

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

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Princeton Independent School District
Name of School District

Collin
County

043-911
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 15th day of December, 2014.

Signature of Board **Secretary**

Signature of Board **President**

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

Morgan, Davis, & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other
Supplementary Information including the Supplementary Schedule of Expenditures of Federal Awards**

Independent Auditor's Report

Princeton Independent School District
321 Panther Parkway
Princeton, Texas 75407

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Princeton 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Princeton 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 on pages 6-10 and Budgetary Comparison Schedule-General Fund on page 46 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 Princeton Independent School District's basic financial statements. The Combining Statements for Nonmajor Governmental Funds on pages 48-54, and the Schedule of Expenditures of Federal Awards required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on page 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements for Nonmajor Governmental Funds and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statements for Nonmajor Governmental Funds and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, & J-3. We have applied certain limited procedures to this supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2014 on our consideration of Princeton Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton Independent School District's internal control over financial reporting and compliance.

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 23, 2014

PRINCETON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014

In this section of the Annual Financial and Compliance Report, we, the administrators of Princeton 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 Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position increased by \$100,895 as a result of this year's operations.
- The District's assets exceeded its liabilities at the close of the most recent fiscal year by \$9,757,653 which represents the District's total combined net position. Of this amount, \$12,772,394 (unrestricted net position) may be used to meet the District's ongoing obligations.
- As of August 31, 2014, the District's governmental funds reported a combined fund balance of \$26,025,543 compared to \$21,539,542 for the last fiscal year. The General Fund reported a fund balance of \$6,751,987 this fiscal year compared to \$5,629,929 the last fiscal year.
- The District's total tax rate for the 2013-2014 school year was \$ 1.51 with \$ 1.04 for maintenance & operation and \$ 0.47 for debt service.

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 (on pages 12 and 13). 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 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. 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 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by T.E.A. The section labeled Required Texas Education Agency Schedules contains 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 12. 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.

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

These two statements report the District's net position and changes in them. 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 non-financial 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 one kind of activity:

- Governmental activities—All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 14 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 under the ESEA Title 1 Part A 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. The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or 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 funds (a category of proprietary funds) report activities that provide services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District is presenting government-wide financial analysis in the form of current year data and prior year data and the changes in these accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$9,656,758 last year to \$9,757,653 at August 31, 2014. 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 – increased from \$10,160,587 last year to \$12,772,394 at August 31, 2014.

Changes in net position of the District's governmental activities were a \$851,429 decrease last year compared to a \$100,895 increase at August 31, 2014.

Table I
Princeton Independent School District
NET POSITION

	Governmental Activities 8/31/2014	Governmental Activities 8/31/2013	Net Change
Current and other assets	\$28,008,579	\$24,464,542	\$3,544,037
Capital assets	78,311,919	76,824,877	1,487,042
Total assets	<u>\$106,320,498</u>	<u>\$101,289,419</u>	<u>\$5,031,079</u>
Current and other liabilities	\$1,220,830	\$2,286,485	(\$1,065,655)
Long-term liabilities	95,342,015	89,346,176	5,995,839
Total liabilities	<u>\$96,562,845</u>	<u>\$91,632,661</u>	<u>\$4,930,184</u>
Net Position:			
Net Investment in Capital Assets	(\$5,196,903)	(\$2,457,390)	(\$2,739,513)
Restricted	2,182,162	1,953,561	228,601
Unrestricted	12,772,394	10,160,587	2,611,807
Total net position	<u><u>\$9,757,653</u></u>	<u><u>\$9,656,758</u></u>	<u><u>\$100,895</u></u>

Table II
Princeton Independent School District
CHANGES IN NET POSITION

	Governmental Activities Yr Ended 8/31/2014	Governmental Activities Yr Ended 8/31/2013	Net Change
Revenues:			
Program Revenues:			
Charges for Services	\$1,209,584	\$1,128,910	\$80,674
Operating grants and contributions	3,867,704	3,316,870	550,834
General Revenues:			
Maintenance and operations taxes	5,503,008	5,150,084	352,924
Debt service taxes	2,487,421	2,178,910	308,511
State aid - formula grants	23,294,075	20,136,704	3,157,371
Grants & Contributions not restricted to specific functions	285,678	781,537	(495,859)
Investment Earnings	39,087	46,077	(6,990)
Miscellaneous	130,872	76,009	54,863
Total Revenue	\$36,817,429	\$32,815,101	\$4,002,328
Expenses:			
Instruction, curriculum and media services	\$19,671,743	\$17,818,750	\$1,852,993
Instructional and school leadership	2,494,651	2,256,457	238,194
Student support services	2,269,238	2,268,359	879
Child nutrition	1,911,983	1,824,108	87,875
Co curricular activities	1,854,831	1,688,255	166,576
General administration	871,647	906,506	(34,859)
Plant maintenance, security & data processing	3,327,490	3,001,771	325,719
Community services	42,033	41,179	854
Debt services	4,206,815	3,800,421	406,394
Payments to fiscal agents	4,600	0	4,600
Other intergovernmental charges	61,503	58,405	3,098
Total Expenses	\$36,716,534	\$33,664,211	\$3,052,323
Increase in net position before transfers and special items	\$100,895	(\$849,110)	\$950,005
Transfers	0	0	0
Special Items - Gain (Loss) on Asset Sale	0	(2,319)	2,319
Net position at Beginning of Fiscal Year	9,656,758	10,508,187	(851,429)
Net position at End of Fiscal Year	\$9,757,653	\$9,656,758	\$100,895

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in Exhibit C-3 on page 18) reported a combined fund balance of \$26,025,543 compared to \$21,539,542 for the last fiscal year. The District's General Fund reported a fund balance increase of \$1,122,058, ending the year with \$6,751,987. The District's Special Revenue Funds reported a fund balance increase of \$85,638, ending the year with \$587,309. The District's Debt Service Fund reported a fund balance increase of \$142,963, ending the year with \$1,594,853. The District's Capital Projects Fund reported a fund balance increase of \$823,389, ending the year with \$5,258,201. The District's Bond Construction Fund reported a fund balance increase of \$2,311,953, ending the year with \$11,833,193.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments included amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2013) and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the year ended August 31, 2014, the District invested \$5,266,663 in capital assets, consisting of construction in progress for a new elementary campus, a vocational education addition, parking & sidewalk improvements, an ice machine, a phone system, and three school buses.

