

**LYFORD CONSOLIDATED INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

August 31, 2014

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

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	3
Independent Auditors' Report	5
Management's Discussion and Analysis	9
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	17
B-1 Statement of Activities	18
Governmental Fund Financial Statements:	
C-1 Balance Sheet	19
C-2 Reconciliation for C-1	20
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	21
C-4 Reconciliation for C-3	22
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	23
Notes to the Financial Statements	25
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	43
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	46
J-3 Fund Balance and Cash Flow Calculation Worksheet	48
J-4 Budgetary Comparison Schedule - Child Nutrition Fund	49
J-5 Budgetary Comparison Schedule - Debt Service Fund	50
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	55
Schedule of Findings and Questioned Costs	58
Summary Schedule of Prior Audit Findings	59
K-1 Schedule of Expenditures of Federal Awards	60
Notes to Schedule of Expenditures of Federal Awards	61
L-1 Schools First Questionnaire	63

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Buffo & Berkman
Certified Public Accountants
324 E. Hidalgo, Box 710 956-689-2479
Raymondville, Texas 78580

J. A. Buffo
G. L. Berkman

**Unmodified Opinions on Basic Financial Statements Accompanied by Required
Supplementary Information and Other Information—State or Local Governmental
Entity**

Independent Auditor's Report

Lyford Consolidated Independent School District
P. O. Box 220
Lyford, Texas 78569

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 09- 13 and 43 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 Lyford Consolidated Independent School District's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Delinquent Taxes Receivable (Exhibit J-1) and the Schedule of Expenditures for Computation of Indirect Costs for 2014-15 (Exhibit J-2) and the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Delinquent Taxes Receivable (Exhibit J-1) and the Schedule of Expenditures for Computation of Indirect Costs for 2014-15 (Exhibit J-2) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison information on pages 49 and 50 has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of Lyford Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lyford Consolidated Independent School District's internal control over financial reporting and compliance.



Buffo & Berkman
Certified Public Accountants
Raymondville, TX 78580
January 14, 2015

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LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2014

Our discussion and analysis of Lyford Consolidated Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ending August 31, 2014. Please read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The assets exceeded its liabilities at the close of the most recent fiscal year by \$29,074,755 (net position). Of this amount, \$18,587,706 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- During the year, the District's revenues exceeded expenditures by \$9,357,817. This compares to last year when revenues exceeded expenditures by \$3,535,734.
- In the District's total net position increased by \$12,811,496, or approximately 44%, as a result of this year's operations.
- The District's expenditures for the fiscal year represent an increase of about \$4,619,873 over the previous year.
- At the close of the currnt fiscal year, the District's governmental funds reported combined ending fund balance of \$18,651,574, and an increase of \$9,357,817 in comparison with prior year. \$17,621,220 is available for spending at the District's discretion (unassigned fund balance).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities Exhibits A-1 and B-1.

These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements Exhibit C-1 and C-3 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. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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 operations are in Exhibit A-1 and B-1. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets 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 the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with Exhibit C-1 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act 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).

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

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 Exhibit E-1. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from \$16,263,259 to \$29,074,755. Unrestricted net position – the part of net assets that can be used to finance day-to-day operations and construction was \$18,587,706 at August 31, 2014.

This increase in governmental net assets was the result of four factors (approximately \$8,000,000 came from new taxes on the windfarms). First, the District's revenues exceeded the expenditures by about \$9,357,817. Second, the District recognition of depreciation decreased the net assets by \$703,611. Third, the District's net assets were increased by miscellaneous reclassifications of \$99,017. Fourth, the District increased current year capital outlays and long-term debt principal payments by \$4,058,275.

Table I
Lyford Consolidated Independent School District
NET ASSETS

Governmental Activities

	2013	2014
Current and other assets	11,061,400	19,629,453
Capital assets	<u>14,368,851</u>	<u>17,261,694</u>
Total assets	<u>25,430,251</u>	<u>36,891,147</u>
Long-Term Liabilities	7,895,587	7,434,840
Other Liabilities	<u>504,275</u>	<u>381,554</u>
Total Liabilities	<u>8,399,862</u>	<u>7,816,394</u>
Net Assets:		
Invested in capital assets, net of related debt	6,604,691	9,856,312
Restricted	1,881,884	630,737
Unrestricted	<u>8,543,812</u>	<u>18,587,706</u>
Total Net Position	<u>17,030,387</u>	<u>29,074,755</u>

