmental Activities	\$ 28,299,774

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,525,238	\$ 2,137,945	\$ 361,841	\$ 11,025,024
5800 State Program Revenues	20,831,851	1,004,312	542,249	22,378,412
5900 Federal Program Revenues	338,975	-	3,822,236	4,161,211
5020 Total Revenues	<u>29,696,064</u>	<u>3,142,257</u>	<u>4,726,326</u>	<u>37,564,647</u>
EXPENDITURES:				
Current:				
0011 Instruction	14,558,757	-	2,146,524	16,705,281
0012 Instructional Resources and Media Services	326,345	-	-	326,345
0013 Curriculum and Instructional Staff Development	475,814	-	274,067	749,881
0021 Instructional Leadership	20,982	-	-	20,982
0023 School Leadership	1,890,777	-	3,692	1,894,469
0031 Guidance, Counseling and Evaluation Services	690,667	-	15,500	706,167
0032 Social Work Services	14,154	-	12,898	27,052
0033 Health Services	306,682	-	138,067	444,749
0034 Student (Pupil) Transportation	1,844,982	-	-	1,844,982
0035 Food Services	-	-	1,746,911	1,746,911
0036 Extracurricular Activities	775,645	-	-	775,645
0041 General Administration	1,290,295	-	-	1,290,295
0051 Facilities Maintenance and Operations	3,439,209	-	172,246	3,611,455
0052 Security and Monitoring Services	571,608	-	1,036	572,644
0053 Data Processing Services	458,834	-	-	458,834
0061 Community Services	-	-	7,284	7,284
Debt Service:				
0071 Principal on Long Term Debt	-	650,016	-	650,016
0072 Interest on Long Term Debt	-	2,217,369	-	2,217,369
0073 Bond Issuance Cost and Fees	-	1,475	-	1,475
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	394,033	-	-	394,033
0099 Other Intergovernmental Charges	256,973	-	-	256,973
6030 Total Expenditures	<u>27,315,757</u>	<u>2,868,860</u>	<u>4,518,225</u>	<u>34,702,842</u>
1200 Net Change in Fund Balances	2,380,307	273,397	208,101	2,861,805
0100 Fund Balance - September 1 (Beginning)	<u>15,202,876</u>	<u>3,642,984</u>	<u>450,229</u>	<u>19,296,089</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,583,183</u>	<u>\$ 3,916,381</u>	<u>\$ 658,330</u>	<u>\$ 22,157,894</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,861,805
The net income (loss) of internal service funds is reported with governmental activities, but is not included in the governmental funds.	64,526
Current year capital outlays are expenditures in the fund financial statements, but increase capital assets in the government-wide financial statements.	369,684
Depreciation of capital assets is included in the statement of activities but not in the fund statements.	(1,762,177)
Repayment of long term debt principal is an expenditure in the fund financial statements but reduces the liability in the statement of net position.	650,016
Certain property tax revenues not available to pay current expenditures are deferred in the fund statements. Tax revenue in the statement of activities is recognized on the accrual basis when levied. The net change in tax revenue recognition for the year is this amount.	204,592
Interest is accrued on long term debt for the statement of activities. The decrease in accrued interest from the beginning of the year to the end of the year is this amount.	2,003
Accretion on capital appreciation bonds is reflected in the statement of activities but not in the fund statements.	(155,179)
Bond premiums/discounts, and deferred amounts from bond refundings are amortized in the statement of activities but not in the fund statements.	(250,579)
Repayment of accumulated accretion on capital appreciation bonds paid off in fiscal 2014 is an expenditure in the fund statements but reduces the liability in the statement of net position.	809,984
Change in Net Position of Governmental Activities	\$ 2,794,675

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

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

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 280,559
Due from Other Funds	262,760
	<hr/>
Total Assets	543,319
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	223,435
	<hr/>
Total Liabilities	223,435
	<hr/>
NET POSITION	
Restricted for Other Purposes	319,884
	<hr/>
Total Net Position	\$ 319,884
	<hr/> <hr/>

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

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

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 242,672
Total Operating Revenues	<u>242,672</u>
OPERATING EXPENSES:	
Other Operating Costs	178,634
Total Operating Expenses	<u>178,634</u>
Operating Income	<u>64,038</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	488
Total Nonoperating Revenues (Expenses)	<u>488</u>
Change in Net Position	64,526
Total Net Position September 1 (Beginning)	<u>255,358</u>
Total Net Position August 31 (Ending)	<u><u>\$ 319,884</u></u>