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

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Land	\$2,374,736	\$0	\$0	\$2,374,736
Buildings & Improvements	93,888,309	356,491	0	94,244,800
Equipment & Vehicles	4,478,983	415,786	0	4,894,769
Construction in Progress	287,930	4,494,386	0	4,782,316
Totals at Historical Cost	<u>101,029,958</u>	<u>5,266,663</u>	<u>0</u>	<u>106,296,621</u>
Less accumulated depreciation for:				
Buildings & Improvements	(22,619,621)	(3,244,971)	0	(25,864,592)
Equipment	(1,585,460)	(534,650)	0	(2,120,110)
Total accumulated depreciation	<u>(24,205,081)</u>	<u>(3,779,621)</u>	<u>0</u>	<u>(27,984,702)</u>
Capital Assets, Net	<u>\$76,824,877</u>	<u>\$1,487,042</u>	<u>\$0</u>	<u>\$78,311,919</u>

Debt:

At year-end August 31, 2014, the District had \$95,342,015 outstanding in bonds compared to \$89,346,176 last year. During the current fiscal year, the District issued Series 2014 bonds of \$7,090,000. The new bonds are payable over the next 30years at 4.00% interest.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget, and tax rates. Several of those factors were the economy, the District's population growth, and unemployment. These factors were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$5,076,987. The District has added no major new programs or initiatives to the 2014 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Princeton Independent School District, 321 Panther Parkway, Princeton, Texas.

BASIC FINANCIAL STATEMENTS

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

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,683,519
1120 Current Investments	23,937,169
1220 Property Taxes Receivable (Delinquent)	642,048
1230 Allowance for Uncollectible Taxes	(11,912)
1240 Due from Other Governments	1,756,203
1290 Other Receivables, net	1,552
Capital Assets:	
1510 Land	2,374,736
1520 Buildings, Net	68,380,208
1530 Equipment and Vehicles, Net	2,774,659
1580 Construction in Progress	4,782,316
1000 Total Assets	106,320,498
LIABILITIES	
2110 Accounts Payable	369,445
2150 Payroll Deductions & Withholdings	308
2160 Accrued Wages Payable	732,172
2180 Due to Other Governments	2,524
2200 Accrued Expenses	17,409
2300 Unearned Revenue	98,972
Noncurrent Liabilities	
2501 Due Within One Year	1,262,336
2502 Due in More Than One Year	94,079,679
2000 Total Liabilities	96,562,845
NET POSITION	
3200 Net Investment in Capital Assets	(5,196,903)
3820 Restricted for Federal and State Programs	337,668
3850 Restricted for Debt Service	1,594,853
3870 Restricted for Campus Activities	88,854
3880 Restricted for Scholarships	160,787
3900 Unrestricted	12,772,394
3000 Total Net Position	\$ 9,757,653

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,416,763	\$ 171,768	\$ 2,337,114	\$ (16,907,881)
12 Instructional Resources and Media Services	229,864	-	-	(229,864)
13 Curriculum and Staff Development	25,116	-	-	(25,116)
21 Instructional Leadership	470,370	-	51,549	(418,821)
23 School Leadership	2,024,281	-	-	(2,024,281)
31 Guidance, Counseling and Evaluation Services	939,471	-	147,796	(791,675)
33 Health Services	310,476	-	-	(310,476)
34 Student (Pupil) Transportation	1,019,291	-	-	(1,019,291)
35 Food Services	1,911,983	476,419	1,327,664	(107,900)
36 Extracurricular Activities	1,854,831	512,088	-	(1,342,743)
41 General Administration	871,647	32,240	-	(839,407)
51 Facilities Maintenance and Operations	3,226,067	11,390	3,581	(3,211,096)
52 Security and Monitoring Services	89,814	-	-	(89,814)
53 Data Processing Services	11,609	-	-	(11,609)
61 Community Services	42,033	5,679	-	(36,354)
72 Debt Service - Interest on Long Term Debt	3,982,269	-	-	(3,982,269)
73 Debt Service - Bond Issuance Cost and Fees	224,546	-	-	(224,546)
95 Payments to Juvenile Justice Alternative Ed. Prg.	4,600	-	-	(4,600)
99 Other Intergovernmental Charges	61,503	-	-	(61,503)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 36,716,534	\$ 1,209,584	\$ 3,867,704	(31,639,246)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			5,503,008
DT	Property Taxes, Levied for Debt Service			2,487,421
SF	State Aid - Formula Grants			23,294,075
GC	Grants and Contributions not Restricted			285,678
IE	Investment Earnings			39,087
MI	Miscellaneous Local and Intermediate Revenue			130,872
TR	Total General Revenues			31,740,141
CN	Change in Net Position			100,895
NB	Net Position - Beginning			9,656,758
NE	Net Position - Ending			\$ 9,757,653

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 613,254	\$ 50,753	\$ 35,702
1120 Investments - Current	5,438,544	1,545,817	5,222,499
1220 Property Taxes - Delinquent	474,477	167,571	-
1230 Allowance for Uncollectible Taxes (Credit)	(8,803)	(3,109)	-
1240 Receivables from Other Governments	1,375,888	604	-
1290 Other Receivables	1,552	-	-
1000 Total Assets	<u>\$ 7,894,912</u>	<u>\$ 1,761,636</u>	<u>\$ 5,258,201</u>
LIABILITIES			
2110 Accounts Payable	\$ 439	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	308	-	-
2160 Accrued Wages Payable	663,714	-	-
2180 Due to Other Governments	203	2,321	-
2200 Accrued Expenditures	12,587	-	-
2300 Unearned Revenues	18,187	8,221	-
2000 Total Liabilities	<u>695,438</u>	<u>10,542</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	447,487	156,241	-
2600 Total Deferred Inflows of Resources	<u>447,487</u>	<u>156,241</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	1,594,853	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	1,675,000	-	5,258,201
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	5,076,987	-	-
3000 Total Fund Balances	<u>6,751,987</u>	<u>1,594,853</u>	<u>5,258,201</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,894,912</u>	<u>\$ 1,761,636</u>	<u>\$ 5,258,201</u>

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

60 Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ 330,679	\$ 353,442	\$ 1,383,830
11,730,309	-	23,937,169
-	-	642,048
-	-	(11,912)
-	379,711	1,756,203
-	-	1,552
<u>\$ 12,060,988</u>	<u>\$ 733,153</u>	<u>\$ 27,708,890</u>
\$ 227,795	\$ -	\$ 228,234
-	-	308
-	68,458	732,172
-	-	2,524
-	4,822	17,409
-	72,564	98,972
<u>227,795</u>	<u>145,844</u>	<u>1,079,619</u>
-	-	603,728
-	-	603,728
-	337,668	337,668
11,833,193	-	11,833,193
-	-	1,594,853
-	160,787	160,787
-	-	6,933,201
-	88,854	88,854
-	-	5,076,987
<u>11,833,193</u>	<u>587,309</u>	<u>26,025,543</u>
<u>\$ 12,060,988</u>	<u>\$ 733,153</u>	<u>\$ 27,708,890</u>

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

Total Fund Balances - Governmental Funds	\$ 26,025,543
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.	158,478
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$101,029,958 and the accumulated depreciation was \$24,205,081. In addition, long-term liabilities, including bonds payable of \$89,346,176, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	(12,521,299)
3 Current year capital outlays of \$5,266,663 and long-term debt principal payments of \$1,090,352 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$377,261 and amortization of bond premiums of \$600,561 are recorded in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.	6,580,315
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,779,621)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue of \$603,728 as revenue, eliminating interfund transactions, reclassifying bond proceeds & bond premiums of \$7,309,491, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(6,705,763)
19 Net Position of Governmental Activities	<u>\$ 9,757,653</u>