Table II
Lyford Consolidated Independent School District

Changes in Net Position

Governmental Activities

REVENUES:		
Program Revenues:	2013	2014
Charges for Services	414,784	1,106,739
Operating Grants and Contributions	3,207,146	3,211,018
General Revenues:		
Maintenance and Operations Taxes	2,541,555	9,639,981
Debt Service Taxes	338,250	420,098
State Aid Formula Grants	13,228,015	15,514,713
Grants, Contributions not restricted to specific Functions	533,806	853,626
Investment Earnings	6,694	17,879
Miscellaneous	<u>187,854</u>	<u>155,623</u>
Total Revenue	<u>20,458,104</u>	<u>30,919,677</u>
EXPENSES:		
Instruction, curriculum and media services	8,652,368	9,676,756
Instructional/school leadership	694,014	722,624
Guidance, social work, health, transportation	890,800	1,117,888
Food Services	1,157,479	1,149,924
Cocurricular Activities	950,733	1,160,857
General Administration	895,712	1,051,066
Plant Maintenance and Security	2,138,750	2,284,281
Data Processing	413,097	363,883
Community Services	78,949	84,497
Debt Service	447,923	418,353
Facilities Acquisition and Construction		
Payments related to shared service arrangements	49,450	78,112
Payment to fiscal agent/ member districts		
Total Expenses	<u>16,369,275</u>	<u>18,108,181</u>
Increase in Net Position	4,088,829	12,811,496
Net Position at 9/1/13	<u>12,941,560</u>	<u>16,263,259</u>
Net Position at 8/31/14	<u>17,030,389</u>	<u>29,074,755</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of approximately \$18,651,572 which is more than last year's total of \$9,878,664. Included in this year's total change in fund balance are an increase of \$10,441,956 in the District's revenues and an increase of \$4,619,873 in expenditures. The primary reasons for the General Fund's gain mirrors the governmental analysis financial highlights mentioned at the beginning of this report.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments to transfer funds among functions. The second category was to purchase capital outlay and construction projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had approximately \$17,261,694 (net of accumulated depreciation) invested in a broad range of capital assets, including land, instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance building equipment:

This year's major additions included:

Transportation Building	644,100
Paving	409,017
Fence	51,527
Lighting Renovation-Entegral	1,468,485
Architect Fees	72,277
Above Ground Tank	59,967
Food Service Equipment	97,861
Agriculture Truck	41,136
Bus	89,691
Goal Posts, Gym Floor, Discuss Cage, Scoreboard	113,000
Marquees and Playground Equipment	360,879
Police Car	22,933
Security Cameras, Virtual/Backup Server, Video Surveillance	165,583
Totaling	\$ 3,596,456

Debt

At year-end, the District had approximately \$7,434,840 in bonds payable versus approximately \$7,895,587 last year. The District's general obligation bond rating has been the highest possible, a rating that has been assigned by national rating agencies.

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's enrollment and ADA has been maintained since last year. The District administrative staff continues to monitor the enrollment and state aid formulas to ensure that there are sufficient resources for the fiscal year. The M&O tax rate is at \$1.17 which is the maximum allowed by law with a rollback tax election.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office, at Lyford Consolidated Independent School District, P.O. Drawer 220, Lyford, TX 78569.

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BASIC FINANCIAL STATEMENTS

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LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 12,844,697
1120 Current Investments	2,112,114
1220 Property Taxes Receivable (Delinquent)	880,857
1230 Allowance for Uncollectible Taxes	(271,509)
1240 Due from Other Governments	3,662,415
1250 Accrued Interest	1,164
1290 Other Receivables, net	100
1410 Prepayments	399,615
Capital Assets:	
1510 Land	62,778
1520 Buildings, Net	16,067,279
1530 Furniture and Equipment, Net	1,131,637
1000 Total Assets	36,891,147
LIABILITIES	
2110 Accounts Payable	61,852
2140 Interest Payable	13,019
2150 Payroll Deductions & Withholdings	4,900
2160 Accrued Wages Payable	273,014
2200 Accrued Expenses	3,873
2300 Unearned Revenue	24,896
Noncurrent Liabilities	
2501 Due Within One Year	407,389
2502 Due in More Than One Year	7,027,451
2000 Total Liabilities	7,816,394
NET POSITION	
3200 Net Investment in Capital Assets	9,856,312
3820 Restricted for Federal and State Programs	596,544
3850 Restricted for Debt Service	108,707
3890 Restricted for Other Purposes	(74,514)
3900 Unrestricted	18,587,706
3000 Total Net Position	\$ 29,074,755

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 9,151,861	\$ 356,423	\$ 1,467,118	\$ (7,328,320)
12 Instructional Resources and Media Services	242,127	-	46,218	(195,909)
13 Curriculum and Staff Development	282,768	-	101,354	(181,414)
21 Instructional Leadership	1,944	-	-	(1,944)
23 School Leadership	720,680	-	44,662	(676,018)
31 Guidance, Counseling and Evaluation Services	309,557	-	151,241	(158,316)
32 Social Work Services	21,088	-	6,455	(14,633)
33 Health Services	164,019	-	8,985	(155,034)
34 Student (Pupil) Transportation	623,224	-	23,519	(599,705)
35 Food Services	1,149,924	101,192	1,176,852	128,120
36 Extracurricular Activities	1,160,857	41,208	38,587	(1,081,062)
41 General Administration	1,051,006	607,916	41,974	(401,116)
51 Facilities Maintenance and Operations	2,100,182	-	40,651	(2,059,531)
52 Security and Monitoring Services	184,099	-	8,256	(175,843)
53 Data Processing Services	363,883	-	7,292	(356,591)
61 Community Services	84,497	-	47,854	(36,643)
72 Debt Service - Interest on Long Term Debt	418,353	-	-	(418,353)
93 Payments related to Shared Services Arrangements	78,112	-	-	(78,112)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 18,108,181	\$ 1,106,739	\$ 3,211,018	(13,790,424)
Data Control Codes	General Revenues:			
MT	Property Taxes, Levied for General Purposes			9,639,981
DT	Property Taxes, Levied for Debt Service			420,098
SF	State Aid - Formula Grants			15,514,713
GC	Grants and Contributions not Restricted			853,626
IE	Investment Earnings			17,879
MI	Miscellaneous Local and Intermediate Revenue			155,623
TR	Total General Revenues			26,601,920
CN	Change in Net Position			12,811,496
NB	Net Position - Beginning			16,848,166
PA	Prior Period Adjustment			(584,907)
NE	Net Position - Ending			\$ 29,074,755