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

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

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 242,672
Cash Payments for Insurance Claims	(150,214)
Net Cash Provided by Operating Activities	92,458
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	488
Net Increase in Cash and Cash Equivalents	92,946
Cash and Cash Equivalents at Beginning of Year	187,613
Cash and Cash Equivalents at End of Year	\$ 280,559
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	\$ 64,038
Operating Income:	
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	28,420
Net Cash Provided by Operating Activities	\$ 92,458
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 280,559
	\$

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

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

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 896	\$ 58,905
Total Assets	<u>896</u>	<u>58,905</u>
LIABILITIES		
Due to Other Governments	-	\$ 23,159
Due to Student Groups	-	35,746
Total Liabilities	<u>-</u>	<u>58,905</u>
NET POSITION		
Restricted for Scholarships	<u>896</u>	
Total Net Position	<u>\$ 896</u>	

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

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

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 503
Total Additions	<u>503</u>
DEDUCTIONS:	
Scholarships Distributed	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	3
Total Net Position September 1 (Beginning)	<u>893</u>
Total Net Position August 31 (Ending)	<u><u>\$ 896</u></u>

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

CLEVELAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Cleveland Independent School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units in conjunction with the Texas Education Agency’s *Financial Accountability System Resource Guide* (“Resource Guide”). The Governmental Accounting Standard Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Board of Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. The District’s only proprietary fund type is its internal service fund, which is combined with governmental activities in the government-wide financial statements. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statement. The District considers some governmental funds as major and reports their financial condition and results of operations in a separate column.

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

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

Government-wide, Proprietary and Fiduciary Fund Financial Statements: These 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 the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. The determination of whether resources should be classified as restricted in the government-wide statement of net position begins at the fund level.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

Other Governmental Funds:

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

Proprietary Fund Type:

Internal Service Fund – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Public Entity Risk Pool for Workers' Compensation, which is consolidated with the governmental funds in the government-wide financial statements.

Fiduciary Fund Types:

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Trust Fund.

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds and the textbook custodial fund.

E. OTHER ACCOUNTING POLICIES

1. **Cash and Temporary Investments** - Cash includes cash on hand and cash in demand and short-term time deposit accounts. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Temporary investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

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

2. **Inventories** - Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and they are recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. The District records other purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.
3. **Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Significant bond premiums and discounts, as well as deferred charges for refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	15-20
Vehicles	7-10
Office and Other Equipment	5-10
Computer Equipment	7

5. ***Fund Balances of Governmental Funds*** – Fund balances of the governmental funds are classified as follows:

- Nonexpendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid items) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The District’s Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Authority to assign fund balance has been delegated by the Trustees to the Superintendent. Assigned fund balance can be established through adoption or amendment of the budget or long term plans for a specific purpose (such as purchase of fixed assets, construction, or other purposes).

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

6. ***Interfund Transactions*** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. All interfund transactions and balances were eliminated in the preparation of the government-wide statement of net assets and statement of activities.

7. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
8. **Data Control Codes** - The Data Control Codes refer to the account code structure prescribed by TEA in the **Financial Accountability System Resource Guide**. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report is Required Supplementary Information and appears in Exhibit F-1, and the other two reports are in Exhibit G4 and G5, as Other Supplementary Information.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year, with such amendments being reflected in the final budget amounts in the applicable budgetary comparison schedule.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

A reconciliation of fund balances for both appropriated and nonappropriated budget special revenue funds is as follows:

	August 31, 2014 <u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$658,330
Nonappropriated Budget Funds	<u>0</u>
All Special Revenue Funds	<u>\$658,330</u>

5. 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 appropriately provided for in the subsequent year's budget. The District had no significant end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance – Related Legal and Contractual Provisions –
In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance – related legal and contractual provisions must be reported, along with actions taken to address such violations. No violations were noted which would require disclosure.
2. Deficit Fund Balance or Fund Net Position of Individual Funds –
The District had no funds at August 31, 2014, with a deficit balance.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

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

As of August 31, 2014, and throughout the fiscal year, the District invested only in savings accounts and money market accounts at the depository bank, which are included in cash deposits.