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

PRINCETON 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	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,902,536	\$ 2,502,276	\$ 8,207
5800 State Program Revenues	21,438,406	2,941,663	-
5900 Federal Program Revenues	269,484	-	-
5020 Total Revenues	<u>27,610,426</u>	<u>5,443,939</u>	<u>8,207</u>
EXPENDITURES:			
Current:			
0011 Instruction	15,975,138	-	-
0012 Instructional Resources and Media Services	195,869	-	-
0013 Curriculum and Instructional Staff Development	25,116	-	-
0021 Instructional Leadership	350,830	-	-
0023 School Leadership	1,822,068	-	-
0031 Guidance, Counseling and Evaluation Services	690,568	-	-
0033 Health Services	276,481	-	-
0034 Student (Pupil) Transportation	659,175	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,266,713	-	-
0041 General Administration	769,661	-	-
0051 Facilities Maintenance and Operations	2,847,190	-	-
0052 Security and Monitoring Services	89,814	-	-
0053 Data Processing Services	11,609	-	-
0061 Community Services	42,033	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	1,090,352	-
0072 Interest on Long Term Debt	-	4,205,569	-
0073 Bond Issuance Cost and Fees	-	224,546	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	584,818
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	4,600	-	-
0099 Other Intergovernmental Charges	61,503	-	-
6030 Total Expenditures	<u>25,088,368</u>	<u>5,520,467</u>	<u>584,818</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,522,058</u>	<u>(76,528)</u>	<u>(576,611)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-
7915 Transfers In	-	-	1,400,000
7916 Premium or Discount on Issuance of Bonds	-	219,491	-
8911 Transfers Out (Use)	(1,400,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>(1,400,000)</u>	<u>219,491</u>	<u>1,400,000</u>
1200 Net Change in Fund Balances	1,122,058	142,963	823,389
0100 Fund Balance - September 1 (Beginning)	<u>5,629,929</u>	<u>1,451,890</u>	<u>4,434,812</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,751,987</u>	<u>\$ 1,594,853</u>	<u>\$ 5,258,201</u>

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

60 Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ 10,004	\$ 911,217	\$ 9,334,240
-	375,201	24,755,270
-	2,422,703	2,692,187
<u>10,004</u>	<u>3,709,121</u>	<u>36,781,697</u>
-	1,296,064	17,271,202
-	-	195,869
-	-	25,116
-	51,549	402,379
-	-	1,822,068
-	147,796	838,364
-	-	276,481
-	-	659,175
-	1,705,372	1,705,372
-	387,297	1,654,010
-	-	769,661
-	35,405	2,882,595
-	-	89,814
-	-	11,609
-	-	42,033
-	-	1,090,352
-	-	4,205,569
-	-	224,546
4,788,051	-	5,372,869
-	-	4,600
-	-	61,503
<u>4,788,051</u>	<u>3,623,483</u>	<u>39,605,187</u>
<u>(4,778,047)</u>	<u>85,638</u>	<u>(2,823,490)</u>
7,090,000	-	7,090,000
-	-	1,400,000
-	-	219,491
-	-	(1,400,000)
<u>7,090,000</u>	<u>-</u>	<u>7,309,491</u>
2,311,953	85,638	4,486,001
9,521,240	501,671	21,539,542
<u>\$ 11,833,193</u>	<u>\$ 587,309</u>	<u>\$ 26,025,543</u>

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PRINCETON 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	\$	4,486,001
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		87,959
 Current year capital outlays of \$5,266,663 and long-term debt principal payments of \$1,090,352 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. Accretion on capital appreciation bonds of \$377,261 and amortization of bond premiums of \$600,561 are recorded in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		6,580,315
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(3,779,621)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, adjusting current year revenue by \$35,732 to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying bond proceeds & bond premiums of \$7,309,491, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(7,273,759)
 Change in Net Position of Governmental Activities	\$	<u>100,895</u>

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

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

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 299,689
Total Assets	299,689
LIABILITIES	
Current Liabilities:	
Accounts Payable	141,211
Total Liabilities	141,211
NET POSITION	
Unrestricted Net Position	158,478
Total Net Position	\$ 158,478

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

PRINCETON 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	\$ 202,401
Total Operating Revenues	202,401
OPERATING EXPENSES:	
Other Operating Costs	114,442
Total Operating Expenses	114,442
Operating Income	87,959
Total Net Position - September 1 (Beginning)	70,519
Total Net Position - August 31 (Ending)	\$ 158,478

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

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

	Governmental Activities -
	Internal Service Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 202,401
Cash Payments for Insurance Claims	(128,127)
Net Cash Provided by Operating Activities	<u>74,274</u>
Net Increase in Cash and Cash Equivalents	74,274
Cash and Cash Equivalents at Beginning of Year	<u>225,415</u>
Cash and Cash Equivalents at End of Year	<u>\$ 299,689</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 87,959
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(13,685)</u>
Net Cash Provided by Operating Activities	<u>\$ 74,274</u>

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 79,547
Total Assets	<u>\$ 79,547</u>
LIABILITIES	
Due to Student Groups	\$ 79,547
Total Liabilities	<u>\$ 79,547</u>

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

PRINCETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Note A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of Trustees has governance responsibilities over all activities related to public elementary and secondary public education within the jurisdiction of Princeton Independent School District. The members of the Board of Trustees are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is not included in any other "governmental entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding source entities.

2. 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 Princeton 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. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear as "due to & due from" on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position, and as "other resources & other uses" on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as "due to & due from" 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. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have a measurement focus. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position

4. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The District reports the following **major** governmental funds:

General Fund – This governmental fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a

budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities

Debt Service Fund – This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met. It is considered major because its resources exceed 10% of the District’s total resources.

Capital Projects Fund – This governmental fund is established to account for proceeds from local resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. It is considered major because its resources exceed 10% of the District’s total resources.

Bond Construction Fund – This governmental fund is established to account for proceeds from bonds to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. It is considered major because its resources exceed 10% of the District’s total resources.

Additionally, the District reports the following **nonmajor** fund types:

Governmental Fund Types:

Special Revenue Funds – These governmental funds are established to account 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. Project accounting is employed to maintain integrity of the various sources of funds.

The District’s Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program, (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of the National School Lunch Program, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

Proprietary Funds:

Internal Service Fund – This fund is established to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is for Workers Compensation Self-Insurance.

Fiduciary Funds:

Agency Funds – These funds are established to account for resources held for others in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency Funds are for Student Activity Funds.

5. Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. Cash and cash equivalents in the Internal Service fund was \$299,689 as of August 31, 2014.

6. Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their cost is recorded as inventory and fund balance is reserved for the same amount.