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

LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 12,675,375	\$ 1,179,651	\$ (1,010,329)	\$ 12,844,697
1120	Investments - Current	2,112,114	-	-	2,112,114
1220	Property Taxes - Delinquent	804,302	76,555	-	880,857
1230	Allowance for Uncollectible Taxes (Credit)	(255,253)	(16,256)	-	(271,509)
1240	Receivables from Other Governments	2,625,930	13,693	1,022,792	3,662,415
1250	Accrued Interest	1,164	-	-	1,164
1260	Due from Other Funds	2,022,885	903,348	27,027	2,953,260
1290	Other Receivables	100	-	-	100
1410	Prepayments	141,032	258,583	-	399,615
1000	Total Assets	\$ 20,127,649	\$ 2,415,574	\$ 39,490	\$ 22,582,713
LIABILITIES					
2110	Accounts Payable	\$ 61,852	\$ -	\$ -	\$ 61,852
2150	Payroll Deductions and Withholdings Payable	4,900	-	-	4,900
2160	Accrued Wages Payable	255,934	-	17,080	273,014
2170	Due to Other Funds	965,276	1,987,985	-	2,953,261
2200	Accrued Expenditures	5,127	-	(1,254)	3,873
2300	Unearned Revenues	1,231	-	23,665	24,896
2000	Total Liabilities	1,294,320	1,987,985	39,491	3,321,796
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	549,049	60,298	-	609,347
2600	Total Deferred Inflows of Resources	549,049	60,298	-	609,347
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	141,032	258,583	-	399,615
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	596,544	-	-	596,544
3480	Retirement of Long-Term Debt	-	108,707	-	108,707
3490	Other Restricted Fund Balance	(74,514)	-	-	(74,514)
3600	Unassigned Fund Balance	17,621,220	-	-	17,621,220
3000	Total Fund Balances	18,284,282	367,290	-	18,651,572
4000	Total Liabilities, Deferred Inflows & Fund Balances	\$ 20,127,651	\$ 2,415,573	\$ 39,491	\$ 22,582,715

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

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

Total Fund Balances - Governmental Funds	\$	18,651,572
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$22,569,691 and the accumulated depreciation was \$8,200,830. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		6,459,171
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		4,058,275
3 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(703,611)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		609,348
19 Net Position of Governmental Activities	\$	29,074,755

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 10,804,056	\$ 423,154	\$ -	\$ 11,227,210
5800	State Program Revenues	16,323,491	428,279	124,733	16,876,503
5900	Federal Program Revenues	1,403,572	-	1,299,284	2,702,856
5020	Total Revenues	<u>28,531,119</u>	<u>851,433</u>	<u>1,424,017</u>	<u>30,806,569</u>
EXPENDITURES:					
Current:					
0011	Instruction	7,845,722	-	1,068,551	8,914,273
0012	Instructional Resources and Media Services	205,053	-	36,574	241,627
0013	Curriculum and Instructional Staff Development	190,254	-	92,514	282,768
0021	Instructional Leadership	1,944	-	-	1,944
0023	School Leadership	714,281	-	-	714,281
0031	Guidance, Counseling and Evaluation Services	168,823	-	140,734	309,557
0032	Social Work Services	15,688	-	5,400	21,088
0033	Health Services	164,019	-	-	164,019
0034	Student (Pupil) Transportation	623,721	-	-	623,721
0035	Food Services	1,149,071	-	32,388	1,181,459
0036	Extracurricular Activities	1,193,480	-	-	1,193,480
0041	General Administration	1,048,999	-	-	1,048,999
0051	Facilities Maintenance and Operations	5,027,866	-	-	5,027,866
0052	Security and Monitoring Services	200,631	-	-	200,631
0053	Data Processing Services	494,349	-	-	494,349
0061	Community Services	36,643	-	47,854	84,497
Debt Service:					
0071	Principal on Long Term Debt	-	545,000	-	545,000
0072	Interest on Long Term Debt	-	321,081	-	321,081
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	78,112	-	-	78,112
6030	Total Expenditures	<u>19,158,656</u>	<u>866,081</u>	<u>1,424,015</u>	<u>21,448,752</u>
1200	Net Change in Fund Balances	9,372,463	(14,648)	2	9,357,817
0100	Fund Balance - September 1 (Beginning)	9,496,725	381,939	-	9,878,664
1300	Prior Period Adjustment	(584,907)	-	-	(584,907)
3000	Fund Balance - August 31 (Ending)	<u>\$ 18,284,281</u>	<u>\$ 367,291</u>	<u>\$ 2</u>	<u>\$ 18,651,574</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	9,357,817
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		4,058,275
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(703,611)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		99,017
Change in Net Position of Governmental Activities	\$	12,811,498

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

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

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 71,386
Total Assets	<u>\$ 71,386</u>
LIABILITIES	
Due to Student Groups	\$ 71,386
Total Liabilities	<u>\$ 71,386</u>

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

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**LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lyford Consolidated 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.