Additional policies and contractual provisions governing deposits and investments for the Cleveland Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District’s policy limits its investments in obligations and securities authorized by state statutes to the top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2014, and for the year then ended, the District invested only in savings accounts and money market accounts, which were fully secured by pledged securities or FDIC coverage.

Custodial Credit Risk for Investments As previously stated, the District's investments during the current year were limited to deposits at the depository institution, which were fully secured at all times by the combination of FDIC coverage and properly pledged securities.

Concentration of Credit Risk The District's investment policy does not specifically limit an investment in any one issuer.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District normally requires that investments in certificates of deposit or other such instruments be monitored by using weighted average maturity and specific identification.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available, by the governmental funds (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The District's current year tax rate was \$1.315 per \$100 valuation, with \$1.04 for general fund maintenance and operations, and \$0.275 for debt service. The rate was applied to a total net assessed value of \$757,768,745.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND RECEIVABLES AND PAYABLES

Due To and From Other Funds –

Interfund balances at August 31, 2014 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Internal Service Fund	\$ 0	\$262,760
Internal Service Fund:		
General Fund	<u>262,760</u>	<u>0</u>
TOTAL	<u>\$262,760</u>	<u>\$262,760</u>

All interfund balances result from normal operating activity, and are expected to be repaid within one year. The District had no operating or equity transfers between funds during the current year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Accrual and Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$3,322,090	\$1,848,920	\$ 0	\$38,639	\$5,209,649
Debt Service Fund	804,001	0	0	9,752	813,753
Internal Service Fund	0	0	262,760	0	262,760
Other Nonmajor Funds	<u>0</u>	<u>244,509</u>	<u>0</u>	<u>0</u>	<u>244,509</u>
Total	<u>\$4,126,091</u>	<u>\$2,093,429</u>	<u>\$262,760</u>	<u>\$48,391</u>	<u>\$6,530,671</u>
Amount not scheduled for collection during the subsequent year	<u>\$412,609</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$412,609</u>

Payables at August 31, 2014, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$63,234	\$964,908	\$262,760	\$1,290,902
Internal Service Fund	223,435	0	0	223,435
Other Nonmajor Funds	<u>73,860</u>	<u>18,886</u>	<u>0</u>	<u>92,746</u>
Total	<u>\$360,529</u>	<u>\$983,794</u>	<u>\$262,760</u>	<u>\$1,607,083</u>
Amount not scheduled for payments during the subsequent year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

F. CAPITAL ASSET ACTIVITY

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	<u>\$999,446</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$999,446</u>
Total Capital Assets not being Depreciated	<u>\$999,446</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$999,446</u>
Capital Assets being Depreciated:				
Buildings and Improvements	\$57,007,654	\$ 0	\$ 0	\$57,007,654
Furniture and Equipment	<u>4,239,170</u>	<u>369,684</u>	<u>0</u>	<u>4,608,854</u>
Total Capital Assets being Depreciated	<u>\$61,246,824</u>	<u>\$369,684</u>	<u>\$ 0</u>	<u>\$61,616,508</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(\$16,029,765)	(\$1,437,141)	\$ 0	(\$17,466,906)
Furniture and Equipment	<u>(3,032,276)</u>	<u>(325,036)</u>	<u>0</u>	<u>(3,357,312)</u>
Total Accumulated Depreciation	<u>(\$19,062,041)</u>	<u>(\$1,762,177)</u>	<u>\$ 0</u>	<u>(\$20,824,218)</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets being Depreciated - Net	<u>\$42,184,783</u>	<u>(\$1,392,493)</u>	<u>\$ 0</u>	<u>\$40,792,290</u>
Governmental Activity Capital Assets - Net	<u>\$43,184,229</u>	<u>(\$1,392,493)</u>	<u>\$ 0</u>	<u>\$41,791,736</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$1,120,084
School Leadership	55,732
Guidance, Counseling and Evaluation Services	55,732
Student (Pupil) Transportation	148,252
Food Services	197,105
Cocurricular/Extracurricular Activities	41,434
General Administration	39,219
Plant Maintenance and Operations	19,292
Security	6,716
Data Processing Services	<u>78,611</u>
Total Depreciation Expense	<u>\$1,762,177</u>

G. LONG-TERM LIABILITIES

Long-term liabilities include current interest bonds and capital appreciation bonds, which are serviced through the Debt Service Fund. The District has no local policies regarding debt limitation or debt margin, but must comply with State requirements.

