

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
Nacogdoches, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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INTRODUCTORY SECTION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
June 30, 2014

Nacogdoches Independent School District
Name of School District

Nacogdoches
County

174904
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 June 30, 2014, at a meeting of the Board of Trustees of such school district on the 16th day of October, 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)

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Nacogdoches Independent School District
Nacogdoches, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nacogdoches Independent School District ("the District"), as of and for the year ended June 30, 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-12 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report on page 55-56 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Lufkin, Texas
October 16, 2014


CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

This discussion and analysis of the Nacogdoches Independent School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$46,058,024. (*Net Position*).
- The District's total Net Position increased by \$3,662,301.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25,430,510, an increase of \$2,580,726 in comparison with the prior year.
- At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$18,316,646.

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 13 and 14). These provide information about the activities of the District as a whole and present a long-term view of the District's property and 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 15) 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 services of the District were sold to external customers. 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 government.

The notes to the financial statements (starting on page 23) 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 TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities. The analysis of the District's overall financial condition and operation begins on page 13. Its primary objective is to show whether the District is better off or worse off as a result of period's activities. The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the period. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is 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 revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All the District's assets are reported whether they serve the current 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 the Net Position.

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

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

Governmental Activities - Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, 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 15 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 ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental Funds - The District reports most of its basic services in governmental funds. These use modified accrual accounting (a method that measures the receipts and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-view of the District's general operations and the basic services it provides. We describe the District's general operations 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 governmental fund financial statements.

Proprietary Funds - Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District has only one proprietary fund type, an internal service fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the Internal Service Fund to report activities for its Print Shop.

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 22. We exclude these resources from the District's other financial statements because the District cannot use them to support 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 following analysis focuses on the Net Position (Table 1) and changes in Net Position (Table 2) of the District's governmental activities.

Net Position of the District's governmental activities increased from \$42,590,520 to \$46,058,024. Unrestricted Net Position - the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$20,312,965 at June 30, 2014.

The District's revenue exceeded the expenses by \$3,662,301.

**Nacogdoches Independent School District's
Summary of Net Position
Table 1**

	GOVERNMENTAL ACTIVITIES	
	JUNE 30,	
	2014	2013
Current and other assets	\$ 29 927 790	\$ 27 841 296
Capital assets	<u>65 587 205</u>	<u>67 520 596</u>
TOTAL ASSETS	<u>95 514 995</u>	<u>95 361 892</u>
TOTAL DEFERRED OUTFLOWS	<u>357 585</u>	<u>-</u>
Debt	45 410 667	46 529 336
Other liabilities	<u>4 403 889</u>	<u>6 242 036</u>
TOTAL LIABILITIES	<u>49 814 556</u>	<u>52 771 372</u>
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>
Net Position:		
Invested in capital assets net of related debt	20 019 575	20 991 260
Restricted	5 725 484	5 677 902
Unrestricted	<u>20 312 965</u>	<u>15 921 358</u>
TOTAL NET POSITION	<u>\$ 46 058 024</u>	<u>\$ 42 590 520</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
Changes in Net Position
Table 2

	GOVERNMENTAL ACTIVITIES	
	YEAR ENDED	
	JUNE 30,	
	2014	2013
Revenue:		
Program Revenues:		
Charges for services	\$ 2 132 912	\$ 2 142 159
Operating grants and contributions	9 942 878	10 651 068
Capital grant	-	545 015
General Revenues:		
Maintenance and operations taxes	20 249 205	20 480 116
Debt service taxes	3 363 757	3 584 595
Investment earnings	14 091	27 052
Grants and contributions not restricted	26 163 463	24 373 133
Miscellaneous local and intermediate	50 867	70 580
TOTAL REVENUE	61 917 173	61 873 718
Expenses:		
Instruction	29 728 284	29 687 777
Instructional resources and media services	812 065	954 948
Curriculum and staff development	1 964 096	1 421 276
Instructional leadership	1 056 437	1 141 840
School leadership	2 570 609	2 512 434
Guidance, counseling and evaluation services	1 669 696	1 398 973
Social work services	146 748	155 865
Health services	489 022	460 538
Student (pupil) transportation	3 350 022	2 333 695
Food services	4 386 979	4 210 819
Co-curricular/extra curricular activities	1 688 095	1 616 019
General administration	1 967 683	1 723 894
Plant maintenance and operations	5 068 480	5 149 774
Security and monitoring services	474 851	354 203
Data processing services	916 520	1 146 010
Community services	69 823	67 293
Debt service	1 495 803	1 754 986
Capital outlay	49 770	42 085
Intergovernmental charges	349 889	343 030
TOTAL EXPENSES	58 254 872	56 475 459
INCREASE IN NET POSITION	\$ 3 662 301	\$ 5 398 259

THE DISTRICT'S FUNDS

As the District completed the period, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$25,430,510, which is higher than last year's total of \$22,849,784. Included in this change in fund balance is an increase of \$2,580,726 in the District's General Fund.

Over the course of the fiscal year, the Board of Trustees amended the District's budget several times.

The District's General Fund balance of \$19,705,027 reported on page 15 differs from the General Fund's budgeted fund balance of \$16,502,301. This is principally due to expenses for capital items, plant operations and instruction that were not incurred prior to year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At the end of 2014, the District had \$65.6 million invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. See page 30 for details.

Debt

The District had \$45.3 million in bonds and leases outstanding versus \$48.1 million last year. The decrease in the debt resulted from the payment of \$3 million in debt service. See pages 31 - 32 for details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. The District expects tax revenue to increase modestly for fiscal year 2015. Continued growth in the tax base is expected to be the driving force in increased collections. The District also expects expenditures to grow, but at a smaller pace than the increase in revenue.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase modestly by the close of 2015.

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 Chief Financial Officer at the District Central Administration Office, at 420 Shawnee Street, Nacogdoches, Texas 75961.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 1 888 729
1120	Current investments	20 458 992
1225	Taxes receivable, net	409 854
1240	Due from other government	6 527 475
1290	Other receivables	66 628
1300	Inventory	576 112
1510	Land	2 436 712
1520	Building, net	58 770 467
1530	Furniture and equipment, net	4 284 113
1580	Construction in progress	95 913
1000	TOTAL ASSETS	95 514 995
	Deferred Outflows:	
1410	Deferred expenditures	357 585
	TOTAL ASSETS AND DEFERRED OUTFLOWS	95 872 580
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	345 998
2140	Interest payable	629 711
2160	Accrued wages payable	4 057 894
2501	Due within one year	2 807 871
2516	Premium and discount on issuance of bonds	1 149 064
	Long-Term Liabilities:	
2502	Due in more than one year	40 824 018
2000	TOTAL LIABILITIES	49 814 556
	Deferred Inflows:	
	Deferred inflows	-
	TOTAL LIABILITIES AND DEFERRED INFLOWS	49 814 556
	NET POSITION	
3200	Invested in capital assets, net of related debt	20 019 575
	Restricted Net Position:	
3800	Restricted for debt service	3 631 000
3800	Restricted for capital projects	500 000
3800	Restricted for food service	1 259 642
3800	Other restrictions of fund balance	334 842
3900	Unrestricted Net Position	20 312 965
3000	TOTAL NET POSITION	\$ 46 058 024