8. Asset Capitalization and Useful Lives

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual unit 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, 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	39-50
Building Improvements	15-40
Vehicles & Buses	5-10
Equipment	5-7

9. Compensated Absences

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

10. Long-Term Debt

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

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 bonded debt issued plus the premiums/discounts received on the issuance of bonds are reported as other financing sources. The amounts of issuance costs are reported as expenditures.

11. Fund Balance

In accordance with GASB 54 and school board policy, the District is reporting its fund balances in the governmental fund financial statements in each of the following categories:

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the School Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

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

As of August 31, 2014, the District’s fund balances are classified as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Bond Construction</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Restricted for:						
State & Federal Grants					\$337,668	\$337,668
Capital Acquisitions				11,833,193		11,833,193
Debt Service		\$1,594,853				1,594,853
Scholarships					160,787	160,787
Committed for:						
Construction	1,675,000		5,258,201			6,933,201
Campus Activity Funds					88,854	88,854
Unassigned	5,076,987					5,076,987
Total Fund Balances	\$6,751,987	\$1,594,853	\$5,258,201	\$11,833,193	\$587,309	\$26,025,543

12. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing services, and other intergovernmental charges functions (data control codes 41, 53, and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

13. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

14. 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.

15. Risk Management – Claims and Judgments

In the normal course of operations, the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. For insured programs, there have been no significant reductions in coverage. Settlement amounts have not exceeded insurance coverage for the current year or the past three years.

Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes \$75 per month which is reimbursed by the State of Texas, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and is administered by the Teacher Retirement System of Texas (TRS).

Workers Compensation Coverage

The District has entered into an agreement with the Texas Educational Insurance Association to self-fund their workers compensation plan. The agreement is administered by Claims Administrative Services, Inc. Transactions related to the plan are accounted for in the Workers Compensation Insurance Fund (the "Fund"), an internal service fund of the District. The District makes all contributions to the fund. Claims Administrative Services, Inc. obtained excess loss insurance, which limited annual claims paid from the entire fund for the year ended August 31, 2014, to \$225,000 for any individual participant.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2014, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year Ended August 31, 2014</u>	<u>Year Ended August 31, 2013</u>
Unpaid claims, beginning of fiscal year	\$154,896	\$143,386
Incurred claims (including IBNR's)	114,442	170,612
Claim payments	(128,127)	(159,102)
Unpaid claims, end of fiscal year	<u>\$141,211</u>	<u>\$154,896</u>

16. Estimates and Assumptions

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

Note B. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$2,374,736		\$2,374,736	
Buildings	93,888,309	(22,619,621)	71,268,688	
Equipment & Vehicles	4,478,983	(1,585,460)	2,893,523	
Construction in Progress	287,930		287,930	
Change in Net Position				\$76,824,877

<u>Long-term Liabilities at the Beginning of the year</u>	<u>Payable at the Beginning of the year</u>	<u>Change in Net Position</u>
Bonds Payable	\$89,346,176	
Loans Payable	0	
Change in Net Assets		(\$89,346,176)
Net Adjustment to Net Position		(\$12,521,299)

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	\$356,491		
Equipment & Vehicles	415,786		
Construction in Progress	4,494,386		
Total Capital Outlay	\$5,266,663	\$5,266,663	\$5,266,663
<u>Debt Service Payments</u>			
Bond Principal	\$1,090,352		
Accretion on Capital Appreciation Bonds	(377,261)		
Amortization of Bond Premiums	600,561		
Total Principal Payments	\$1,313,652	1,313,652	1,313,652
Total Adjustment to Net Position		\$6,580,315	\$6,580,315

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Net Property Tax Revenue Adjustment	\$35,732	\$35,732
<u>Reclassify Bond Proceeds</u>		
Reclassify Bond Proceeds to Bonds Payable	(\$7,309,491)	(\$7,309,491)
Totals	<u>(\$7,273,759)</u>	<u>(\$6,705,763)</u>

Note C. Stewardship, Compliance, and Accountability

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 appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the governmental fund 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. However, none of these were significant. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

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

<u>August 31, 2014 Fund Balance</u>	
Appropriated Budget Funds - Food Service	\$337,668
Nonappropriated Budget Funds-Campus Activity Funds	88,854
Nonappropriated Budget Funds-Local Scholarship Funds	<u>160,787</u>
All Special Revenue Funds	<u>\$587,309</u>

Note D. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits and Investments:

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies. These policies address the following risks:

Foreign Currency Risk – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currency.

Custodial Credit Risk for Deposits – State law requires the District 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 District and held by the entity or its agent. Since the District complies with this law, it has no custodial risk for deposits.

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

Interest Rate Risk – To limit the risk of changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; securities lending program; bankers acceptances; commercial paper; no-load money market mutual funds and no-load mutual funds; guaranteed investment contracts as an investment vehicle for bond proceeds and public investment pools. As of August 31, 2014, the District's investments in public funds investment pools were rated AAM by Standard & Poor's.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts) was \$1,683,519. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014 were entirely covered by FDIC insurance or by pledged deposit collateral held by the District's agent bank in the District's name, or by letters of credit.

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

a. Depository: Independent Bank, McKinney, Texas

b. The highest combined balance of cash, savings, and time deposits accounts amounted to \$2,971,760 and occurred during the month of May 2014.

c. The market value of securities pledged as of the date of the highest combined balance on deposit was \$4,970,539.

d. Total amount of FDIC coverage at the time of the highest combined balance was \$302,885.

The District's investments at August 31, 2014, were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star Investment Accounts	\$11,232,223	48 days
Tex Star Investment Accounts	974,637	48 days
Logic Investment Accounts	11,730,309	48 days
Total Fair Value	<u>\$23,937,169</u>	
Portfolio Weighted Average Maturity		48 days

Note E. 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 when collected.

The assessed value of the tax roll on January 1, 2013, upon which the tax levy for the 2014 fiscal year was based, was \$529,167,508. The tax rates assessed for the year ended August 31, 2014 to finance general fund operations and the payment of principal & interest on general obligation bonds were \$ 1.04 and \$ 0.47 per \$ 100 valuation, respectively, for a total of \$ 1.51 per \$ 100 valuation. Current year (including prior year delinquent) tax collections for the year ended August 31, 2014 were 99.34% of the tax levy.

Note F. 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.

