

AUBREY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2014

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AUBREY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Aubrey Independent School District
Name of School District

Denton
County

061-907
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2014, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 26, 2014
Greenville, Texas

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aubrey Independent School District (District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is indicated in the accompanying schedule of findings and questioned costs ad item 2014-1.

Report on Internal Control – Continued

Purpose of this Report

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

November 26, 2014
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

Internal Control over Compliance – Continued

report on internal control over compliance in accordance with OMC circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

November 26, 2014
Greenville, Texas

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
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Internal Control over Financial Reporting:

Material Weaknesses identified	None
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Significant deficiencies identified that are not considered to be material weaknesses	None reported
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Noncompliance material to the financial statements noted	None
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Federal Awards –

Internal control over major programs:

Material weaknesses identified	None
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Significant deficiencies identified that are not considered to be material weaknesses	None reported
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Type of Auditor's report issued on compliance for major programs	Unmodified
--	------------

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
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Identification of major programs	Food Service Cluster:
----------------------------------	-----------------------

National School Lunch Program (10.555)
School Breakfast Program (10.553)

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
---	------------

Entity qualified as a low risk auditee	Yes
--	-----

Pass-through Entity	Texas Education Agency
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AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Financial Statement Findings (Section II)

2014-1

Expenditures over Appropriations

Criteria: Texas Education Code, Section 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found: The District overexpended functional expenditure categories during the year and at the year end.

Questioned Costs/Basis: None

Instances/Universe: Expenditures of the legally required budgeted funds are distributed into nineteen functional expenditure categories. The District overexpended one of the functional categories.

Effect: The District appears to not have been in compliance with Texas Education Code, Sections 44.002 through 44.006.

Recommendation: The District should continue monthly reviews of budgetary authority with appropriate budget amendments approved by the Board prior to encumbrance and/or expenditure of funds.

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Federal Award Findings and Questioned Costs (Section III)

NONE

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Prior Year Findings (Section IV)

NONE

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

Corrective Action Plans (Section V)

Expenditures over Appropriations

The District will continue to monitor and amend the budget where and when needed. Extra emphasis will be made to ensure year end expenditures are accurately reflected in the financial records.

Contact Person: James Monaco

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

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

FINANCIAL HIGHLIGHTS

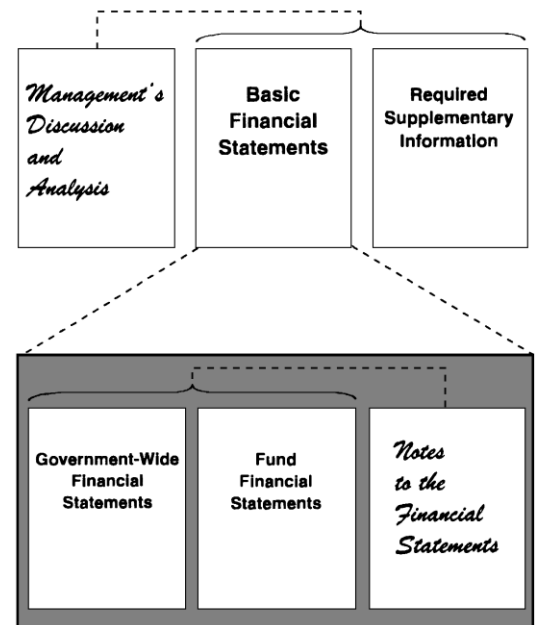
- The District's total combined net position was \$ (7,734,285) at year end.
- During the year, the District's expenses were \$ 2,324,187 more than the \$ 20,034,747 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased 7.43% from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 7,557,391 a decrease of \$ 87,295 over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as a print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

- **Fiduciary funds**—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position were \$ (7,734,285) at August 31, 2014.

Aubrey Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change 2013-2014
	2014	2013	
Assets:			
Cash and Investments	\$ 9,189,352	\$ 9,476,458	-3.0%
Other Assets	807,633	695,839	16.1%
Capital Assets less Accumulated Depreciation	44,311,061	46,725,829	-5.2%
Total Assets	\$ 54,308,046	\$ 56,898,126	-4.6%
Deferred Net Outflow s of Resources:			
Deferred Net Outflow s of Resources	\$ 1,490,389	\$ 864,694	72.36%
Total Deferred Outflow s of Resources	\$ 1,490,389	\$ 864,694	72.36%
Liabilities:			
Current Liabilities	\$ 805,853	\$ 949,410	-15.1%
Long-term Liabilities	62,726,867	62,223,507	0.8%
Total Liabilities	\$ 63,532,720	\$ 63,172,917	0.6%
Net Position:			
Net Investment in Capital Assets	\$ (8,035,990)	\$ (4,302,434)	-86.8%
Restricted	1,107,151	1,067,142	3.7%
Unrestricted	(805,446)	(2,174,805)	63.0%
Total Net Position	\$ (7,734,285)	\$ (5,410,097)	43.0%

\$ 1,085,900 of the District's restricted net position represent funds held for debt retirement. These funds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 20,034,747. 46% of the District's revenue comes from local property taxes (See Table A-2). 47% comes from state aid and federal grants, while only 7% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 22,358,934. 55% of these costs are for instruction and instructional related services.

The District's current tax collection rate (base tax only – current and delinquent) was 102.16%. The total collection rate (base tax and penalty and interest) was 103.71%.