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 <u>EXPENSES</u>	3 <u>CHARGES FOR SERVICES</u>	4 <u>OPERATING GRANTS AND CONTRIBUTIONS</u>	5 <u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION <u>GOVERNMENTAL ACTIVITIES</u>
	Governmental Activities:					
0011	Instruction	\$ 29 728 284	\$ 635 568	\$ 3 946 265	\$ -	\$ (25 146 451)
0012	Instructional resources and media services	812 065	-	4 350	-	(807 715)
0013	Curriculum and staff development	1 964 096	4 950	1 267 809	-	(691 337)
0021	Instructional leadership	1 056 437	-	328 308	-	(728 129)
0023	School leadership	2 570 609	-	-	-	(2 570 609)
0031	Guidance, counseling, and evaluation services	1 669 696	-	275 482	-	(1 394 214)
0032	Attendance and social services	146 748	-	24 511	-	(122 237)
0033	Health services	489 022	-	42 022	-	(447 000)
0034	Student transportation	3 350 022	310 487	12 810	-	(3 026 725)
0035	Food services	4 386 979	716 804	3 786 702	-	116 527
0036	Co-curricular/extracurricular activities	1 688 095	427 670	-	-	(1 260 425)
0041	General administration	1 967 683	1 195	-	-	(1 966 488)
0051	Plant maintenance and operations	5 068 480	31 871	185 471	-	(4 851 138)
0052	Security and monitoring services	474 851	-	-	-	(474 851)
0053	Data processing services	916 520	4 367	20 856	-	(891 297)
0061	Community services	69 823	-	48 292	-	(21 531)
0071	Debt services	1 495 803	-	-	-	(1 495 803)
0081	Capital outlay	49 770	-	-	-	(49 770)
0099	Intergovernmental payments	349 889	-	-	-	(349 889)
	TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 58 254 872</u>	<u>\$ 2 132 912</u>	<u>\$ 9 942 878</u>	<u>\$ -</u>	<u>(46 179 082)</u>
	General Revenues:					
MT	Property taxes, levied for general purposes					20 249 205
DT	Property taxes, levied for debt service					3 363 757
GC	Grants and contributions not restricted					26 163 463
IE	Investment income					14 091
MI	Miscellaneous local and intermediate revenue					50 867
TR	TOTAL GENERAL REVENUES					<u>49 841 383</u>
CN	CHANGE IN NET POSITION					<u>3 662 301</u>
NB	Net Position - Beginning					42 590 520
PP	Prior period adjustment					(194 797)
NB	NET POSITION - BEGINNING, AS RESTATED					<u>42 395 723</u>
NE	NET POSITION - ENDING					<u>\$ 46 058 024</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

EXHIBIT C-1

DATA CONTROL CODES	10 GENERAL FUND	50 DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS	
ASSETS					
1110	Cash and cash equivalent	\$ 43 055	\$ 1 637	\$ 1 808 083	\$ 1 852 775
1120	Current investments	16 867 616	3 591 376	-	20 458 992
1225	Taxes receivable, net	362 598	47 256	-	409 854
1240	Due from other government	6 033 644	-	493 831	6 527 475
1260	Due from other funds	172 029	-	199 297	371 326
1290	Other receivables	25 137	37 987	3 454	66 578
1300	Inventory	530 796	-	37 905	568 701
1410	Deferred expenditures	357 585	-	-	357 585
1000	TOTAL ASSETS	<u>\$ 24 392 460</u>	<u>\$ 3 678 256</u>	<u>\$ 2 542 570</u>	<u>\$ 30 613 286</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
2110	Accounts payable	\$ 271 766	\$ -	\$ 71 936	\$ 343 702
2160	Accrued wages payable	4 053 069	-	4 825	4 057 894
2170	Due to other funds	-	-	371 326	371 326
2300	Deferred revenue	362 598	47 256	-	409 854
2000	TOTAL LIABILITIES	<u>4 687 433</u>	<u>47 256</u>	<u>448 087</u>	<u>5 182 776</u>
Fund Balances:					
3410	Nonspendable - Inventory	530 796	-	37 905	568 701
3430	Nonspendable - Prepaid	357 585	-	-	357 585
3450	Restricted - Grants	-	-	2 056 578	2 056 578
3480	Restricted - Debt Service	-	3 631 000	-	3 631 000
3550	Assigned - Construction	1 400 000	-	-	1 400 000
3510	Committed - Construction	500 000	-	-	500 000
3600	Unassigned	17 916 646	-	-	17 916 646
3000	TOTAL FUND BALANCES	<u>19 705 027</u>	<u>3 631 000</u>	<u>2 094 483</u>	<u>25 430 510</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24 392 460</u>	<u>\$ 3 678 256</u>	<u>\$ 2 542 570</u>	<u>\$ 30 613 286</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2014

EXHIBIT C-2

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 25 430 510
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$107,189,284, and the accumulated depreciation is \$41,602,082.	65 587 205
Property taxes receivable are not available to pay for the current period's expenditures, and therefore are deferred in the funds.	409 854
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(45 410 664)
Internal service funds assets and liabilities are included in the Statement of Net Position.	<u>41 119</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 46 058 024</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

EXHIBIT C-3

DATA CONTROL CODES	10 GENERAL FUND	50 DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS	
Revenues:					
5700	Local and intermediate sources	\$ 20 970 959	\$ 3 366 899	\$ 1 396 624	\$ 25 734 482
5800	State program revenues	25 796 874	366 565	620 700	26 784 139
5900	Federal program revenues	411 722	-	8 910 455	9 322 177
5020	TOTAL REVENUES	<u>47 179 555</u>	<u>3 733 464</u>	<u>10 927 779</u>	<u>61 840 798</u>
Expenditures:					
Current:					
0011	Instruction	24 063 793	-	3 754 083	27 817 876
0012	Instructional resources and media services	663 693	-	24 513	688 206
0013	Curriculum and staff development	693 126	-	1 270 898	1 964 024
0021	Instructional leadership	707 489	-	347 757	1 055 246
0023	School leadership	2 494 343	-	68 401	2 562 744
0031	Guidance, counseling and evaluation services	1 337 932	-	338 537	1 676 469
0032	Attendance and social services	120 482	-	24 511	144 993
0033	Health services	461 507	-	23 623	485 130
0034	Student transportation	3 339 545	-	12 810	3 352 355
0035	Food services	62 888	-	4 295 638	4 358 526
0036	Co-curricular/extracurricular activities	1 364 122	-	172 350	1 536 472
0041	General administration	1 953 647	-	4 733	1 958 380
0051	Plant maintenance and operations	4 754 573	-	193 721	4 948 294
0052	Security and monitoring services	482 874	-	-	482 874
0053	Data processing services	869 023	-	21 755	890 778
0061	Community services	21 531	-	48 292	69 823
0071	Debt service	610 610	3 895 538	-	4 506 148
0081	Capital outlay	297 964	-	118 248	416 212
0099	Intergovernmental payments	349 889	-	-	349 889
6030	TOTAL EXPENDITURES	<u>44 649 031</u>	<u>3 895 538</u>	<u>10 719 870</u>	<u>59 264 439</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2 530 524</u>	<u>(162 074)</u>	<u>207 909</u>	<u>2 576 359</u>
Other Financing Sources (Uses):					
7910	Other resources	4 367	-	-	4 367
7980	Transfer in	-	-	1 747	1 747
8911	Transfer out	<u>(1 747)</u>	<u>-</u>	<u>-</u>	<u>(1 747)</u>
	TOTAL OTHER FINANCING SOURCES (USES)	<u>2 620</u>	<u>-</u>	<u>1 747</u>	<u>4 367</u>
1200	NET CHANGE IN FUND BALANCES	2 533 144	(162 074)	209 656	2 580 726
0100	Fund balance - Beginning	17 171 883	3 793 074	1 884 827	22 849 784
3000	FUND BALANCE - ENDING	<u>\$ 19 705 027</u>	<u>\$ 3 631 000</u>	<u>\$ 2 094 483</u>	<u>\$ 25 430 510</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

EXHIBIT C-4

TOTAL NET CHANGE IN FUND BALANCES GOVERNMENTAL FUNDS \$ 2 580 726

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures to be capitalized \$1,254,456 reduced by depreciation expense of \$3,187,847 in the period.	(1 933 391)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position.	2 979 527
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues changed by this amount this period.	(18 472)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest changed by this amount this period.	30 821
Internal service funds are used by the District to charge the costs of the print shop to individual funds.	23 094
Rounding	<u>(4)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3 662 301</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