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due from Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$474,477	\$1,375,888	\$0	\$1,552	\$1,851,917
Debt Service Fund	167,571	604	0	0	168,175
Nonmajor Governmental Funds	0	379,711	0	0	379,711
Total Governmental Activities	<u>\$642,048</u>	<u>\$1,756,203</u>	<u>\$0</u>	<u>\$1,552</u>	<u>\$2,399,803</u>
Amounts not scheduled for collection during the subsequent year	\$11,912	\$0	\$0	\$0	\$11,912

Payables at August 31, 2014, were as follows:

	<u>Accounts</u>	<u>Salaries & Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$439	\$664,022	\$0	\$203	\$12,587	\$677,251
Debt Service Fund	0	0	0	2,321	0	2,321
Bond Construction Fund	227,795	0	0	0	0	227,795
Nonmajor Governmental Funds	0	68,458	0	0	4,822	73,280
Total Governmental Activities	<u>\$228,234</u>	<u>\$732,480</u>	<u>\$0</u>	<u>\$2,524</u>	<u>\$17,409</u>	<u>\$980,647</u>
Amounts not scheduled for collection during the subsequent year	\$0	\$0	\$0	\$0	\$0	\$0

Note H. Capital Asset Activity

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$2,374,736	\$0	\$0	\$2,374,736
Buildings & Improvements	93,888,309	356,491	0	94,244,800
Equipment & Vehicles	4,478,983	415,786	0	4,894,769
Construction in Progress	287,930	4,494,386	0	4,782,316
Totals at Historical Cost	<u>101,029,958</u>	<u>5,266,663</u>	<u>0</u>	<u>106,296,621</u>
Less accumulated depreciation for:				
Buildings & Improvements	(22,619,621)	(3,244,971)	0	(25,864,592)
Equipment	(1,585,460)	(534,650)	0	(2,120,110)
Total accumulated depreciation	<u>(24,205,081)</u>	<u>(3,779,621)</u>	<u>0</u>	<u>(27,984,702)</u>
Capital Assets, Net	<u>\$76,824,877</u>	<u>\$1,487,042</u>	<u>\$0</u>	<u>\$78,311,919</u>

Depreciation expense for the current year was charged to governmental functions as follows:

11 Instruction	\$2,092,496
12 Instructional Resources & Media Services	34,875
21 Instructional Leadership	69,750
23 School Leadership	209,250
31 Guidance, Counseling, & Evaluation Services	104,625
33 Health Services	34,875
34 Student (Pupil) Transportation	361,875
35 Food Services	209,250
36 Cocurricular/Extracurricular Activities	209,250
41 General Administration	104,625
51 Plant Maintenance & Operations	<u>348,750</u>
Total Depreciation Expense	<u>\$3,779,621</u>

Note I. Changes in Long-Term Liabilities

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>within One</u> <u>Year</u>
Governmental Activities:					
General Obligation Bonds	\$79,455,420	\$7,090,000	(\$1,090,352)	\$85,455,068	\$1,262,336
Accumulated Accretion on CABs	3,123,385	638,787	(261,526)	3,500,646	
Unamortized Bond Premiums	6,767,371	219,491	(600,561)	6,386,301	
Total Bonds Payable, Government-Wide	<u>\$89,346,176</u>	<u>\$7,948,278</u>	<u>(\$1,952,439)</u>	<u>\$95,342,015</u>	
Loans	0	0	0	0	
Capital Leases	0	0	0	0	
Total Governmental Activities	<u>\$89,346,176</u>	<u>\$7,948,278</u>	<u>(\$1,952,439)</u>	<u>\$95,342,015</u>	<u>\$1,262,336</u>

Note J. Bonds Payable & Debt Service Requirements

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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

In the governmental fund financial statements, current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The proceeds from the sale of bonds are shown in the governmental fund financial statements as Other Resources and principal payments are shown as expenditures.

A summary of changes in bonds for the year ended August 31, 2014 is as follows:

<u>Description</u>	<u>Interest Rates Payable</u>	<u>Amounts of Original Issue</u>	<u>Interest Current Year</u>	<u>Beginning</u>		<u>Retired</u>	<u>Ending Amounts Outstanding 8/31/14</u>
				<u>Amounts Outstanding 9/01/13</u>	<u>Issued</u>		
Unlimited Tax Bldg Bonds-Series 2002	4.00-6.00%	\$26,000,000	\$15,450	\$515,000	\$0	(\$515,000)	\$0
Unlimited Tax Bldg Bonds-Series 2005	3.25-4.25%	\$1,500,000	43,388	1,090,000	0	(100,000)	990,000
Capital Appreciation Bonds-Series 2006	4.18%	\$566,688	780,104	47,504	0	(19,896)	27,608
Unlimited Tax Refunding Bonds - Series 2007	4.59%	\$35,270,000	1,489,375	33,760,000	0	(350,000)	33,410,000
Capital Appreciation Bonds-Series 2007	4.59%	\$212,553	0	212,553	0	0	212,553
Unlimited Tax Bldg Bonds-Series 2008	5.00%	\$20,180,000	1,009,000	20,180,000	0	0	20,180,000
Capital Appreciation Bonds-Series 2008	7.50%	\$3,819,907	0	3,819,907	0	0	3,819,907
Unlimited Tax Bldg Bonds-Series 2010	2.00-3.00%	\$2,680,000	85,850	2,350,000	0	(100,000)	2,250,000
Unlimited Tax Refunding Bonds - Series 2011	2.00-3.50%	\$1,765,000	60,725	1,735,000	0	0	1,735,000
Unlimited Tax Refunding Bonds - Series 2011A	2.00-4.00%	\$3,250,000	109,700	3,250,000	0	0	3,250,000
Capital Appreciation Bonds-Series 2011A	2.00-4.00%	\$59,999	59,544	5,456	0	(5,456)	0
Unlimited Tax Bldg Bonds-Series 2012	3.13%	\$3,000,000	93,750	3,000,000	0	0	3,000,000
Unlimited Tax Bldg Bonds-Series 2013	5.00%	\$9,490,000	458,683	9,490,000	0	0	9,490,000
Unlimited Tax Bldg Bonds-Series 2014	4.00%	\$7,090,000	0	0	7,090,000	0	7,090,000
Total General Obligation Bonds			\$4,205,569	\$79,455,420	\$7,090,000	(\$1,090,352)	\$85,455,068
Accumulated Accretion on CABs				3,123,385	638,787	(261,526)	3,500,646
Unamortized Bond Premiums on CABs				5,852,087	0	(578,122)	5,273,965
Unamortized Bond Premiums on GOBs				915,284	219,491	(22,439)	1,112,336
Total Bonds Payable, Government-Wide Financials				\$89,346,176	\$7,948,278	(\$1,952,439)	\$95,342,015

A portion of the above bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The accreted value equals the par value plus accreted interest plus the unamortized bond premium.

Summary information for the capital appreciation bonds is as follows:

<u>Series</u>	<u>Capital Appreciation Bonds</u>	
	<u>Stated Value</u>	<u>Accreted Value, 8/31/14</u>
2006	\$27,608	\$2,934,706
2007	\$212,553	\$2,483,981
2008	\$3,819,907	\$7,415,992

Debt service requirements for general obligation bonds are as follows:

<u>Year Ending August 31,</u>	<u>General Obligation Bonds</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$1,262,336	\$4,401,450	\$5,663,786
2016	1,346,446	4,426,691	5,773,137
2017	1,474,942	4,395,670	5,870,612
2018	550,157	5,444,625	5,994,782
2019	1,256,565	4,616,720	5,873,285
2020-2024	11,970,315	18,546,201	30,516,516
2025-2029	16,218,678	16,912,884	33,131,562
2030-2034	16,295,629	15,861,518	32,157,147
2035-2039	21,245,000	5,541,853	26,786,853
2040-Maturity	13,835,000	1,432,825	15,267,825
Total General Obligation Bonds	<u>\$85,455,068</u>	<u>\$81,580,437</u>	<u>\$167,035,505</u>

Note K. Long Term Notes and Capital Leases Payable

Long-Term Notes:

There were no long-term notes outstanding during the year ended August 31, 2014.