Changes in long-term liabilities for the year ended August 31, 2014, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable -					
Unlimited Tax Refunding Bonds, Series 2006, 3.80-4.375%	\$8,639,989	\$ 0	(\$85,000)	\$8,554,989	\$90,000
Unlimited Tax Refunding Bonds, Series 2007, 4.00%	7,355,000	0	(520,000)	6,835,000	555,000
Unlimited Tax Refunding Bonds, Series 2010, 3.00-4.00%	20,715,812	0	(45,016)	20,670,796	18,390
Issuance Premiums	372,216	0	(19,833)	352,383	0
Issuance Discounts	(62,662)	0	3,481	(59,181)	0
Accretion on Capital Appreciation Bonds	<u>5,866,571</u>	<u>155,179</u>	<u>(809,984)</u>	<u>5,211,766</u>	<u>0</u>
Total Bonds Payable	\$42,886,926	\$155,179	(\$1,476,352)	\$41,565,753	\$663,390
Other Liabilities -					
Accrued Interest	<u>88,093</u>	<u>86,090</u>	<u>(\$88,093)</u>	<u>86,090</u>	<u>86,090</u>
Governmental Activities Long-Term Liabilities	<u>\$42,975,019</u>	<u>\$241,269</u>	<u>(\$1,564,445)</u>	<u>\$41,651,843</u>	<u>\$749,480</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Deferred Charges for Refunding - Deferred Amount - 2006 Refunding Bonds	(\$360,072)	\$ 0	\$16,953	(\$343,119)	0
Deferred Amount - 2007 Refunding Bonds	(215,812)	0	19,615	(196,197)	0
Deferred Amount - 2010 Refunding Bonds	<u>(1,780,668)</u>	<u>0</u>	<u>230,363</u>	<u>(1,550,305)</u>	<u>0</u>
Total Deferred Charges for Refunding	<u>(\$2,356,552)</u>	<u>\$ 0</u>	<u>\$266,931</u>	<u>(\$2,089,621)</u>	<u>\$ 0</u>

Debt service requirements on long-term debt are as follows:

<u>Year ended, August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$663,390	\$2,229,170	\$2,892,560
2016	687,550	2,228,600	2,916,150
2017	723,079	2,215,071	2,938,150
2018	761,267	2,202,283	2,963,550
2019	810,510	2,176,640	2,987,150
2020-2024	9,970,000	5,414,675	15,384,675
2025-2029	10,664,989	5,544,584	16,209,573
2030-2033	<u>11,780,000</u>	<u>952,656</u>	<u>12,732,656</u>
Total	<u>\$36,060,785</u>	<u>\$22,963,679</u>	<u>\$59,024,464</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2014.

H. COMMITMENTS UNDER LEASES

The District has the following commitments under operating (noncapitalized) lease agreements for equipment which provides for minimum future rental payments beyond the current year:

<u>Year ending August 31,</u>	<u>Amount</u>
2015	\$109,848
2016	109,848
2017	109,848
2018	<u>64,078</u>
Total Minimum Rentals	<u>\$393,622</u>
Rental Expenditures for the Fiscal Year Ended August 31, 2014	<u>\$115,180</u>

The District had no capital leases outstanding during the current year.

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Cleveland Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas, 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; and (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013, and 2012, and a state contribution rate of 6.0% for September 1, 2011 to August 31, 2012, 6.4% for September 1, 2012 to August 31, 2013, and 6.8% for September 1, 2013 to August 31, 2014.. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of Cleveland Independent School District's employees for the years ended August 31, 2014, 2013 and 2012 were \$941,737, \$850,231, and \$784,960, respectively. Cleveland Independent School District paid additional state contributions for the years ended August 31, 2014, 2013, and 2012 in the amount of \$289,163, \$219,294, and \$267,862, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and for salaries paid from federal and private grants.

J. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% (reduced to 0.5% for the fiscal year ended August 31, 2013) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013, and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the fiscal years 2014, 2013, and 2012, the State's contributions to TRS-Care with respect to the Cleveland ISD payroll were \$166,910, \$76,668, and \$152,379, respectively, the active member contributions were \$117,116, \$106,282, and \$108,954, respectively, and the school district's contributions were \$112,369, \$95,019, and \$92,191, respectively, which equaled the required contributions for each period.