EXHIBIT D-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES <hr/> TOTAL INTERNAL SERVICE FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 35 954
1290	Other receivables	50
1300	Inventory	7 411
1000	TOTAL ASSETS	<u>\$ 43 415</u>
	LIABILITIES	
2110	Accounts payable	\$ 2 296
2000	TOTAL LIABILITIES	<u>2 296</u>
	NET POSITION	
3200	Unrestricted	41 119
3000	TOTAL NET POSITION	<u>41 119</u>
4000	TOTAL LIABILITIES AND NET POSITION	<u>\$ 43 415</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2014

EXHIBIT D-2

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
		TOTAL INTERNAL SERVICE FUNDS
	Operating Revenues:	
5700	Local and intermediate sources	\$ <u>90 485</u>
5020	TOTAL OPERATING REVENUES	<u>90 485</u>
	Operating Expenses:	
6100	Payroll costs	27 205
6200	Professional contracted services	27 967
6300	Supplies and materials	<u>12 218</u>
6030	TOTAL OPERATING EXPENSES	<u>67 390</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	23 095
0100	Net position at July 1	<u>18 024</u>
3300	NET POSITION AT JUNE 30	\$ <u><u>41 119</u></u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

EXHIBIT D-3

	GOVERNMENTAL ACTIVITIES
	TOTAL INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 90 435
Cash payments for suppliers	(71 391)
NET CASH USED BY OPERATING ACTIVITIES	19 044
NET INCREASE IN CASH AND CASH EQUIVALENTS	19 044
Cash and cash equivalents - Beginning	16 910
CASH AND CASH EQUIVALENTS - ENDING	\$ 35 954
Reconciliation of Operating Income to Net Cash	
Provided By Operating Activities:	
Operating income	\$ 23 095
(Increase) in other receivables	(50)
(Increase) in inventory	(1 367)
(Decrease) in accounts payable	(2 634)
	\$ 19 044

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 90 842
1120	Investments - Current	34 925
1290	Other receivable	<u>480</u>
1000	TOTAL ASSETS	<u>\$ 126 247</u>
	LIABILITIES	
2170	Due to other funds	\$ 5 536
2190	Due to student groups	108 946
2440	Other liabilities	<u>11 765</u>
2000	TOTAL LIABILITIES	<u>\$ 126 247</u>

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

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Nacogdoches 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.

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of changes in Net Position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Interfund activities 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 and 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 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 and enterprise funds major and reports their financial condition and results of operations in a separate column.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. 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 claims and judgments are recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted Net Position, and unrestricted Net Position.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Fund Accounting

The District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for the activity associated with construction and repairs resulting from the 2009 QSCB bond issue.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for resources restricted to, or designated for, specific purposes by a grantor. Some federal and 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 the specified project periods.

Proprietary Fund Types:

The *Internal Service Fund* accounts 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 the Print Shop Fund.

Fiduciary Fund Types:

The *Agency Funds* and *Trust Funds* accounts for resources held for others in a custodial capacity. The District's Agency Funds are the Student Activity Funds.

Amounts reported as *program revenue* include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue include all taxes.

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Supplies are recorded as expenditures when they are purchased. Although commodities are received at no cost, receipts of food commodities are recorded as an expense and as revenue at their fair market value as supplied by the Texas Department of Human Services.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.
4. The District does not permit employees to accumulate earned but unused vacation and sick pay benefits.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. 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 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:

ASSETS	YEARS
Buildings and improvements	40
Portable buildings	20
Vehicles	5
Furniture and equipment	5-7

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. In the fund financial statements, governmental funds report restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Committed fund balance represents amount established by formal action of the School Board, and may be changed with formal action. Assigned fund balance represents amounts established by the Districts management by authority of the School Board, and may be changed by management.
8. When the District incurs an expense for which it may use either restricted, committed or assigned unrestricted assets, it uses the restricted, committed or assigned assets first whenever they will have to be returned if they are not used.
9. The Data Control Codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. Texas Education Agency required school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.
10. 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.
11. GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

12. In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District notes no item that qualifies for reporting in this category.

13. Management has evaluated subsequent events through October 16, 2014, the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in 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 budgeted revenues and expenditures for each of these funds.

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

1. Prior to June 20, the District prepares a budget for the next succeeding fiscal year beginning July 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 10 days' public notice of the meeting must be given.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

3. Prior to July 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 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.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. At year end, the District exceeded the budget by function as indicated:

	GENERAL FUND		EXCEEDED BY
0023	School Leadership	\$	13 869
0031	Guidance, Counseling and Evaluation		66 162
0033	Health Services		22 256
0036	Cocurricular/Extracurricular Activities		18 762
0041	General Administration		5 186
0052	Security		18 291
			EXCEEDED BY
	CHILD NUTRITION		
0052	Security	\$	65 514

5. Encumbrances for goods or purchased services are documented by purchase orders or contract. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding encumbrances.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

- A. 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. Statues 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 Funds Acceptances, (7) Mutual Funds, (8) Investment Pools, (9) Guaranteed Investment Contracts, (10) and Common Trust Funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Additional contractual provisions governing deposits and investments for the District are as follows:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. To insure against this risk of loss, the District's contract with its depository bank specifies that the depository bank agrees to cover by corporate surety bond or pledge of approved securities an amount that is equal to funds anticipated to be on deposit from day to day that exceeds the value of FDIC insurance coverage. During the year ended June 30, 2014, the District had \$250,000 of FDIC insurance and pledged securities were adequate at all times to insure the District's deposits.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in external investment pools which are not subject to custodial credit risk.

B. The District's investments at June 30 are shown below:

NAME	FAIR VALUE
TexStar Investment Pool	\$ 4 034 863
Texas CLASS Investment Pool	11 732 583
Lone Star Investment Pool	4 691 546
TOTAL INVESTMENTS	\$ 20 458 992

The classification on the balance sheet is as follows:

Cash and Cash Equivalent:	
Cash on hand	\$ 4 310
Cash in bank	1 848 465
	\$ 1 852 774 (C-1)
Cash in bank	\$ 35 954 (D-1)
Cash in bank	\$ 90 842 (E-1)
Current Investment:	
Tex Star Investment Pool	\$ 4 034 863
Lone Star Investment Pool	4 691 546
Texas CLASS Investment Pool	11 732 583
	\$ 20 458 992 (C-1)
Certificates of deposit	\$ 34 925 (E-1)

C. 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60 day period after the close of the school fiscal year.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. 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.

E. Disaggregation of Receivables and Deferred Revenue

Receivables at June 30 were as follows:

FUND	PROPERTY TAXES	OTHER GOVERNMENTS	OTHER RECEIVABLES	TOTAL RECEIVABLES
General	\$ 362 598	\$ 6 033 644	\$ 25 137	\$ 6 421 379
Debt service	47 256	-	37 987	85 243
Special revenue	-	493 831	3 454	497 285
TOTAL GOVERNMENTAL ACTIVITIES	409 854	6 527 475	66 578	7 003 907
Amounts not scheduled for collection	-	-	-	-
NET RECEIVABLES	\$ 409 854	\$ 6 527 475	\$ 66 578	\$ 7 003 907

Deferred revenue consisted of the following:

	GENERAL	DEBT SERVICE	TOTAL
Tax revenue	\$ 362 598	\$ 47 256	\$ 409 854

F. Interfund Balances and Activities

Interfund activity at June 30 consists of:

DUE TO	DUE FROM	AMOUNT	PURPOSE
Special Revenue	General	\$ 172 029	Short term advance
Special Revenue	Special Revenue	199 297	Short term advance
		\$ 371 326	
TRANSFER IN	TRANSFER OUT	AMOUNT	PURPOSE
Special Revenue	General	\$ 1 747	Fund transfer