Capital Leases:

There were no capital leases outstanding during the year ended August 31, 2014.

Note L. Accumulated Unpaid Vacation and Sick Leave Benefits

District employees are entitled to certain compensated absences based upon their length of employment. Sick leave accrues at various rates established by the State of Texas and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is used and paid.

A summary of changes in the accumulated sick leave and vacation leave liability follows:

	<u>Sick Leave</u>	<u>Vacation Leave</u>
Balance, September 1, 2013	\$0	\$0
Additions - New Entrants and Salary Increments	0	0
Deductions - Payments to Participants	0	0
Balance, August 31, 2014	<u>\$0</u>	<u>\$0</u>

Note M. Defined Benefit Pension Plan (TRS)

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

Funding Policy – Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.00% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

Contribution Rates and Contribution Amounts

Year	Member Contributions		State On-Behalf Contributions		District Contributions
	Rate	Amount	Rate	Amount	Amount
2014	6.40%	\$1,158,526	6.800%	\$1,230,934	\$310,343
2013	6.40%	\$1,080,255	6.400%	\$1,080,255	\$248,927
2012	6.40%	\$1,046,783	6.000%	\$981,351	\$233,437

Note N. School District Retiree Health Plan (TRS-Care)

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

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

Contribution Rates and Contribution Amounts

Year	Member Contributions		State Contributions		District Contributions	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$117,663	1.000%	\$181,020	0.55%	\$99,561
2013	0.65%	\$109,713	0.500%	\$84,394	0.55%	\$92,834
2012	0.65%	\$106,313	1.000%	\$163,559	0.55%	\$89,957

Note O. Medicare Part D (TRS-Care) & Early Retiree Reinsurance Program (ERRP)

Federal Government Retiree Drug 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 Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The allocation of these on-behalf payments is based on the ratio of a reporting entity’s covered payroll to the entire payroll reported by all reporting entities. TRS based this allocation percentage on the completed report submissions by reporting entities for the month of May. State Contributions for Medicare Part D made on behalf of Princeton Independent School District’s employees were \$48,540, \$45,076, and \$42,514, respectively for fiscal years ended August 31, 2014, 2013, and 2012.

Early Retiree Reinsurance Program – The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An “early retiree” is defined as a plan participant aged 55-64 which is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program was not available to TRS for the fiscal years ended August 31, 2013 and 2014; therefore, there was no allocation required nor is one shown for those years. ERRP reimbursement was available on a first come, first served basis for qualified employers. TRS was certified for this program and received funds from the ERRP program in fiscal year 2012. These funds were allocated to reporting agencies using the same basis as the Medicare Part D: On-Behalf Payments (GASB 24) reporting that is done each year. For the year ended August 31, 2012 the ERRP contribution made on behalf of Princeton Independent School District’s employees was \$40,205.

Note P. Due from Other Governments

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

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Totals</u>
General Fund	\$1,374,531	\$0	\$1,357	\$1,375,888
Debt Service Funds	0	0	604	604
Special Revenue Funds	261,197	118,514	0	379,711
Totals	\$1,635,728	\$118,514	\$1,961	\$1,756,203

Note Q. Due to Other Governments

As of August 31, 2014, the District had \$1,956 due to T.E.A. for 2013-2014 Existing Debt Allotment overpayment, and \$365 due to T.E.A. for 2013-2014 Instructional Facilities Allotment overpayment. The Texas Education Agency will deduct these amounts from 2014-2015 state funding.

Note R. Unearned Revenue & Unavailable Revenue

Unearned revenue is that portion of the net revenue receivable which is expected to be collected within the first 60 days following the fiscal year end. Unavailable revenue is that portion of the net revenue receivable which is not expected to be collected within the first 60 days following the fiscal year end.

Unearned revenue and Unavailable revenue at August 31, 2014 consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Unearned Revenue:				
Property Tax Revenue	\$18,187	\$0	\$8,221	\$26,408
Instructional Materials Allotment	\$0	\$72,564	\$0	\$72,564
Total Unearned Revenue	\$18,187	\$72,564	\$8,221	\$98,972
Unavailable Revenue:				
Property Tax Revenue	\$447,487	\$0	\$156,241	\$603,728
Total Unavailable Revenue	\$447,487	\$0	\$156,241	\$603,728

Note S. Commitments and Contingencies

Litigation – The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcome of any lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly no provision for losses has been recorded.

Grant Programs – The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities related to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction – The District has construction in progress of \$4,782,316 as of August 31, 2014 for construction of a new elementary campus. The total cost of the project is projected to be \$14,438,558. The retainage payable as of August 31, 2014 was \$227,795.

Note T. 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>Capital Projects Funds</u>	<u>Totals</u>
Property Taxes	\$5,468,892	\$0	\$2,469,041	\$0	\$7,937,933
Penalties, Interest, & Other Tax					
Related Income	69,206	0	28,574	0	97,780
Investment Income	13,776	3,394	3,706	18,211	39,087
Services to Other LEAs	101,597	0	0	0	101,597
Tuition	7,178	0	0	0	7,178
Rent	11,390	0	0	0	11,390
Gifts & Bequests	0	29,614	0	0	29,614
Net Insurance Recovery	30,416	0	0	0	30,416
Food Service Sales	0	476,259	0	0	476,259
Athletics	71,918	0	0	0	71,918
Co-curricular	0	401,950	0	0	401,950
Other	128,163	0	955	0	129,118
Totals	\$5,902,536	\$911,217	\$2,502,276	\$18,211	\$9,334,240

Note U. Interfund Balances and Transfers In & Out

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

None

Interfund transfers for the year ended August 31, 2014, consisted of the following individual amounts:

Transfers to Debt Service Fund from:

General Fund	<u>\$1,400,000</u>
Total Transferred to Debt Service Fund from Other Funds	<u><u>\$1,400,000</u></u>

Note V. Joint Ventures – Shared Service Arrangements

The District participates in shared services arrangements for educational services, with other school districts. The District does not account for revenues or expenditures in this program 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 agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Princeton Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Note W. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through November 23, 2014, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