Medicare Part D Subsidy. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care Program to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each school district. The total subsidy to TRS-Care allocable to the Cleveland Independent School District for the current fiscal year is \$48,074.

K. HEALTH CARE COVERAGE

During the year ended August 31, 2014, the District participated in the TRS Active Care Health Insurance Plan administered by the State.

The District paid \$229.00-\$408.00 per month for employee only health coverage under this plan, and up to \$882.00 per month for full family coverage. Additional costs were paid by the employee through payroll deductions.

L. PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The District is a member of the East Texas Educational Insurance Association Workers' Compensation Self-Insurance Joint Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for workers' compensation coverage and develop a comprehensive loss control program.

The Fund shall obtain insurance to provide coverage to indemnify the Plan for a claim in excess of the single occurrence self-insurance retention maximum of \$500,000 from any one Plan Sponsor's employee(s) or total claims that exceed the combined loss fund maximum of \$5,000,000 of all Plan Sponsors, with the aggregate limits of the insurance contract.

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of financial statements and the amount of the loss can be reasonably estimated. The estimate of incurred but not reported losses are based on historical experience.

Changes in the Fund's claims liability amount in fiscal 2014 and 2013 are as follows:

	<u>Beginning of Fiscal year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year</u>
<u>2014</u>				
Incurred Claims	\$15,747	\$163,693	\$150,028	\$29,412
Incurred but not Reported (Estimated)	<u>179,268</u>	<u>14,755</u>	<u>N/A</u>	<u>194,023</u>
Total	<u>\$195,015</u>	<u>\$178,448</u>	<u>\$150,028</u>	<u>\$223,435</u>
<u>2013</u>				
Incurred Claims	\$201,101	\$39,308	\$224,662	\$15,747
Incurred but not Reported (Estimated)	<u>171,270</u>	<u>7,998</u>	<u>N/A</u>	<u>179,268</u>
Total	<u>\$372,371</u>	<u>\$47,306</u>	<u>\$224,662</u>	<u>\$195,015</u>

M. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Unearned State Revenue	\$ 0	\$24,685	\$24,685
Food Service Commodity Inventory	<u>0</u>	<u>14,129</u>	<u>14,129</u>
Total	<u>\$ 0</u>	<u>\$38,814</u>	<u>\$38,814</u>

N. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs.

Amounts due from federal and state governments as of August 31, 2014, are summarized below:

<u>Fund</u>	<u>State Entitlements and Grants</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$1,843,821	5,099	\$1,848,920
Special Revenue	<u>450</u>	<u>244,059</u>	<u>244,509</u>
	<u>\$1,844,271</u>	<u>\$249,158</u>	<u>\$2,093,429</u>

Amounts due from the State in the General Fund includes \$508,196 of estimated funds earned in August 2014, for days of instruction in the 2014-2015 school year..

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
Property Taxes	\$7,655,995	\$ 0	\$2,018,412	\$ 0	\$9,674,407
Penalties, Interest and Other					
Tax Related Income	467,153	0	104,522	0	571,675
Investment Income	62,919	2,105	15,011	488	80,523
Payments in Lieu of Taxes	184,781	0	0	0	184,781
Food Sales	0	355,783	0	0	355,783
Other	<u>154,390</u>	<u>3,953</u>	<u>0</u>	<u>242,672</u>	<u>401,015</u>
Total	<u>\$8,525,238</u>	<u>\$361,841</u>	<u>\$2,137,945</u>	<u>\$243,160</u>	<u>\$11,268,184</u>

P. LITIGATION AND CONTINGENCIES

At August 31, 2014, Cleveland Independent School District had no significant known lawsuits, claims or assessments pending or threatened directly against it which could have a material adverse effect on its financial condition.

Federal grant funds and certain state funds require expenditures in prescribed programs or for specific items. Such funds are subject to future audit by applicable state and federal agencies. The District does not anticipate any substantial disallowance of project costs or reduction in future funding due to any such examinations.

Additionally, the District's allocation of state funds for the 2013-2014 fiscal year is subject to change based upon actual daily attendance and other factors. Any change in this allocation will be reflected as an increase or decrease in funding for the subsequent year.