G. Capital Assets

Capital asset activity for the year ended June 30 was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Government Activities:				
Capital Assets, Not Being Depreciated:				
Land and improvements	\$ 2 436 712	\$ -	\$ -	\$ 2 436 712
Construction in progress	-	95 913	-	95 913
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	2 436 712	95 913	-	2 532 625
Capital Assets, Being Depreciated:				
Buildings	91 470 533	94 776	-	91 565 309
Furniture and equipment	12 242 252	1 063 767	214 666	13 091 353
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	103 712 785	1 158 543	214 666	104 656 662
Less Accumulated Depreciation For:				
Buildings	30 625 189	2 169 653	-	32 794 842
Machinery and equipment	8 003 712	1 018 194	214 666	8 807 240
TOTAL ACCUMULATED DEPRECIATION	38 628 901	3 187 847	214 666	41 602 082
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	65 083 884	(2 029 304)	-	63 054 580
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 67 520 596	\$ (1 933 391)	\$ -	\$ 65 587 205

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Governmental Activities:	
Instruction	\$ 1 934 830
Instructional resources and media services	56 469
Curriculum development and instructional staff development	73
Instructional leadership	1 191
School leadership	7 865
Guidance, counseling and evaluation services	14 816
Social work services	1 755
Health services	3 893
Student transportation	465 522
Food services	165 473
Co-curricular/extra curricular	151 623
General administration	92 159
Plant maintenance and operations	181 923
Security and monitoring services	40 885
Data processing services	69 370
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 3 187 847

H. Capital Leases

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. The District has entered into lease agreements as lessee for financing the acquisition of several vehicles and other equipment in accordance with provisions of the Texas Education Code Section 45.109. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of June 30 as follows:

DATE OF ISSUE/ MATURITY	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	CURRENT INTEREST	OUT- STANDING 07/01/2013	ISSUED	RETIRED	OUT- STANDING 06/30/2014
01/2005 - 01/2015	4.00%	\$ 293 600	\$ 1 585	\$ 53 607	-	\$ 34 106	\$ 19 501
04/2005 - 04/2015	4.20%	402 678	3 190	95 027	-	46 518	48 509
TOTAL		\$ 696 278	\$ 4 775	\$ 148 634	-	\$ 80 624	\$ 68 010

The District has \$1,356,278 of buses in capital leases with accumulated amortization of \$1,356,278 at June 30.

YEAR ENDED	
JUNE 30,	
2015	\$ 69 536
Total minimum lease payments	69 536
Less: Amounts representing interest	1 526
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ 68 010

Lease expenditures in 2014 were \$85,398.

The effective interest rate on capital leases is 4.0% to 4.2%.

I. Long-term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

A summary of changes in bonds payable for the year ended June 30 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	CURRENT INTEREST	PAYABLE AMOUNTS OUTSTANDING 07/01/2013	ISSUED	RETIRED	OUT-STANDING 06/30/2014
Unlimited Tax Refunding Bonds, Series 2005	2.5 to 4.0%	\$ 3 825 000	\$ 81 090	\$ 2 100 000	\$ -	\$ (260 000)	\$ 1 840 000
Unlimited Tax Refunding Bonds, Series 2006	3.73 to 4.375%	25 035 000	991 844	23 800 000	-	(1 290 000)	22 510 000
2009 QSCB Bond	1.7%	7 900 000	134 300	6 340 702	-	(546 823)	5 793 879
Unlimited Tax Refunding Bonds, Series 2010	3.07%	14 295 000	550 950	14 140 000	-	(720 000)	13 420 000
Bond Issue Cost	N/A	-	-	(194 797)	-	194 797	-
Premium on Bond Issue	N/A	1 395 292	-	1 231 140	-	(82 076)	1 149 064
Accrued Interest	N/A	-	-	660 533	-	(30 822)	629 711
TOTAL			\$ 1 758 184	\$ 48 077 578	\$ -	\$ (2 734 924)	\$ 45 342 654

Debt service requirements are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATIONS		TOTAL REQUIREMENTS
	PRINCIPAL *	INTEREST	
2015	\$ 2 739 861	\$ 1 676 144	\$ 4 416 005
2016	2 834 861	1 590 944	4 425 805
2017	2 929 861	1 493 144	4 423 005
2018	3 029 861	1 391 544	4 421 405
2019	3 149 861	1 285 944	4 435 805
2020-2024	17 729 305	4 639 156	22 368 461
2025-2028	11 150 269	809 038	11 959 307
TOTAL	\$ 43 563 879	\$ 12 885 914	\$ 56 449 793

* includes payments to QSCB Escrow account.

Changes in long-term liabilities on the Statement of Net Position are as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
General obligation bonds	\$ 46 380 702	\$ -	\$ (2 816 823)	\$ 43 563 879	\$ 2 739 861
Capital leases	148 634	-	(80 624)	68 010	68 010
Bond issue cost	(194 797)	-	194 797	-	-
Accrued interest payable	660 533	-	(30 822)	629 711	-
Premium on bond issue	1 231 140	-	(82 076)	1 149 064	-
TOTAL	\$ 48 226 212	\$ -	\$ (2 815 548)	\$ 45 410 664	\$ 2 807 871

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management had indicated that the District is in compliance with all significant limitations and restrictions at June 30.

At June 30, 2014, the District has deposited \$2,106,121 in an escrow account to be used to repay the 2009 QSCB Bonds when due in 2025.

J. Pension Plan

Plan Description. The Nacogdoches 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1.800.223.8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2014, 2013 and 2012, and a state contribution rate of 6.4% for fiscal year 2014, 2013 and 2012. State contributions to TRS made on behalf of the Nacogdoches School District's employees for the years ended June 30, 2014, 2013 and 2012 were \$1,656,505, \$1,556,855, and \$1,452,707, respectively. The Nacogdoches School District paid additional state contributions for the years ended June 30, 2014, 2013, and 2012 in the amount of \$305,624, \$294,311, and \$279,073, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

K. School District Retiree Health Plan

Plan Description. The Nacogdoches School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1.800.223.8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$396,316, \$331,308, and \$318,767, respectively, the active member contributions were \$349,120, \$334,080, and \$207,199, respectively, and the school district's contributions were \$192,010, \$182,220, and \$175,322, respectively, which equaled the required contributions each year.

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. For the fiscal years ended August 31, 2014, 2013 and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$88,497, \$86,574 and \$80,202, respectively.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

L. Commitments and Contingencies

The District participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charges to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired.

Lawsuits have been brought against the District for which a prediction regarding the outcome or amount of recovery cannot be made at this time. If the plaintiffs were to prevail in these suits, it is believed that monetary damages should not exceed the limits of the District's insurance coverage. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants or litigation; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

M. Revenue from Local and Intermediate Sources

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

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	TOTAL
Property taxes	\$ 20 073 787	\$ -	\$ 3 331 463	\$ 23 405 250
Penalties, interest and other tax-related income	193 891	-	32 293	226 184
Investment income	10 949	-	3 143	14 092
Shared service arrangements	-	469 193	-	469 193
Athletic activities	88 876	-	-	88 876
Food sales	-	717 040	-	717 040
Transportation	321 460	-	-	321 460
Tuition	19 989	-	-	19 989
Gifts and bequest	100 871	-	-	100 871
Extracurricular	130 531	208 266	-	338 797
Other	30 605	2 125	-	32 730
TOTAL	\$ <u>20 970 959</u>	\$ <u>1 396 624</u>	\$ <u>3 366 899</u>	\$ <u>25 734 482</u>

N. Due From State Agencies

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 June 30 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

FUND	STATE ENTITLEMENT	FEDERAL GRANTS	TOTAL
General	\$ 6 027 784	\$ -	\$ 6 027 784
Special revenue	245 116	247 906	493 022
TOTAL ENTITLEMENTS	\$ <u>6 272 900</u>	\$ <u>247 906</u>	\$ <u>6 520 806</u>

O. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 June 30, 2014

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

P. Joint Ventured-Shared Service Arrangements

The District is the fiscal agent for a Shared Services Arrangement ("SSA"), which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 458, Shared Services Arrangements - Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Nacogdoches Independent School District	\$	284 071
Cushing Independent School District		16 873
Garrison Independent School District		28 469
Martinsville Independent School District		14 740
Etoile Independent School District		3 853
Chireno Independent School District		11 445
Douglas Independent School District		12 571
Woden Independent School District		23 819
TOTAL	\$	395 841

Shared Services Arrangement - Membership

The District participates in a shared services arrangement for a federal program.