PRINCETON 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	\$ 5,695,778	\$ 5,754,978	\$ 5,902,536	\$ 147,558
5800 State Program Revenues	20,430,680	20,962,128	21,438,406	476,278
5900 Federal Program Revenues	10,000	260,000	269,484	9,484
5020 Total Revenues	26,136,458	26,977,106	27,610,426	633,320
EXPENDITURES:				
Current:				
0011 Instruction	16,389,437	16,403,530	15,975,138	428,392
0012 Instructional Resources and Media Services	218,699	218,699	195,869	22,830
0013 Curriculum and Instructional Staff Development	37,000	37,000	25,116	11,884
0021 Instructional Leadership	348,057	363,057	350,830	12,227
0023 School Leadership	1,840,729	1,840,729	1,822,068	18,661
0031 Guidance, Counseling and Evaluation Services	712,759	712,759	690,568	22,191
0033 Health Services	290,584	290,584	276,481	14,103
0034 Student (Pupil) Transportation	850,869	696,798	659,175	37,623
0036 Extracurricular Activities	1,030,586	1,293,714	1,266,713	27,001
0041 General Administration	770,740	776,940	769,661	7,279
0051 Facilities Maintenance and Operations	2,881,708	2,881,708	2,847,190	34,518
0052 Security and Monitoring Services	107,796	107,796	89,814	17,982
0053 Data Processing Services	-	12,000	11,609	391
0061 Community Services	50,320	50,320	42,033	8,287
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	-	4,600	4,600	-
0099 Other Intergovernmental Charges	63,000	68,000	61,503	6,497
6030 Total Expenditures	25,592,284	25,758,234	25,088,368	669,866
1100 Excess of Revenues Over Expenditures	544,174	1,218,872	2,522,058	1,303,186
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(1,400,000)	(1,400,000)	-
1200 Net Change in Fund Balances	544,174	(181,128)	1,122,058	1,303,186
0100 Fund Balance - September 1 (Beginning)	5,629,929	5,629,929	5,629,929	-
3000 Fund Balance - August 31 (Ending)	\$ 6,174,103	\$ 5,448,801	\$ 6,751,987	\$ 1,303,186

COMBINING STATEMENTS

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ (4,284)	\$ (7)	\$ 328,596
1240	Receivables from Other Governments	22,583	29,590	546	31,578
1000	Total Assets	<u>\$ 22,583</u>	<u>\$ 25,306</u>	<u>\$ 539</u>	<u>\$ 360,174</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 20,673	\$ 23,070	\$ 491	\$ 22,085
2200	Accrued Expenditures	1,910	2,236	48	421
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>22,583</u>	<u>25,306</u>	<u>539</u>	<u>22,506</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	337,668
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,668</u>
4000	Total Liabilities and Fund Balances	<u>\$ 22,583</u>	<u>\$ 25,306</u>	<u>\$ 539</u>	<u>\$ 360,174</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	410 Instructional Materials Allotment	461 Campus Activity Funds
\$ -	\$ -	\$ (25,045)	\$ (6,826)	\$ -	\$ (2,820)	\$ (185,813)	\$ 88,854
-	-	25,045	9,172	-	2,820	258,377	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,564</u>	<u>\$ 88,854</u>
\$ -	\$ -	\$ -	\$ 2,139	\$ -	\$ -	\$ -	\$ -
-	-	-	207	-	-	-	-
-	-	-	-	-	-	72,564	-
-	-	-	2,346	-	-	72,564	-
-	-	-	-	-	-	-	88,854
-	-	-	-	-	-	-	88,854
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,564</u>	<u>\$ 88,854</u>

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

Data Control Codes	497 Barbara Pool Scholarship Fund	498 Local Scholarship Funds	499 FFA Scholarship Fund	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 120,480	\$ 7,162	\$ 33,145	\$ 353,442
1240	Receivables from Other Governments	-	-	-	379,711
1000	Total Assets	<u>\$ 120,480</u>	<u>\$ 7,162</u>	<u>\$ 33,145</u>	<u>\$ 733,153</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ 68,458
2200	Accrued Expenditures	-	-	-	4,822
2300	Unearned Revenues	-	-	-	72,564
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,844</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	337,668
3490	Other Restricted Fund Balance	120,480	7,162	33,145	160,787
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	88,854
3000	Total Fund Balances	<u>120,480</u>	<u>7,162</u>	<u>33,145</u>	<u>587,309</u>
4000	Total Liabilities and Fund Balances	<u>\$ 120,480</u>	<u>\$ 7,162</u>	<u>\$ 33,145</u>	<u>\$ 733,153</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 478,665
5800	State Program Revenues	-	-	-	9,735
5900	Federal Program Revenues	394,886	553,984	10,199	1,305,771
5020	Total Revenues	<u>394,886</u>	<u>553,984</u>	<u>10,199</u>	<u>1,794,171</u>
EXPENDITURES:					
Current:					
0011	Instruction	394,886	406,188	10,199	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	147,796	-	-
0035	Food Services	-	-	-	1,693,214
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	31,695
6030	Total Expenditures	<u>394,886</u>	<u>553,984</u>	<u>10,199</u>	<u>1,724,909</u>
1200	Net Change in Fund Balance	-	-	-	69,262
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,406</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,668</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	410 Instructional Materials Allotment	461 Campus Activity Funds
\$ 129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 401,950
-	-	-	-	560	4,900	360,006	-
15,739	25,942	49,924	66,258	-	-	-	-
<u>15,868</u>	<u>25,942</u>	<u>49,924</u>	<u>66,258</u>	<u>560</u>	<u>4,900</u>	<u>360,006</u>	<u>401,950</u>
-	25,942	-	64,633	560	4,900	360,006	-
-	-	49,924	1,625	-	-	-	-
-	-	-	-	-	-	-	-
12,158	-	-	-	-	-	-	-
-	-	-	-	-	-	-	387,297
3,710	-	-	-	-	-	-	-
<u>15,868</u>	<u>25,942</u>	<u>49,924</u>	<u>66,258</u>	<u>560</u>	<u>4,900</u>	<u>360,006</u>	<u>387,297</u>
-	-	-	-	-	-	-	14,653
-	-	-	-	-	-	-	<u>74,201</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,854</u>

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

Data Control Codes	497 Barbara Pool Scholarship Fund	498 Local Scholarship Funds	499 FFA Scholarship Fund	Total Nonmajor Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 669	\$ 29,614	\$ 190	\$ 911,217
5800	State Program Revenues	-	-	-	375,201
5900	Federal Program Revenues	-	-	-	2,422,703
5020	Total Revenues	<u>669</u>	<u>29,614</u>	<u>190</u>	<u>3,709,121</u>
EXPENDITURES:					
Current:					
0011	Instruction	2,000	24,825	1,925	1,296,064
0021	Instructional Leadership	-	-	-	51,549
0031	Guidance, Counseling and Evaluation Services	-	-	-	147,796
0035	Food Services	-	-	-	1,705,372
0036	Extracurricular Activities	-	-	-	387,297
0051	Facilities Maintenance and Operations	-	-	-	35,405
6030	Total Expenditures	<u>2,000</u>	<u>24,825</u>	<u>1,925</u>	<u>3,623,483</u>
1200	Net Change in Fund Balance	(1,331)	4,789	(1,735)	85,638
0100	Fund Balance - September 1 (Beginning)	<u>121,811</u>	<u>2,373</u>	<u>34,880</u>	<u>501,671</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 120,480</u>	<u>\$ 7,162</u>	<u>\$ 33,145</u>	<u>\$ 587,309</u>