A. REPORTING ENTITY

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 Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Lyford Consolidated Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

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

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 does the fiduciary fund financial statement. 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 District does not consider property tax revenue 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 state revenues "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 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 Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- 1. The General Fund-** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Debt Service Fund-** The district accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

Fiduciary Funds:

- 4. Agency Funds-** The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

E. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements, and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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.

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

2. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental 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: buildings - 50 years, building improvements - 50 years, infrastructures - 50 years, vehicles - 10 years, office equipment - 5 years, and computer equipment - 5 years.

3. Cash and cash equivalents include cash and highly liquid investments such as certificates of deposit with maturity dates of ninety days or less.
4. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

F. FUND BALANCE POLICIES

The District has classified its fund balances in the following classifications:

Nonspendable General Fund	\$ 141,032
Nonspendable Debt Service	258,583
Restricted for Food Service	596,544
Restricted for All Others	(74,514)
Restricted for Retirement of Long-Term Debt	108,707
Committed	0
Unassigned	\$17,621,220

- Nonspendable-These funds are in a non-liquid format and cannot be used.
- Restricted-External parties have restricted these funds to be used for their intended purpose.
- Committed-The Board has authority to commit funds for specific purposes and these funds cannot be used for any other purpose, unless formal action is taken that changes or lifts the constraints.
- Assigned-The Board has authority to assign funds for specifically identified purposes.
- Unassigned-The unassigned fund balance has no constraints.

The Board of Trustees is the District's decision making authority for both committing and restricting fund balances.

The Board of Trustees must by formal board action establish, modify, or rescind a fund balance commitment.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> at the Beginning of the year	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	62,778		62,778	
Buildings	19,909,041	6,110,034	13,799,007	
Furniture & Equipment	2,597,862	891,082	507,066	
Capital Leases	0	0	0	
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	
Change in Net Assets				<u>14,368,851</u>
<u>Long-term Liabilities</u> at the Beginning of the year			<u>Payable at the</u> <u>Beginning of</u> <u>the Year</u>	
Bonds Payable			7,895,587	
Deferred Charges			0	
Loans Payable			0	
Capital Leases Payable			0	
Compensated Absences			0	
Other			<u>0</u>	
Change in Net Assets				<u>(7,895,587)</u>
Net Adjustment to Net Assets				<u><u>6,473,264</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	0		
Buildings & Improvements	2,705,372		
Furniture & Equipment	891,082		
Construction in Progress	<u>0</u>		
Total Capital Outlay	<u>3,596,454</u>	<u>3,596,454</u>	<u>3,596,454</u>
<u>Debt Principal Payments</u>			
Bond Principal	545,000		
Loan Principal	0		
Capital Lease Payments	0		
Other	0		
Total Principal Payment	<u>545,000</u>	<u>545,000</u>	<u>545,000</u>
Amortization (Loan Cost etc.)		<u>0</u>	<u>0</u>
Total Adjustment to Net Assets		<u>3,051,454</u>	<u>3,051,454</u>

Another element of the reconciliation on Exhibit C-2 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	118,849	(118,849)	0
Uncollected taxes (assumed collectible) from Current Year Levy		121,753	121,753
Uncollected Taxes (assumed collectible) from Prior Year Levy		0	487,595
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
New Bond Issue	0	0	0
Discount (Premium) on Issuance of Bonds	0	0	0
Capital Lease Proceeds	0	0	0
Other	0	0	0
<u>Reclassify liabilities incurred but not liquidated this year</u>			
Unused Vacation Pay and/or unused sick leave	0	0	0
<u>Reclassify certain expenditures to prepaid assets:</u>			
Prepaid Insurance Premiums	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>118,849</u>	<u>2,904</u>	<u>609,348</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the General Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J4 and J5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
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.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

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

As of August 31, 2014, Lyford Consolidated Independent School District had the following investments.