The District does not account for revenue 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 Nacogdoches Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Q. Subsequent Event

After the fiscal year end, the District entered into a six year lease agreement with Bank of America for technology equipment valued at \$1,912,213.

R. Prior Period Adjustment

At June 30, 2014, the Net Position of the District was restated due to the implementation of GASB Statement 65. This resulted in the write-off of bond issue cost that were previously amortized over the life of the bond. The adjustment resulted in a change to beginning Net Position of \$194,797.

REQUIRED SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2014

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE
		ORIGINAL	FINAL		
Revenues:					
5700	Local and intermediate sources	\$ 20 609 893	\$ 20 714 259	\$ 20 970 938	\$ 256 679
5800	State program revenues	25 402 773	25 428 689	25 796 895	368 206
5900	Federal program revenues	323 000	323 000	411 722	88 722
5020	TOTAL REVENUES	<u>46 335 666</u>	<u>46 465 948</u>	<u>47 179 555</u>	<u>713 607</u>
Expenditures:					
Current:					
0011	Instruction	25 405 616	25 106 502	24 063 793	1 042 709
0012	Instructional resources and media services	618 601	669 521	663 693	5 828
0013	Curriculum and staff development	525 047	881 912	693 126	188 786
0021	Instructional leadership	814 258	832 675	707 489	125 186
0023	School leadership	2 468 875	2 480 474	2 494 343	(13 869)
0031	Guidance, counseling and evaluation services	1 210 382	1 271 770	1 337 932	(66 162)
0032	Attendance and social services	127 723	125 571	120 482	5 089
0033	Health services	402 223	439 251	461 507	(22 256)
0034	Student transportation	2 924 321	3 390 924	3 339 545	51 379
0035	Food services	65 300	65 335	62 888	2 447
0036	Co-curricular/extracurricular activities	1 302 133	1 345 360	1 364 122	(18 762)
0041	General administration	1 956 292	1 948 461	1 953 647	(5 186)
0051	Plant maintenance and operations	5 216 137	5 239 415	4 754 573	484 842
0052	Security and monitoring services	461 439	464 583	482 874	(18 291)
0053	Data processing services	878 742	877 124	869 023	8 101
0061	Community service	28 345	28 345	21 531	6 814
0071	Debt service	612 060	612 060	610 610	1 450
0081	Capital outlay	968 282	1 006 357	297 964	708 393
0099	Intergovernmental payments	349 890	349 890	349 889	1
6030	TOTAL EXPENDITURES	<u>46 335 666</u>	<u>47 135 530</u>	<u>44 649 031</u>	<u>2 486 499</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(669 582)</u>	<u>2 530 524</u>	<u>3 200 106</u>
Other Financing Sources (Uses):					
7900	Other financing sources	-	-	4 367	4 367
8900	Other financing (uses)	-	-	(1 747)	(1 747)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>2 620</u>	<u>2 620</u>
1200	NET CHANGE IN FUND BALANCES	-	(669 582)	2 533 144	3 202 726
0100	Fund balance - Beginning	<u>17 171 883</u>	<u>17 171 883</u>	<u>17 171 883</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 17 171 883</u>	<u>\$ 16 502 301</u>	<u>\$ 19 705 027</u>	<u>\$ 3 202 726</u>

See independent auditors' report.

COMBINING STATEMENTS AS
SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	212 ESEA TITLE I PART C MIGRANT	224 IDEA- PART B FORMULA	225 IDEA- PART B PRESCHOOL	226 IDEA PART-B HIGH COST
ASSETS						
1110	Cash and cash equivalents	\$ 283	\$ -	\$ 16 621	\$ 2 986	\$ -
1240	Due from other government	64 810	834	2 676	-	-
1260	Due from other funds	-	-	180 000	-	-
1290	Other receivables	-	-	-	-	-
1310	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 65 093</u>	<u>\$ 834</u>	<u>\$ 199 297</u>	<u>\$ 2 986</u>	<u>\$ -</u>
LIABILITIES						
Current Liabilities:						
2110	Accounts payable	\$ 23 345	\$ 67	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-	-
2170	Due to other funds	41 748	767	199 297	229	-
2000	TOTAL LIABILITIES	<u>65 093</u>	<u>834</u>	<u>199 297</u>	<u>229</u>	<u>-</u>
FUND BALANCES						
Fund Balances:						
3450	Nonspendable	-	-	-	-	-
3420	Restricted	-	-	-	2 757	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 757</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65 093</u>	<u>\$ 834</u>	<u>\$ 199 297</u>	<u>\$ 2 986</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-1
PAGE 1 OF 2

240 NATIONAL BREAKFAST AND LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	244 VOCATIONAL EDUCATION BASIC GRANT	255 TITLE II, PART A TRAINING AND RECRUITING	263 TITLE III LIMITED ENGLISH PROFICIENCY	274 GEAR UP PROGRAM	289 SUMMER SCHOOL LEP RIDER
\$ 1 144 322	\$ 59 899	\$ -	\$ 1 411	\$ 282	\$ 86	\$ 16 391
-	69 370	1 244	32 091	11 926	52 557	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
37 905	-	-	-	-	-	-
<u>\$ 1 182 227</u>	<u>\$ 129 269</u>	<u>\$ 1 244</u>	<u>\$ 33 502</u>	<u>\$ 12 208</u>	<u>\$ 52 643</u>	<u>\$ 16 391</u>
\$ 6 131	\$ 7 051	\$ -	\$ 27 193	\$ 847	\$ 671	\$ -
-	-	-	-	4 314	-	-
-	38 673	1 244	4 898	6 765	51 972	-
<u>6 131</u>	<u>45 724</u>	<u>1 244</u>	<u>32 091</u>	<u>11 926</u>	<u>52 643</u>	<u>-</u>
37 905	-	-	-	-	-	-
<u>1 138 191</u>	<u>83 545</u>	<u>-</u>	<u>1 411</u>	<u>282</u>	<u>-</u>	<u>16 391</u>
<u>1 176 096</u>	<u>83 545</u>	<u>-</u>	<u>1 411</u>	<u>282</u>	<u>-</u>	<u>16 391</u>
<u>\$ 1 182 227</u>	<u>\$ 129 269</u>	<u>\$ 1 244</u>	<u>\$ 33 502</u>	<u>\$ 12 208</u>	<u>\$ 52 643</u>	<u>\$ 16 391</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 June 30, 2014

DATA CONTROL CODES		315 SSA IDEA, PART B DISCRETIONARY	316 SSA IDEA, PART B DEAF	317 SSA - IDEA, B PRESCHOOL DEAF	397 ADVANCED PLACEMENT INCENTIVES	404 ACCELERATED READING PROGRAM
ASSETS						
1110	Cash and cash equivalents	\$ -	\$ 169	\$ -	\$ 10 263	\$ -
1240	Due from other government	6 202	6 260	745	-	-
1260	Due from other funds	-	-	-	-	-
1290	Other receivables	-	-	-	-	-
1310	Inventory	-	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 6 202</u>	<u>\$ 6 429</u>	<u>\$ 745</u>	<u>\$ 10 263</u>	<u>\$ -</u>
LIABILITIES						
Current Liabilities:						
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-	-
2170	Due to other funds	6 202	6 260	745	-	-
2000	TOTAL LIABILITIES	<u>6 202</u>	<u>6 260</u>	<u>745</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Fund Balances:						
3450	Nonspendable	-	-	-	-	-
3420	Restricted	-	169	-	10 263	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>169</u>	<u>-</u>	<u>10 263</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6 202</u>	<u>\$ 6 429</u>	<u>\$ 745</u>	<u>\$ 10 263</u>	<u>\$ -</u>

See independent auditors' report.