As part of the District's risk management policies, insurance coverage is obtained against loss from physical damage to facilities, contents, and equipment, and general liabilities of the District and the Board of Trustees. The District's potential loss from any related event or litigation is generally limited to its deductible.

Q. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

No significant construction projects were started in the current year, and no significant commitments have been budgeted for the 2014-15 fiscal year.

R. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in the Southeast Texas Cooperative, a shared service arrangement for special education. The Liberty Independent School District is the fiscal agent manager and is responsible for reporting all financial activities of the Cooperative. The member districts provide funds for the fiscal agent, with these expenditures being recorded to account 93-6492 in the general operating fund. Total payments from the Cleveland Independent School District to the cooperative in 2014 were \$394,033. The cooperative also receives funds directly from grantor agencies and accounts for activity relative to these projects using Model 2 in the SSA section of the TEA Resource Guide.

The District participates in a shared services arrangement for alternative education for at risk groups with seven other school districts, through the Gulf Coast Education Consortium. The Liberty Independent School District is the fiscal agent manager and is responsible for reporting all financial activity of the consortium. The District's total payments to the Consortium during the current fiscal year were \$187,621.

The District participates in a cooperative program for special education serving deaf and hard of hearing students, which includes 17 school districts. The Goose Creek Independent School District is the fiscal agent manager and is responsible for reporting all financial activities of the Tri-County East Regional Day School Program for the Deaf. The member districts provide funds to the fiscal agent, with payments from the Cleveland Independent School District to the cooperative in the current period totaling \$11,816.

The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agents. The fiscal agent is neither accumulating significant financial resources nor fiscal requirements that would give rise to a future additional benefit or burden to Cleveland Independent School District. The fiscal agent managers are responsible for all financial activities of the shared services arrangement.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 7,725,067	\$ 8,434,149	\$ 8,525,238	\$ 91,089
5800	State Program Revenues	19,107,421	19,492,740	20,831,851	1,339,111
5900	Federal Program Revenues	256,200	337,876	338,975	1,099
5020	Total Revenues	27,088,688	28,264,765	29,696,064	1,431,299
EXPENDITURES:					
Current:					
0011	Instruction	16,182,139	14,639,743	14,558,757	80,986
0012	Instructional Resources and Media Services	381,385	333,169	326,345	6,824
0013	Curriculum and Instructional Staff	465,842	481,000	475,814	5,186
0021	Instructional Leadership	-	21,000	20,982	18
0023	School Leadership	1,955,934	1,905,795	1,890,777	15,018
0031	Guidance, Counseling and Evaluation Services	765,565	700,000	690,667	9,333
0032	Social Work Services	-	14,500	14,154	346
0033	Health Services	447,770	310,000	306,682	3,318
0034	Student (Pupil) Transportation	2,258,195	1,906,102	1,844,982	61,120
0036	Extracurricular Activities	833,273	792,000	775,645	16,355
0041	General Administration	1,269,547	1,298,440	1,290,295	8,145
0051	Facilities Maintenance and Operations	3,805,851	3,450,847	3,439,209	11,638
0052	Security and Monitoring Services	470,707	575,000	571,608	3,392
0053	Data Processing Services	459,105	470,000	458,834	11,166
0061	Community Services	990	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	449,348	408,033	394,033	14,000
0099	Other Intergovernmental Charges	350,000	256,973	256,973	-
6030	Total Expenditures	30,095,651	27,562,602	27,315,757	246,845
1100	Excess (Deficiency) of Revenues Over Expenditures	(3,006,963)	702,163	2,380,307	1,678,144
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	400	-	-	-
1200	Net Change in Fund Balances	(3,006,563)	702,163	2,380,307	1,678,144
0100	Fund Balance - September 1 (Beginning)	15,202,876	15,202,876	15,202,876	-
3000	Fund Balance - August 31 (Ending)	\$ 12,196,313	\$ 15,905,039	\$ 17,583,183	\$ 1,678,144

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It includes information which is required by the Texas Education Agency.