<u>Investment Type</u>	Investment Maturities (in years)				
	Fair Value	Less than 1	1-5	6-10	More Than 10
Certificates of Deposit	1,959,865	1,959,865			
Investment Pools	152,249	152,249			
Total	<u>\$2,112,114</u>	<u>\$2,112,114</u>			

(\$152,249 of the investment pools are included in object code 1110-cash and cash equivalent)

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

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments to Certificates of Deposit and Investment Pools. Investment Pools are like funds meaning that they are structured similarly to a money market mutual fund. Such funds

allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant value of \$1.00, although this cannot be fully guaranteed. Investment Pools portfolio had a weighted average maturity of 31 days; the District considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

Concentration of Credit Risk As of August 31, 2014, the Certificates of Deposit represent 93% of the portfolio. Investment Pools represent 7% of the portfolio.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

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

Due to/Due from General Fund:

<u>1260 Due From</u>	<u>DB</u>	<u>2170 Due To</u>	<u>CR</u>
Payroll Fund	0	General Fund	965,276
Special Revenue Fund	27,027	Special Revenue Fund	0
Local Revenue Fund	2,022,885	Local Fund	0
Debt Service	903,348	Debt Service	1,987,985
TOTAL	<u>2,953,261</u>	TOTAL	<u>2,953,261</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2014, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	804,302	2,625,930	2,022,885	100	5,453,117
Debt Service Fund	76,555	13,693	903,348	0	993,576
Special Revenue Fund	0	1,022,792	27,027	0	1,049,819
Total - Governmental Activities	<u>880,857</u>	<u>3,662,415</u>	<u>2,953,260</u>	<u>100</u>	<u>7,496,512</u>
Amounts not scheduled for collection during the subsequent year	<u>271,509</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>271,509</u>

Payables at August 31, 2014, were as follows:

	<u>Accounts</u>	<u>Loans, Leases and Bonds Payable- Current Year</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:							
General Fund	61,852	0	260,834	965,276	0	6,358	1,294,320
Special Revenue Fund	0	0	17,080	0	0	22,411	39,491
Debt Service	0	0	0	1,987,985	0	0	1,987,985
Total - Gov. Activities	<u>61,852</u>	<u>0</u>	<u>277,914</u>	<u>2,953,261</u>	<u>0</u>	<u>28,769</u>	<u>3,321,796</u>
Amounts not scheduled for payment during the subsequent year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Land	62,778	0	0	62,778
Buildings and Improvements	19,909,041	2,705,372	0	22,614,413
Furniture and Equipment	2,597,862	891,082	0	3,488,944
Capital Leases			0	
Infrastructure			0	
Totals at Historic Cost	<u>22,569,681</u>	<u>3,596,454</u>	<u>0</u>	<u>26,166,135</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,110,034)	(437,101)	0	(6,547,135)
Furniture and Equipment	(2,090,796)	(266,510)	0	(2,357,306)
Capital Leases			0	
Infrastructure			0	
Total Accumulated Depreciation	<u>(8,200,830)</u>	<u>(703,611)</u>	<u>0</u>	<u>(8,904,441)</u>
Governmental Activities Capital Assets, Net	<u>14,368,851</u>	<u>2,892,843</u>	0	<u>17,261,694</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	278,724
Instructional Resources and Media Services	500
Curriculum Development and Instructional Staff Development	0
Instructional Leadership	0
School Leadership	6399
Guidance, Counseling and Evaluation Services	0
Social Work Services	0
Health Services	0
Student (Pupil) Transportation	89,194
Food Services	66,326
Cocurricular/Extracurricular Activities	80,377
General Administration	2,007
Plant Maintenance and Operations	138,567
Security and Monitoring Service	6,400
Data Processing Services	35,117
Community Services	0
Facilities Acquisition and Construction	0
Contracted Instructional Services Between Schools	0
In addition, depreciation on capital assets held by the District's Internal Service Fund(s) is charged to the various functions based on their usage of the assets	0

Total Depreciation Expense 703,611

G. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2014 is as follows:

<u>DESCRIPTION</u>	<u>Interest Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 09/01/13</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 8/31/14</u>
Texas School Building Bonds Series 2002	4.600%	5,500,000	5,775	140,000	0	140,000	0
Unlimited Tax Ref Bonds Series 2006	4.180%	6,470,000	163,438	3,910,000	0	365,000	3,545,000
Unlimited Tax Ref Bonds Series 2007	4.131%	<u>4,069,997</u>	<u>151,411</u>	<u>3,789,997</u>	0	<u>40,000</u>	<u>3,749,997</u>
TOTAL		<u><u>16,039,997</u></u>	<u><u>320,624</u></u>	<u><u>7,839,997</u></u>	<u><u>0</u></u>	<u><u>545,000</u></u>	<u><u>7,294,997</u></u>

Reconciled items:

Prior year balance of accounting loss	(388,186)
Current year adjustments	
Current amortization of accounting losses	41,381
Current accretion of Capital Appreciation Bonds Interest	54,795
Current amortization of Bond Premium	(11,923)
Unamortized discount	443,776
	<u>7,434,840</u>
Due within one year	407,388
Due beyond one year	<u>7,027,452</u>
	<u><u>7,434,840</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

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

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds are as follows:

Year Ended August 31	General Obligations		Total Requirements
	Principal	Interest	
2015	407,388	460,732	868,120
2016	421,027	446,209	867,236
2017	431,582	433,934	865,516
2018	615,000	248,169	863,169
2019	640,000	223,054	863,054
2020-2024	2,550,000	718,585	3,268,585
2025-2029	1,310,000	358,533	1,668,533
2030-2032	920,000	78,090	998,090
Total	<u>7,294,997</u>	<u>2,967,306</u>	<u>10,262,303</u>

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Lyford Consolidated Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. 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 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trns.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2012, 2013, and 2014 a state contribution rate of **6.8%** and a member contribution rate of **6.4%**. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's **6.8%** contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of Lyford Consolidated Independent School District's employees for the years ended August 31, 2012, 2013, and 2014 were \$559,918, \$578,381, \$618,566, respectively. Lyford Consolidated Independent School District paid additional state contributions for the years ended August 31, 2012, 2013, and 2014 in the amount of \$56,867, \$60,609 \$61,357, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. The amounts of TRS on-behalf payments for Medicare Part D for the District for the years ended August 31, 2012, 2013, and 2014 were \$26,034, \$24,620, \$27,377, respectively.