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

PRINCETON 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	\$ 1.420000	\$ 0.327760	\$ 333,948,531
2006	1.420000	0.327760	364,199,803
2007	1.299000	0.292400	425,501,068
2008	1.040000	0.328700	477,535,106
2009	1.040000	0.450000	496,244,094
2010	1.040000	0.450000	503,793,300
2011	1.040000	0.450000	500,050,098
2012	1.040000	0.433600	500,969,484
2013	1.040000	0.440000	495,202,326
2014 (School year under audit)	1.040000	0.470000	529,167,508
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 143,878	\$ -	\$ 1,500	\$ 346	\$ (9,126)	\$ 132,906
44,516	-	653	151	(387)	43,325
41,915	-	645	145	356	41,481
31,179	-	623	197	342	30,701
35,978	-	1,951	844	720	33,903
50,059	-	4,740	2,051	154	43,422
60,086	-	8,796	3,806	275	47,759
67,782	-	10,869	4,532	(348)	52,033
131,307	-	37,879	16,026	(9,134)	68,268
-	7,990,429	5,401,236	2,440,943	-	148,250
<u>\$ 606,700</u>	<u>\$ 7,990,429</u>	<u>\$ 5,468,892</u>	<u>\$ 2,469,041</u>	<u>\$ (17,148)</u>	<u>\$ 642,048</u>

PRINCETON 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	\$ 473,550	\$ 473,550	\$ 478,665	\$ 5,115
5800 State Program Revenues	9,500	9,500	9,735	235
5900 Federal Program Revenues	1,154,446	1,298,882	1,305,771	6,889
5020 Total Revenues	1,637,496	1,781,932	1,794,171	12,239
EXPENDITURES:				
Current:				
0035 Food Services	1,646,109	1,790,545	1,693,214	97,331
0051 Facilities Maintenance and Operations	-	40,000	31,695	8,305
6030 Total Expenditures	1,646,109	1,830,545	1,724,909	105,636
1200 Net Change in Fund Balances	(8,613)	(48,613)	69,262	117,875
0100 Fund Balance - September 1 (Beginning)	268,406	268,406	268,406	-
3000 Fund Balance - August 31 (Ending)	\$ 259,793	\$ 219,793	\$ 337,668	\$ 117,875

PRINCETON 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	\$ 2,460,979	\$ 2,461,079	\$ 2,502,276	\$ 41,197
5800 State Program Revenues	2,839,943	2,839,943	2,941,663	101,720
5020 Total Revenues	5,300,922	5,301,022	5,443,939	142,917
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	1,090,353	1,090,353	1,090,352	1
0072 Interest on Long Term Debt	4,205,569	4,205,569	4,205,569	-
0073 Bond Issuance Cost and Fees	5,000	224,591	224,546	45
6030 Total Expenditures	5,300,922	5,520,513	5,520,467	46
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(219,491)	(76,528)	142,963
OTHER FINANCING SOURCES (USES):				
7916 Premium or Discount on Issuance of Bonds	-	219,491	219,491	-
1200 Net Change in Fund Balances	-	-	142,963	142,963
0100 Fund Balance - September 1 (Beginning)	1,451,890	1,451,890	1,451,890	-
3000 Fund Balance - August 31 (Ending)	\$ 1,451,890	\$ 1,451,890	\$ 1,594,853	\$ 142,963

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FEDERAL AWARDS SECTION

Morgan, Davis, & Company, P.C.
Post Office Box 8158
Greenville, Texas 75404

**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***

Independent Auditor's Report

Princeton Independent School District
321 Panther Parkway
Princeton, Texas 75407

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Princeton 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 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 23, 2014

Morgan, Davis, & Company, P.C.

Post Office Box 8158

Greenville, Texas 75404

Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance

Required by *OMB Circular A-133*

Independent Auditor's Report

Princeton Independent School District
321 Panther Parkway
Princeton, Texas 75407

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Princeton 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 Princeton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

/s/ Morgan, Davis, & Company, P.C.

Morgan, Davis, & Company, P.C.
Greenville, Texas

November 23, 2014

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

Program/Item	Findings Description
Summary of Audit Results:	
Type of Report on Financial Statements	Unmodified
Control Deficiencies	None
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unmodified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133.
Major Federal Programs	ESEA Title I, Part A – Improving Basic Programs, CFDA#84.010A Special Education Cluster: IDEA Part B, Formula, CFDA#84.027 IDEA Part B, Preschool, CFDA#84.173
Pass-through Entity	Texas Education Agency

Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

There are no findings related to financial statements which are required to be reported in accordance with *Generally Accepted Auditing Standards*.

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

(Prepared by the District's Administration)

There were no prior audit findings which required corrective action.

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

(Prepared by the District's Administration)

There were no corrective actions necessary for the year ended August 31, 2014.

PRINCETON 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 EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	S41A-2014-5085	\$ 251,269
Total Direct Programs			\$ 251,269
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101043911	\$ 372,303
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101043911	22,583
Total CFDA Number 84.010A			394,886
*IDEA - Part B, Formula	84.027	14660001043911	528,678
*IDEA - Part B, Formula	84.027	15660001043911	25,306
Total CFDA Number 84.027			553,984
*IDEA - Part B, Preschool	84.173	14661001043911	9,661
*IDEA - Part B, Preschool	84.173	15661001043911	538
Total CFDA Number 84.173			10,199
Total Special Education Cluster (IDEA)			564,183
Career and Technical - Basic Grant	84.048	14420006043911	25,942
Title III, Part A - English Language Acquisition	84.365A	14671001057950	18,295
Title III, Part A - English Language Acquisition	84.365A	14671001043911	45,617
Title III, Part A - English Language Acquisition	84.365A	15671001043911	2,346
Total CFDA Number 84.365A			66,258
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501057950	49,924
Total Passed Through State Department of Education			\$ 1,101,193
TOTAL DEPARTMENT OF EDUCATION			\$ 1,352,462
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	14-043911	\$ 259,636
*National School Lunch Program - Cash Assistance	10.555	14-043911	936,490
*National School Lunch Prog. - Non-Cash Assistance	10.555	14-043911	109,645
Total CFDA Number 10.555			1,046,135
*Summer Feeding Program - Cash Assistance	10.559	14-043911	15,739
Total Child Nutrition Cluster			1,321,510
Watershed Protection and Flood Control	10.904	14-043911	10,634
Total Passed Through the State Department of Agriculture			\$ 1,332,144
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,332,144
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,684,606

*Clustered Programs

PRINCETON 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 is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred. 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 expenditures until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, in any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.
5. The General Fund had E-Rate program revenue of \$7,581 is not considered federal financial assistance and is not included in the Schedule of Expenditures of Federal Awards.

SCHOOLS FIRST QUESTIONNAIRE

Princeton 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.	3,500,646