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.440000	0.30000	541,884,598
2007	1.310000	0.27500	554,653,502
2008	1.040000	0.27500	600,597,725
2009	1.040000	0.27500	643,319,240
2010	1.040000	0.27500	672,590,570
2011	1.040000	0.27500	714,082,966
2012	1.040000	0.27500	710,410,722
2013	1.040000	0.27500	714,875,011
2014 (School year under audit)	1.040000	0.27500	757,768,745
100 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 493,385	\$ -	\$ 19,977	\$ 906	\$ (17,515)	\$ 454,987
153,701	-	10,082	2,100	(2,788)	138,731
178,009	-	13,907	2,920	(2,608)	158,574
221,372	-	17,008	4,496	(2,886)	196,982
292,506	-	30,362	8,027	12,055	266,172
432,667	-	75,631	19,995	8,962	346,003
488,032	-	84,894	22,445	5,531	386,224
609,040	-	112,417	29,721	5,405	472,307
1,030,055	-	297,926	78,767	(8,442)	644,920
-	9,964,659	6,983,841	1,846,404	(73,223)	1,061,191
<u>\$ 3,898,767</u>	<u>\$ 9,964,659</u>	<u>\$ 7,646,045</u>	<u>\$ 2,015,781</u>	<u>\$ (75,509)</u>	<u>\$ 4,126,091</u>

CLEVELAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2014

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 417,010	\$ 517,816	\$ -	\$ -	\$ 934,826
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	16,012	16,926	-	-	-	32,938
6212	Audit Services	-	-	-	18,600	-	-	18,600
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	256,973	-	-	-	-	256,973
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	3,489	4,500	-	-	7,989
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	3,500	-	-	7,242	-	-	10,742
6240	Contr. Maint. and Repair	-	-	-	-	447	-	447
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	3,680	10,326	-	-	14,006
6290	Miscellaneous Contr.	7,197	7,244	3,000	154,517	-	-	171,958
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,107	-	2,791	40,496	-	-	45,394
6410	Travel, Subsistence, Stipends	9,290	-	2,854	3,469	-	-	15,613
6420	Ins. and Bonding Costs	30,547	-	-	-	-	-	30,547
6430	Election Costs	6,305	-	-	-	-	-	6,305
6490	Miscellaneous Operating	7,106	-	9,490	9,736	-	-	26,332
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 66,052	\$ 280,229	\$ 459,240	\$ 766,702	\$ 447	\$ -	\$ 1,572,670

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 31,833,982

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 369,684
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	3,611,455
Food (Function 35, 6341 and 6499)	(13)	800,921
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		766,702

SubTotal: 5,548,763

Net Allowed Direct Cost \$ 26,285,219

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 57,007,654
Historical Cost of Building over 50 years old	(16)	\$ 281,208
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ 734,155
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 4,608,854
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 451,850
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$25,402 in Function 53 expenditures are included in this report on administrative costs.

\$256,973 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 338,130	\$ 357,507	\$ 361,802	\$ 4,295
5800	State Program Revenues	20,200	31,942	34,924	2,982
5900	Federal Program Revenues	1,635,124	1,701,650	1,716,525	14,875
5020	Total Revenues	1,993,454	2,091,099	2,113,251	22,152
EXPENDITURES:					
0035	Food Services	1,933,342	1,792,885	1,732,904	59,981
0051	Facilities Maintenance and Operations	172,246	172,246	172,246	-
6030	Total Expenditures	2,105,588	1,965,131	1,905,150	59,981
1200	Net Change in Fund Balances	(112,134)	125,968	208,101	82,133
0100	Fund Balance - September 1 (Beginning)	450,229	450,229	450,229	-
3000	Fund Balance - August 31 (Ending)	\$ 338,095	\$ 576,197	\$ 658,330	\$ 82,133

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,683,969	\$ 2,126,849	\$ 2,137,945	\$ 11,096
5800	State Program Revenues	1,180,696	1,004,312	1,004,312	-
5020	Total Revenues	2,864,665	3,131,161	3,142,257	11,096
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	650,016	650,016	650,016	-
0072	Interest on Long Term Debt	2,217,370	2,217,370	2,217,369	1
0073	Bond Issuance Cost and Fees	3,000	3,000	1,475	1,525
6030	Total Expenditures	2,870,386	2,870,386	2,868,860	1,526
1200	Net Change in Fund Balances	(5,721)	260,775	273,397	12,622
0100	Fund Balance - September 1 (Beginning)	3,642,984	3,642,984	3,642,984	-
3000	Fund Balance - August 31 (Ending)	\$ 3,637,263	\$ 3,903,759	\$ 3,916,381	\$ 12,622