J. HEALTH CARE COVERAGE

During the year ended August 31, 2014, employees of the Lyford Consolidated Independent School District were covered by a health insurance plan. The District contributed \$250 per employee monthly to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. The plan was authorized by Section 21.922 Texas Education Code, and was documented by contractual agreement.

K. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	7,839,997	0	545,000	7,294,997	407,388
Special Assessment Bonds	0	0	0	0	0
Equipment Note	0	0	0	0	0
Less Deferred Amount on Refunding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Bonds and Notes Payable	<u>7,839,997</u>	<u>0</u>	<u>545,000</u>	<u>7,294,997</u>	<u>407,388</u>
Reconciled items:					
Prior year balance of accounting loss				(388,186)	
Current year adjustments:					
Current amortization of accounting losses				41,381	
Current accretion of Capital Appreciation Bonds Interest				54,795	
Current amortization of Bond Premium				(11,923)	
Unamortized discount				<u>443,776</u>	
				<u>7,434,840</u>	
Due within one year				407,388	
Due beyond one year				<u>7,027,452</u>	
				<u>7,434,840</u>	

L. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	549,049		60,298	609,347
Summer Feeding		23,187		23,187
Advanced Placement		478		478
Other	1,231			1,231
Total Deferred Revenue	<u>550,280</u>	<u>23,665</u>	<u>60,298</u>	<u>634,243</u>

M. 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 August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General	2,625,930	0	2,625,930
Debt Service	13,693	0	13,693
Special Revenue	<u>0</u>	<u>1,022,792</u>	<u>1,022,792</u>
Total	<u>2,639,623</u>	<u>1,022,792</u>	<u>3,662,415</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	9,604,205	0	402,722	0	10,006,927
Penalties, Interest and Other Tax-related Income	75,798	0	19,866	0	95,664
Investment Income	17,314	0	565	0	17,879
Food Sales	101,192	0	0	0	101,192
Co-curricular Student Activities	41,208	0	0	0	41,208
Other	<u>964,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>964,339</u>
Total	<u>10,804,056</u>	<u>0</u>	<u>423,154</u>	<u>0</u>	<u>11,227,210</u>

O. LITIGATION

There is no pending litigation.

P. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in several shared service arrangements including:

Special Ed Co-op through Raymondville ISD county district number 245903 (\$78,112 is coded under object 6492 was contributed to the Co-op. This Co-op is also funded by the District's IDEA funding. The District is one of six members of the Co-op.)

The District has a shared service arrangement with Brownsville School for the Deaf county district number 031901 through the Special Ed Co-op through Raymondville ISD.

GEAR UP Grant through Region One ESC Service Center county district 108950 (\$83,178 is coded under 5929 for revenues and 6100 through 6400 for expenditures. The District invoices Region One for the expenditures incurred.)

The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Lyford Consolidated Independent School district. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Q. PRIOR PERIOD ADJUSTMENT

The fund balance of the General Fund is adjusted to correct errors from preceding years. A payroll cash transfer from one fund to another was not recorded. Several payroll accruals were not reversed in subsequent years.

R. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 14, 2015, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,069,693	\$ 10,020,798	\$ 10,804,056	\$ 783,258
5800	State Program Revenues	13,635,161	13,846,493	16,323,491	2,476,998
5900	Federal Program Revenues	40,187	1,249,413	1,403,572	154,159
5020	Total Revenues	22,745,041	25,116,704	28,531,119	3,414,415
EXPENDITURES:					
Current:					
0011	Instruction	7,647,624	7,993,271	7,845,722	147,549
0012	Instructional Resources and Media Services	223,206	223,206	205,053	18,153
0013	Curriculum and Instructional Staff Development	170,900	168,680	190,254	(21,574)
0021	Instructional Leadership	1,500	1,500	1,944	(444)
0023	School Leadership	708,111	708,111	714,281	(6,170)
0031	Guidance, Counseling and Evaluation Services	174,939	174,939	168,823	6,116
0032	Social Work Services	2,016	2,016	15,688	(13,672)
0033	Health Services	151,834	169,754	164,019	5,735
0034	Student (Pupil) Transportation	635,982	635,982	623,721	12,261
0035	Food Services	1,098,281	1,216,781	1,149,071	67,710
0036	Extracurricular Activities	1,081,650	1,245,654	1,193,480	52,174
0041	General Administration	925,314	1,067,784	1,048,999	18,785
0051	Facilities Maintenance and Operations	2,219,979	5,046,953	5,027,866	19,087
0052	Security and Monitoring Services	198,920	206,920	200,631	6,289
0053	Data Processing Services	422,345	544,944	494,349	50,595
0061	Community Services	7,500	16,400	36,643	(20,243)
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	67,900	78,160	78,112	48
6030	Total Expenditures	15,738,001	19,501,055	19,158,656	342,399
1100	Excess of Revenues Over Expenditures	7,007,040	5,615,649	9,372,463	3,756,814
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	2,286,417	2,286,417	-	(2,286,417)
8911	Transfers Out (Use)	(2,286,417)	(2,286,417)	-	2,286,417
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	7,007,040	5,615,649	9,372,463	3,756,814
0100	Fund Balance - September 1 (Beginning)	9,440,124	8,911,818	9,496,725	584,907
1300	Prior Period Adjustment	-	-	(584,907)	(584,907)
3000	Fund Balance - August 31 (Ending)	\$ 16,447,164	\$ 14,527,467	\$ 18,284,281	\$ 3,756,814