410	411	435	458	461	698	TOTAL
TEXTBOOK	TECHNOLOGY	SSA	NACOGDOCHES CO.	CAMPUS	COOL	NONMAJOR
FUND	FUND	REGIONAL DAY	ALTERNATIVE	CAMPUS	SCHOOLS	GOVERN-
		SCHOOL-	EDUCATION	ACTIVITY	GRANT	MENTAL
		DEAF	CAMPUS	FUNDS		FUNDS
\$ 14 093	\$ 263 909	\$ 100	\$ 96 365	\$ 154 758	\$ 26 145	\$ 1 808 083
165 955	-	79 161	-	-	-	493 831
-	19 297	-	-	-	-	199 297
-	-	-	3 208	246	-	3 454
-	-	-	-	-	-	37 905
<u>\$ 180 048</u>	<u>\$ 283 206</u>	<u>\$ 79 261</u>	<u>\$ 99 573</u>	<u>\$ 155 004</u>	<u>\$ 26 145</u>	<u>\$ 2 542 570</u>
\$ -	\$ -	\$ 208	\$ 156	\$ 6 267	\$ -	\$ 71 936
-	-	511	-	-	-	4 825
-	-	12 526	-	-	-	371 326
-	-	13 245	156	6 267	-	448 087
-	-	-	-	-	-	37 905
<u>180 048</u>	<u>283 206</u>	<u>66 016</u>	<u>99 417</u>	<u>148 737</u>	<u>26 145</u>	<u>2 056 578</u>
<u>180 048</u>	<u>283 206</u>	<u>66 016</u>	<u>99 417</u>	<u>148 737</u>	<u>26 145</u>	<u>2 094 483</u>
<u>\$ 180 048</u>	<u>\$ 283 206</u>	<u>\$ 79 261</u>	<u>\$ 99 573</u>	<u>\$ 155 004</u>	<u>\$ 26 145</u>	<u>\$ 2 542 570</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	212 ESEA TITLE I PART C MIGRANT	224 IDEA- PART B FORMULA	225 IDEA- PART B PRESCHOOL	226 IDEA PART-B HIGH COST
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	-
5900	Federal program revenues	2 469 885	15 966	1 081 136	29 749	173 391
5020	TOTAL REVENUES	<u>2 469 885</u>	<u>15 966</u>	<u>1 081 136</u>	<u>29 749</u>	<u>173 391</u>
Expenditures:						
Current:						
0011	Instruction	1 406 893	4 114	1 126 495	26 992	171 281
0012	Instructional resources and media services	4 350	-	-	-	-
0013	Curriculum and staff development	817 086	20	-	-	(210)
0021	Instructional leadership	154 644	9 671	-	-	-
0023	School leadership	-	-	-	-	-
0031	Guidance, counseling, and evaluation services	1 445	-	163 111	-	-
0032	Social work services	24 511	-	-	-	-
0033	Health services	21 255	-	-	-	1 007
0034	Student transportation	-	-	-	-	1 313
0035	Food services	-	-	-	-	-
0036	Co-curricular/extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	39 705	2 113	-	-	-
0081	Capital outlay	-	-	-	-	-
6030	TOTAL EXPENDITURES	<u>2 469 889</u>	<u>15 918</u>	<u>1 289 606</u>	<u>26 992</u>	<u>173 391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(4)</u>	<u>48</u>	<u>(208 470)</u>	<u>2 757</u>	<u>-</u>
Other Financing Sources (Uses):						
7900	Other financing sources	-	-	-	-	-
8900	Other financing uses	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(4)	48	(208 470)	2 757	-
0100	Fund balances - Beginning	4	(48)	208 470	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2 757</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-2
PAGE 1 OF 2

240 NATIONAL BREAKFAST AND LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	244 VOCATIONAL EDUCATION BASIC GRANT	255 TITLE II, PART A TRAINING AND RECRUITING	263 TITLE III LIMITED ENGLISH PROFICIENCY	274 GEAR UP PROGRAM	289 SUMMER SCHOOL LEP RIDER
\$ 716 844	\$ 195	\$ -	\$ -	\$ -	\$ -	\$ -
22 123	-	-	-	-	-	-
<u>3 795 331</u>	<u>155 080</u>	<u>89 302</u>	<u>473 526</u>	<u>149 611</u>	<u>203 888</u>	<u>8 905</u>
<u>4 534 298</u>	<u>155 275</u>	<u>89 302</u>	<u>473 526</u>	<u>149 611</u>	<u>203 888</u>	<u>8 905</u>
360	-	89 302	-	120 129	33 109	-
-	-	-	-	-	-	-
-	-	-	404 856	16 057	27 564	-
-	-	-	71 758	1 845	-	-
-	-	-	-	-	-	-
-	-	-	-	-	137 292	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5 178	5 921	-
4 148 039	147 599	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
185 471	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	6 474	-	-
<u>118 248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4 452 118</u>	<u>147 599</u>	<u>89 302</u>	<u>476 614</u>	<u>149 683</u>	<u>203 886</u>	<u>-</u>
<u>82 180</u>	<u>7 676</u>	<u>-</u>	<u>(3 088)</u>	<u>(72)</u>	<u>2</u>	<u>8 905</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
82 180	7 676	-	(3 088)	(72)	2	8 905
<u>1 093 916</u>	<u>75 869</u>	<u>-</u>	<u>4 499</u>	<u>354</u>	<u>(2)</u>	<u>7 486</u>
<u>\$ 1 176 096</u>	<u>\$ 83 545</u>	<u>\$ -</u>	<u>\$ 1 411</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 16 391</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED
 For the Year Ended June 30, 2014

DATA CONTROL CODES		315 SSA IDEA, PART B DISCRETIONARY	316 SSA IDEA, PART B DEAF	317 SSA- IDEA, B PRESCHOOL DEAF	397 ADVANCED PLACEMENT INCENTIVES	404 ACCELERATED READING PROGRAM
Revenues:						
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-	7 130
5900	Federal program revenues	34 203	32 040	1 725	-	-
5020	TOTAL REVENUES	<u>34 203</u>	<u>32 040</u>	<u>1 725</u>	<u>-</u>	<u>7 130</u>
Expenditures:						
Current:						
0011	Instruction	33 277	30 294	979	-	5 130
0012	Instructional resources and media services	-	-	-	-	-
0013	Curriculum and staff development	676	1 548	746	-	2 000
0021	Instructional leadership	-	-	-	-	-
0023	School leadership	-	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-	-
0032	Social work services	-	-	-	-	-
0033	Health services	250	198	-	-	-
0034	Student transportation	-	-	-	-	-
0035	Food services	-	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-	-
0041	General administration	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-	-
0053	Data processing services	-	-	-	-	-
0061	Community services	-	-	-	-	-
0081	Capital outlay	-	-	-	-	-
6030	TOTAL EXPENDITURES	<u>34 203</u>	<u>32 040</u>	<u>1 725</u>	<u>-</u>	<u>7 130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):						
7900	Other financing sources	-	-	-	-	-
8900	Other financing uses	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-	-	-
0100	Fund balances - Beginning	-	169	-	10 263	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 10 263</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-2
PAGE 2 OF 2