FEDERAL AWARD SECTION

WIGGINS & SMITH

Certified Public Accountants

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 10316 - 715 MAIN STREET - LIBERTY, TEXAS 77575 - (936) 336-6661 - FAX(936) 336-7086

Independent Auditor's 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*

Board of Trustees
Cleveland Independent School District
316 East Dallas
Cleveland, Texas 77327

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cleveland Independent School 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 November 6, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wiggins & Smith

WIGGINS & SMITH

Certified Public Accountants

November 6, 2014

WIGGINS & SMITH

Certified Public Accountants

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 10316 - 715 MAIN STREET - LIBERTY, TEXAS 77575 - (936) 336-6661 - FAX(936) 336-7086

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Cleveland Independent School District
316 East Dallas
Cleveland, Texas 77327

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion for each of the Cleveland Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cleveland Independent School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The administration of Cleveland Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. 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.

Wiggins & Smith
WIGGINS & SMITH
Certified Public Accountants

November 6, 2014

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

I. Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Significant deficiency identified that is not considered to be a material weakness? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified that is not considered to be a material weakness? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	National School Breakfast and Lunch Cluster
84.027A	IDEA, Part B, Formula, Discretionary, and High Cost Cluster

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

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

CLEVELAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

(Prepared by the District's Administration)

No response required.

CLEVELAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

(Prepared by the District's Administration)

No response required.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
R.O.T.C.	12.000	146901	\$ 53,740
Total Direct Programs			\$ 53,740
TOTAL DEPARTMENT OF DEFENSE			\$ 53,740
 U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through San Jacinto & Montgomery Counties</u>			
Impact Aid - P.L. 81.874	84.041	146901	\$ 24,156
Total Passed Through San Jacinto & Montgomery Counties			\$ 24,156
<u>Passed Through Southeast Texas Cooperative</u>			
*IDEA - Part B, Formula	84.027A	146600011469066600	\$ 159,640
*IDEA - Part B, Discretionary	84.027A	146600021469066677	88,640
*IDEA - Part B, High Cost	84.027A	146600061469066610	169,497
Total CFDA Number 84.027A			417,777
Total Special Education Cluster (IDEA)			417,777
Total Passed Through Southeast Texas Cooperative			\$ 417,777
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101146901	\$ 1,237,843
*ESEA, Title I, Part A-School Improvement Program	84.010A	14610112146901102	111,729
*ESEA, Title I, Part A-School Improvement Program	84.010A	14610112146901041	18,764
*ESEA, Title I, Part A-School Improvement Program	84.010A	14610112146901001	20,000
Total CFDA Number 84.010A			1,388,336
Total Title I, Part A Cluster			1,388,336
Career and Technical - Basic Grant	84.048A	14420006146901	54,413
Title III, Part A - English Language Acquisition	84.365A	14671001146901	50,105
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501146901	169,504
Summer School LEP	84.369A	69551304	4,400
Total Passed Through State Department of Education			\$ 1,666,758
TOTAL DEPARTMENT OF EDUCATION			\$ 2,108,691
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	146901	\$ 7,208
Total Passed Through Texas Dept of Human Services			\$ 7,208
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 7,208

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 391,697
*National School Lunch Program - Cash Assistance	10.555	71301401	1,188,952
*National School Lunch Prog. - Non-Cash Assistance	10.555	146004A	121,930
Total CFDA Number 10.555			<u>1,310,882</u>
*Summer Feeding Program - Cash Assistance	10.559	146901	27,915
Total Child Nutrition Cluster			<u>1,730,494</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,730,494</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 1,730,494</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,900,133</u>

*Clustered Programs

CLEVELAND INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Funds which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period expended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.

Amounts presented on the accompanying schedule differ from the total amount of federal revenues presented in the fund financial statements as follows:

Total Expenditures of Federal Awards per the Schedule of Federal Awards	\$ 3,900,133
Amount Reported in the General Fund as part of the School Health and Related Services – Not Included in the Schedule of Federal Awards	<u>261,078</u>
Total Federal Revenues per Exhibit C-3	<u>\$ 4,161,211</u>

SCHOOLS FIRST QUESTIONNAIRE

Cleveland Independent School District

Fiscal Year 2014

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 unqualified 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.	5211766