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T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ 395,244,425
2006	1.370000	0.08000	146,379,746
2007	1.040000	0.23000	166,298,820
2008	1.040000	0.16000	161,753,119
2009	1.040000	0.16000	203,266,482
2010	1.040000	0.16000	180,009,343
2011	1.170000	0.16000	198,548,107
2012	1.170000	0.16000	191,273,206
2013	1.170000	0.16000	215,253,295
2014 (School year under audit)	1.170000	0.05000	821,751,835
100 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 272,849	\$ -	\$ 8,085	\$ 431	\$ (38,966)	\$ 225,367
41,954	-	3,494	187	(246)	38,027
43,593	-	2,930	171	(229)	40,263
41,820	-	3,006	665	(85)	38,064
46,136	-	4,569	703	(260)	40,604
70,442	-	7,024	1,081	(123)	62,214
91,624	-	12,145	1,868	(370)	77,241
113,770	-	23,784	3,252	(981)	85,753
156,769	-	39,987	5,468	(3,175)	108,139
-	10,000,487	9,423,411	402,710	(9,183)	165,183
<u>\$ 878,957</u>	<u>\$ 10,000,487</u>	<u>\$ 9,528,435</u>	<u>\$ 416,536</u>	<u>\$ (53,618)</u>	<u>\$ 880,855</u>

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

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ 51,515	\$ 189,217	\$ 438,635	\$ -	\$ -	\$ 679,367
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	11,036	-	-	-	-	-	11,036
6212	Audit Services	-	-	-	17,000	-	-	17,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	144,618	-	-	-	-	144,618
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	900	-	900	18,440	-	-	20,240
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	42,637	-	-	42,637
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	1,954	3,973	-	-	5,927
6290	Miscellaneous Contr.	-	8,007	-	9,242	-	-	17,249
6320	Textbooks and Reading	-	-	174	-	-	-	174
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,498	3,244	4,235	27,043	-	-	39,020
6410	Travel, Subsistence, Stipends	36,609	2,778	11,098	8,313	-	-	58,798
6420	Ins. and Bonding Costs	-	500	-	6,238	-	-	6,738
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	9,028	460	18,525	20,373	-	-	48,386
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 62,071	\$ 211,122	\$ 226,103	\$ 591,894	\$ -	\$ -	\$ 1,091,190

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 20,457,938

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 3,596,454
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,961,615
Food (Function 35, 6341 and 6499)	(13)	562,195
Stipends (6413)	(14)	21,194
Column 4 (above) - Total Indirect Cost		591,894

SubTotal: 6,733,352

Net Allowed Direct Cost \$ 13,724,587

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 22,614,413
Historical Cost of Building over 50 years old	(16)	\$ 759,377
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 3,488,944
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 721,158
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$59,056 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 87,150	\$ 87,150	\$ 120,809	\$ 33,659
5800	State Program Revenues	6,658	6,658	28,111	21,453
5900	Federal Program Revenues	1,020,702	1,020,702	1,116,353	95,651
5020	Total Revenues	1,114,510	1,114,510	1,265,273	150,763
EXPENDITURES:					
Current:					
0035	Food Services	1,098,281	1,216,781	1,149,071	67,710
6030	Total Expenditures	1,098,281	1,216,781	1,149,071	67,710
1100	Excess (Deficiency) of Revenues Over Expenditures	16,229	(102,271)	116,202	218,473
OTHER FINANCING SOURCES (USES):					
7961	Transfers Out (Use)	(16,229)	(16,229)	-	16,229
1200	Net Change in Fund Balances	-	(118,500)	116,202	234,702
0100	Fund Balance - September 1 (Beginning)	480,342	-	476,713	476,713
3000	Fund Balance - August 31 (Ending)	\$ 480,342	\$ (118,500)	\$ 592,915	\$ 711,415

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 385,651	\$ 385,651	\$ 423,154	\$ 37,503
5800	State Program Revenues	479,973	479,973	428,279	(51,694)
5020	Total Revenues	865,624	865,624	851,433	(14,191)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	545,000	545,000	545,000	-
0072	Interest on Long Term Debt	320,624	320,624	321,081	(457)
6030	Total Expenditures	865,624	865,624	866,081	(457)
1200	Net Change in Fund Balances	-	-	(14,648)	(14,648)
0100	Fund Balance - September 1 (Beginning)	381,939	381,939	381,939	-
3000	Fund Balance - August 31 (Ending)	\$ 381,939	\$ 381,939	\$ 367,291	\$ (14,648)