410	411	435	458	461	698	TOTAL
TEXTBOOK	TECHNOLOGY	SSA	NACOGDOCHES CO.	CAMPUS	COOL	NONMAJOR
FUND	FUND	REGIONAL DAY	ALTERNATIVE	CAMPUS	SCHOOLS	GOVERN-
		SCHOOL-	EDUCATION	ACTIVITY	SCHOOLS	MENTAL
		DEAF	CAMPUS	FUNDS	GRANT	FUNDS
\$ 2 129	\$ -	\$ 73 352	\$ 395 841	\$ 208 263	\$ -	\$ 1 396 624
204 479	7 585	379 383	-	-	-	620 700
-	196 717	-	-	-	-	8 910 455
<u>206 608</u>	<u>204 302</u>	<u>452 735</u>	<u>395 841</u>	<u>208 263</u>	<u>-</u>	<u>10 927 779</u>
66 781	4 570	339 304	294 672	401	-	3 754 083
-	-	-	-	20 163	-	24 513
-	-	555	-	-	-	1 270 898
-	-	109 839	-	-	-	347 757
-	-	-	68 205	196	-	68 401
-	-	-	36 689	-	-	338 537
-	-	-	-	-	-	24 511
-	-	800	113	-	-	23 623
-	-	398	-	-	-	12 810
-	-	-	-	-	-	4 295 638
-	-	-	-	172 350	-	172 350
-	-	-	4 733	-	-	4 733
-	-	-	8 250	-	-	193 721
-	20 856	-	-	899	-	21 755
-	-	-	-	-	-	48 292
-	-	-	-	-	-	118 248
<u>66 781</u>	<u>25 426</u>	<u>450 896</u>	<u>412 662</u>	<u>194 009</u>	<u>-</u>	<u>10 719 870</u>
139 827	178 876	1 839	(16 821)	14 254	-	207 909
-	-	-	-	1 747	-	1 747
-	-	-	-	-	-	-
-	-	-	-	1 747	-	1 747
139 827	178 876	1 839	(16 821)	16 001	-	209 656
40 221	104 330	64 177	116 238	132 736	26 145	1 884 827
<u>\$ 180 048</u>	<u>\$ 283 206</u>	<u>\$ 66 016</u>	<u>\$ 99 417</u>	<u>\$ 148 737</u>	<u>\$ 26 145</u>	<u>\$ 2 094 483</u>

OTHER SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2014

YEAR	TAX RATES		APPRAISED VALUE	BEGINNING	BEGINNING	M & O
	MAINTENANCE	DEBT SERVICE		BALANCE M & O	BALANCE I & S	CURRENT LEVY
2005 and prior years	Various	Various	Various	\$ 186 023	\$ -	\$ -
2006	1.5000	0.2000	\$ 1 383 063 607	57 409	52	-
2007	1.3700	0.2200	\$ 1 444 554 421	64 433	(4 394)	-
2008	1.1700	0.2000	\$ 1 542 672 508	67 555	10 489	-
2009	1.1700	0.2000	\$ 1 615 666 640	76 977	13 571	-
2010	1.1700	0.2000	\$ 1 721 803 163	91 477	15 065	-
2011	1.1700	0.2000	\$ 1 686 532 186	135 989	23 476	-
2012	1.1700	0.2000	\$ 1 713 622 003	169 906	37 620	-
2013	1.1700	0.2000	\$ 1 750 032 263	659 380	108 188	-
2014	1.1700	0.1875	\$ 1 806 287 700	-	-	20 469 600
TOTALS				\$ 1 509 149	\$ 204 067	\$ 20 469 600

See independent auditors' report.

EXHIBIT J-1

I & S CURRENT LEVY	MAINTEN- ANCE COLLECTIONS	DEBT SERVICE COLLECTIONS	M & O ADJUST- MENTS	I & S ADJUST- MENTS	M & O ENDING BALANCE	I & S ENDING BALANCE	TOTAL ENDING BALANCE
\$ -	\$ 19 071	\$ -	\$ 75 782	\$ -	\$ 242 734	\$ -	\$ 242 734
-	9 580	-	12 278	19	60 107	71	60 178
-	12 030	1 915	3 303	15 209	55 706	8 900	64 606
-	21 837	3 766	12 595	3 452	58 313	10 175	68 488
-	26 585	4 517	25 163	4 015	75 555	13 069	88 624
-	36 216	6 137	52 560	9 429	107 821	18 357	126 178
-	57 921	9 609	55 811	9 418	133 879	23 285	157 164
-	103 796	17 725	111 276	11 177	177 386	31 072	208 458
-	419 360	73 254	20 176	10 404	260 196	45 338	305 534
<u>3 363 430</u>	<u>19 858 111</u>	<u>3 263 513</u>	<u>(50 992)</u>	<u>(8 150)</u>	<u>560 497</u>	<u>91 767</u>	<u>652 264</u>
<u>\$ 3 363 430</u>	<u>\$ 20 564 507</u>	<u>\$ 3 380 436</u>	<u>\$ 317 952</u>	<u>\$ 54 973</u>	<u>\$ 1 732 194</u>	<u>\$ 242 034</u>	<u>\$ 1 974 228</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2014

EXHIBIT J-2

Function 41 - General Administration

Account Number	1 School Board 702	2 Tax Collection 703	3 Supt's Office 701	4 Indirect Cost 750	5 Direct Cost 720	6 Misc. Other	7 Total
6100-6146	\$ -	\$ -	\$ 276 462	\$ 461 716	\$ 480 824	\$ 50 645	\$ 1 269 647
6149	-	-	-	-	-	-	-
6211	-	-	-	-	87 503	-	87 503
6212	-	-	-	29 000	-	-	29 000
6213	-	476 783	-	-	-	-	476 783
621X	-	-	-	-	-	-	-
6220	-	-	-	-	-	-	-
6230	-	-	-	3 639	-	-	3 639
6240	-	-	-	-	287	-	287
6250	-	-	-	-	64	-	64
6260	117	-	3 373	12 713	4 173	-	20 376
6290	10 617	-	3 060	31 570	13 469	-	58 716
6320	-	-	1 575	490	-	-	2 065
6330	-	-	-	-	-	-	-
63XX	3 314	-	3 191	12 682	13 274	-	32 461
6410	12 604	-	13 796	16 050	13 550	-	56 000
6420	-	-	-	73 530	-	4 733	78 263
6430	17 310	-	-	-	-	-	17 310
6490	17 199	-	13 603	65 574	40 960	-	137 336
6500	-	-	-	-	-	-	-
6600	-	-	-	-	-	82 856	82 856
Total	\$ 61 161	\$ 476 783	\$ 315 060	\$ 706 964	\$ 654 104	\$ 138 234	\$ 2 352 306
Total expenditures for General and Special Revenue Funds (Exhibit C-3)							(9) \$ 55 368 900
<u>FISCAL YEAR</u>							
Less: Deductions of Unallowable Costs:							
Total Capital Outlay (6600)					(10)	1 377 077	
Total Debt and Lease (6500)					(11)	610 609	
Plant Maintenance (Function 51, 6100-6499)					(12)	4 886 552	
Food (Function 35, 6341 and 6499)					(13)	1 768 818	
Stipends (6413)					(14)	-	
Column 4 (above) - Total Indirect Cost						<u>706 964</u>	
			Subtotal				<u>9 350 020</u>
Net Allowed Direct Cost							\$ <u>46 018 880</u>
<u>CUMULATIVE</u>							
Total Cost of Buildings Before Depreciation (1520)						(15)	\$ 91 565 309
Historical Cost of Buildings over 50 years old						(16)	\$ 7 025 174
Amount of Federal Money in Building Cost (Net of #16)						(17)	\$ -
Total Cost of Furniture and Equipment Before Depreciation (1530 & 1540)						(18)	\$ 13 091 353
Historical Cost of Furniture and Equipment over 16 years old						(19)	\$ -
Amount of Federal Money in Furniture and Equipment (Net of #19)						(20)	\$ -

Note A - \$349,889 in Function 99 expenditures directly related to appraisal district cost are included above.
 Note B - \$44,037 in Function 53 cost are included above.