**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

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Buffo & Berkman
Certified Public Accountants
324 E. Hidalgo, Box 710 956-689-2479
Raymondville, Texas 78580

J. A. Buffo
G. L. Berkman

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

Lyford Consolidated Independent School District
P. O. Box 220
Lyford, Texas 78569

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,⁷ the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lyford Consolidated Independent School District, as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

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



Buffo & Berkman
Certified Public Accountants
Raymondville, TX 78580
January 14.2015

Buffo & Berkman
Certified Public Accountants
324 E. Hidalgo, Box 710 956-689-2479
Raymondville, Texas 78580

J. A. Buffo
G. L. Berkman

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Lyford Consolidated Independent School District
P. O. Box 220
Lyford, Texas 78569

Report on Compliance for Each Major Federal Program

We have audited Lyford Consolidated 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 Lyford Consolidated Independent School District's major federal programs for the year ended August 31, 2014. Lyford Consolidated 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 Lyford Consolidated Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lyford Consolidated 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 Lyford Consolidated Independent School District's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133. .

Report on Internal Control Over Compliance

Management of Lyford Consolidated 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 Lyford Consolidated 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 Lyford Consolidated 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Example Entity as of and for the year ended August 31, 2014, and have issued our report thereon dated January 14, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Buffo & Berkman
Certified Public Accountants
Raymondville, TX 78580
January 14, 2015

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

I. Summary of the Auditor's Results:

1. The type of report issued on the financial statements of the Lyford Consolidated Independent School District was an unqualified opinion.
2. Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
3. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. None
4. Where applicable, a statement that significant deficiencies in internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses. None
5. The type of report the auditor issued on compliance for major programs. Unqualified opinion.
6. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section __.510(a). These include:
 - a) Significant deficiencies in internal control over major programs. Identify significant deficiencies which are individually or cumulatively material weaknesses. None
 - b) Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program. None
 - c) For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000. None
 - d) Known questioned costs greater than \$10,000 for a Federal program which is not audited as a major program.
 - e) The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards. None
 - f) Known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. None
 - g) Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding. None
7. An identification of major programs: ESEA, Title I, Part A-Improving Basic Programs (CFDA:84.010A); Title II, Part A-Teacher/Principal Training (CFDA 84.367A).
8. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
9. A statement as to whether the auditee qualified as a low-risk auditee. The District was classified as a low risk auditee in the context of OMB Circular A-133.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*. None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above None

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

(Prepared by the District's Administration)

NONE

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR (FISH & WILDLIFE)			
<u>Passed Through Willacy County</u>			
Coastal Impact Assistance Program	15.668	F12AF00817	\$ 769
Total Passed Through Willacy County			\$ 769
TOTAL U.S. DEPARTMENT OF INTERIOR (FISH & WILDLIFE)			\$ 769
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101245902	\$ 45,067
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101245902	675,173
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101245902	11,319
Total CFDA Number 84.010A			731,559
Total Title I Cluster			731,559
ESEA, Title I, Part C - Migratory Children	84.011	13615001245902	5,116
ESEA, Title I, Part C - Migratory Children	84.011	14615001245902	226,707
Total CFDA Number 84.011			231,823
Career and Technical - Basic Grant	84.048	14420006245902	23,776
GEAR UP	84.334S	P334A050083	83,178
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	13696001245902	1,000
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	14696001245902	28,461
Total CFDA Number 84.358B			29,461
Title III, Part A - English Language Acquisition	84.365A	13671001245902	5,434
Title III, Part A - English Language Acquisition	84.365A	14671001245902	14,964
Total CFDA Number 84.365A			20,398
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501245902	9,357
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501245902	136,575
Total CFDA Number 84.367A			145,932
Total Passed Through State Department of Education			\$ 1,266,127
TOTAL DEPARTMENT OF EDUCATION			\$ 1,266,127
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	01144	\$ 430,257
*National School Lunch Program - Cash Assistance	10.555	01144	655,115
*National School Lunch Prog. - Non-Cash Assistance	10.565	01144	30,980
*Summer Feeding Program - Cash Assistance	10.559	01144	32,388
Total Child Nutrition Cluster			1,148,740
Child & Adult Care Food Program - Cash Assistance	10.558	01144	7,407
Total Passed Through the State Department of Agriculture			\$ 1,156,147
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,156,147
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,423,043

*Clustered Programs

LYFORD CISD
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

- 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.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

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

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

- 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.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567).
- Reconciliation of Federal Revenue

Presented below is a reconciliation of federal revenues:

Total Expenditures of Federal Awards per Exhibit K-1	\$2,423,043
General Fund-Federal Revenue:	
School Health and Related Services (SHARS) revenue	<u>279,813</u>
Total Federal Revenues per Exhibit C-3	<u>\$2,702,856</u>

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SCHOOLS FIRST QUESTIONNAIRE

LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	323,116