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF JUNE 30, 2014

EXHIBIT J-3

1	Total general fund balance as of 06/30/14 (object 3000 for the general fund only.)		\$ 19 705 027
2	Total non-spendable fund balance (total of object 3400s for the general fund only.)	\$ 888 381	
3	Total restricted fund balance (total of object 3500s for the general fund only.)	-	
4	Total committed fund balance (from Exhibit C-1 - Total of object 351X-354X for general fund only.)	500 000	
5	Total assigned fund balance (from Exhibit C-1 - Total of object 355X-359X for general fund only.)	1 400 000	
6	Estimated amount needed to cover fall cash flow deficits in the general fund (net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the regular school session (09/01-05/31).	10 930 742	
8	Estimate of delayed payments from state sources (58xx) including August payment delays.	6 033 644	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from capital projects fund (uses of general fund cash after bond referendum and prior to issuance of bonds.)	-	
12	Optimum fund balance and cash flow (lines 2+3+4+5+6 +7+8+9.)		19 752 767
13	Excess (deficit) undesignated unreserved general fund balance (line 1 minus line 10.)		\$ (47 740)

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 For the Year Ended June 30, 2014

EXHIBIT J-4

DATA CONTROL CODES	1 BUDGETED AMOUNTS		3	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)	
	ORIGINAL	FINAL	ACTUAL AMOUNTS		
Revenues:					
5700	Total local and intermediate sources	\$ 831 454	\$ 831 454	\$ 716 844	\$ (114 610)
5800	State program revenues	22 000	22 000	22 123	123
5900	Federal program revenues	4 149 828	4 149 828	3 795 331	(354 497)
5020	TOTAL REVENUES	<u>5 003 282</u>	<u>5 003 282</u>	<u>4 534 298</u>	<u>(468 984)</u>
Expenditures:					
0011	Instructional	14 000	14 000	360	13 640
0035	Food services	4 841 582	4 845 450	4 148 039	697 411
0051	Plant maintenance and operations	123 825	119 957	185 471	(65 514)
0052	Security	23 875	23 875	-	23 875
0081	Capital outlay	-	118 248	118 248	-
6030	TOTAL EXPENDITURES	<u>5 003 282</u>	<u>5 121 530</u>	<u>4 452 118</u>	<u>669 412</u>
1200	NET CHANGE IN FUND BALANCE	-	(118 248)	82 180	200 428
0100	Fund balance - July 1 (beginning)	<u>1 093 916</u>	<u>1 093 916</u>	<u>1 093 916</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30 (ENDING)	\$ <u>1 093 916</u>	\$ <u>975 668</u>	\$ <u>1 176 096</u>	\$ <u>200 428</u>

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended June 30, 2013

EXHIBIT J-5

<u>DATA CONTROL CODES</u>	<u>1 BUDGETED AMOUNTS ORIGINAL AND FINAL</u>	<u>3 ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>	
Revenues:				
5700	Total local and intermediate sources	\$ 3 552 089	\$ 3 366 899	\$ (185 190)
5800	State program revenues	<u>380 000</u>	<u>366 565</u>	<u>(13 435)</u>
5020	TOTAL REVENUES	<u>3 932 089</u>	<u>3 733 464</u>	<u>(198 625)</u>
Expenditures:				
Debt Service:				
0071	Principal on long- term debt	<u>3 898 885</u>	<u>3 895 538</u>	<u>3 347</u>
6030	TOTAL EXPENDITURES	<u>3 898 885</u>	<u>3 895 538</u>	<u>3 347</u>
1200	NET CHANGE IN FUND BALANCES	33 204	(162 074)	(195 278)
0100	Fund balance - July 1 (beginning)	<u>3 793 074</u>	<u>3 793 074</u>	<u>-</u>
3000	FUND BALANCE - JUNE 30 (ENDING)	<u>\$ 3 826 278</u>	<u>\$ 3 631 000</u>	<u>\$ (195 278)</u>

See independent auditors' report.

COMPLIANCE SECTION



AXLEY & RODE, LLP

CERTIFIED PUBLIC ACCOUNTANTS • SINCE 1949

CROCKETT - JASPER - LIVINGSTON - LUFKIN - NACOGDOCHES

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

Board of Trustees
Nacogdoches Independent School District
Nacogdoches, Texas

Members of the Board of Trustees:

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 Nacogdoches Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated October 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nacogdoches 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 Nacogdoches Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Nacogdoches 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 Nacogdoches 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.

Lufkin, Texas
October 16, 2014


CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Nacogdoches Independent School District
Nacogdoches, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Nacogdoches 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 Nacogdoches Independent School District's major federal programs for the year ended June 30, 2014. Nacogdoches 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 Nacogdoches 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 and Nacogdoches 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 Nacogdoches Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Nacogdoches 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 June 30, 2014.

Report on Internal Control Over Compliance

Management of Nacogdoches 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 Nacogdoches 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 Nacogdoches 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.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
October 16, 2014

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2014

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.173	IDEA-B Program
10.553/10.555/10.582	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2014

Findings/Recommendation	Current Status
None	

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2014

NONE APPLICABLE

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

EXHIBIT K-1
PAGE 1 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) TOTAL EXPENDITURES
U.S. Department of Education:			
Passed Through State Department of Education:			
211	ESEA Title I Part A - Improving basic programs	84.010A 14610101174904	\$ 2 505 039
212	ESEA Title I Part C - Migratory children	84.011 14615001174904	16 289
224	IDEA - Part B, Formula	84.027 14660001174904	1 081 136
315	SSA - IDEA - Part B, discretionary	84.027 14660002174904	34 203
316	SSA - IDEA - Part B, deaf	84.027 14660001174904	32 040
226	IDEA - Part B, high cost	84.027 136600061749046680	173 391
244	Vocational education - Basic grant	84.048 14420006174904	90 546
225	IDEA - Part B, preschool	84.173A 14661001174904	29 749
228	SSA - IDEA - Part B, preschool deaf	84.173 14661001174904	1 725
274	Gaining education awareness and readiness	84.334 P334A050251	203 887
263	English language acquisitions and language enhancement	84.365A 14671001174904	151 162
255	ESEA Title II - Part A, teacher and principal training	84.367A 14694501174904	479 552
267	Summer school LEP	84.369 069551302	8 905
	TOTAL DEPARTMENT OF EDUCATION		<u>4 807 624</u>
U.S. Department of Health and Human Services:			
Direct Programs:			
242	Summer feeding program	10.559 174-904	<u>155 080</u>
	TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>155 080</u>
U.S. Department of Agriculture:			
Direct Programs:			
495	Commodities *	10.565 174-904	<u>247 904</u>
	TOTAL DIRECT PROGRAMS		<u>247 904</u>
Passed Through Nacogdoches County:			
305	National forest revenue	10.666 174-904	<u>4 216</u>
	TOTAL PASSED THROUGH NACOGDOCHES COUNTY		<u>4 216</u>
Passed Through State Department of Agriculture:			
240	National school breakfast program *	10.553 71401401	1 134 967
240	National school lunch program *	10.555 71301401	2 368 460
240	Fresh fruit and vegetable program	10.582 00844-122011-FFV	44 000
	TOTAL PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE		<u>3 547 427</u>
	TOTAL DEPARTMENT OF AGRICULTURE		<u>3 799 547</u>

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 For the Year Ended June 30, 2014

EXHIBIT K-1
 PAGE 2 OF 2

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) TOTAL EXPENDITURES
Federal Communications Commission: E-Rate	32.000	174-904	196 717
TOTAL FEDERAL COMMUNICATIONS COMMISSION			196 717
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8 958 968

*Clustered programs as required by Compliance Supplement March, 2003.

See independent auditors' report.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 NOTES TO ACCOUNTING POLICIES FOR FEDERAL AWARDS
 For the Year Ended June 30, 2014

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

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

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

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

Total Expenditures for Federal Awards per Exhibit K-1		\$ 8 958 968
General Fund:		
Federal Revenues Excluded:		
School Health Program	93.990	344 697
Medicare Reimbursement Program	93.778	18 512
TOTAL FEDERAL REVENUE PER EXHIBIT C-3		\$ 9 322 177

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED
 SCHOOL FIRST INDICATORS
 As of June 30, 2014

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	NO
SF4	Did the District receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?	YES
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	NO
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	NO
SF10	Total accumulated accretion of CAB's included in Government wide statements at fiscal year end.	\$ -

See independent auditors' report.