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

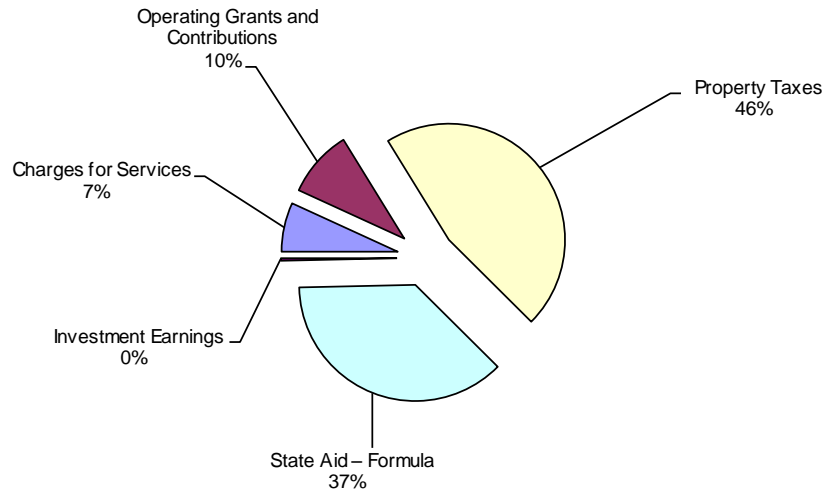
Table A-2

Changes in Aubrey Independent School District's Net Position

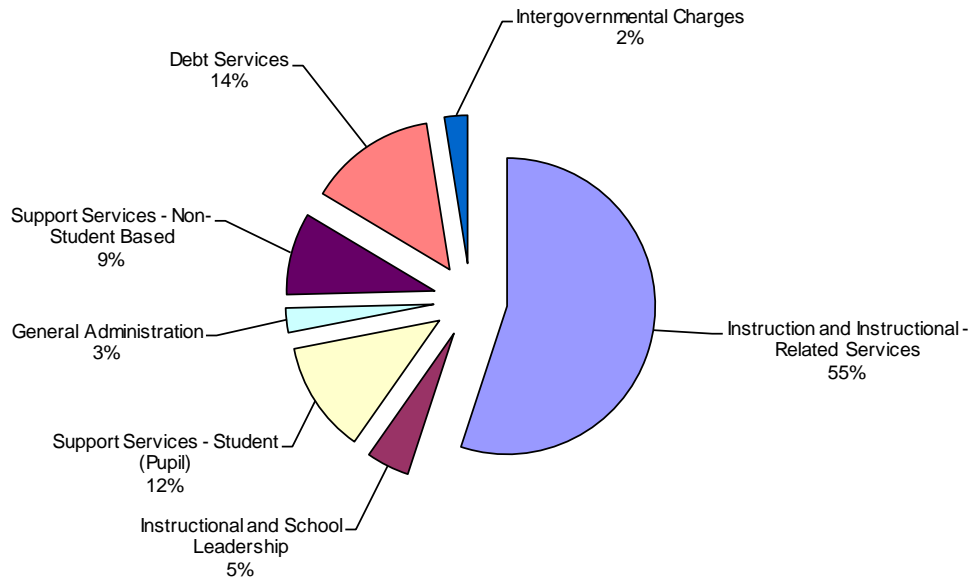
	Governmental Activities		Total Percentage Change 2013-2014
	2014	2013	
Program Revenues:			
Charges for Services	\$ 1,369,910	\$ 1,195,763	14.56%
Operating Grants and Contributions	1,878,851	1,282,345	46.52%
General Revenues:			
Property Taxes	9,262,498	8,972,086	3.24%
State Aid – Formula	7,452,701	7,278,643	2.39%
Investment Earnings	70,389	70,796	-0.57%
Miscellaneous	398	67,063	-99.41%
Total Revenues	<u>\$ 20,034,747</u>	<u>\$ 18,866,696</u>	6.19%
Expenses:			
Instruction	\$ 11,619,466	\$ 10,287,467	12.95%
Instructional Resources and Media Services	511,747	509,972	0.35%
Curriculum and Staff Development	77,366	141,968	-45.50%
School Leadership	1,041,264	1,168,412	-10.88%
Guidance, Counseling and Evaluation Services	381,903	309,380	23.44%
Health Services	154,865	147,912	4.70%
Student (Pupil) Transportation	668,703	649,863	2.90%
Food Services	741,092	660,067	12.28%
Cocurricular/Extracurricular Activities	758,135	610,089	24.27%
General Administration	592,672	476,716	24.32%
Plant Maintenance and Operations	1,710,530	1,477,548	15.77%
Security and Monitoring Services	52,865	28,893	82.97%
Community Services	278,950	270,609	3.08%
Debt Service	3,085,015	3,592,530	-14.13%
Capital Outlay	126,298	-	100.00%
Payments for Shared Service Arrangements	558,063	481,120	15.99%
Total Expenses	<u>\$ 22,358,934</u>	<u>\$ 20,812,546</u>	7.43%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (2,324,187)</u>	<u>\$ (1,945,850)</u>	-19.44%
Increase (Decrease) in Net Position	\$ (2,324,187)	\$ (1,945,850)	-19.44%
Net Position - Beginning (September 1)	<u>(5,410,098)</u>	<u>(3,464,248)</u>	-56.17%
Net Position - Ending (August 31)	<u>\$ (7,734,285)</u>	<u>\$ (5,410,098)</u>	-42.96%

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

Source of Revenue for Fiscal Year 2014 - See Table A-2



Functional Expenses for Fiscal Year 2014 - See Table A-2



AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 22,358,934.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 9,262,498,
- Some of the cost was paid by those who directly benefited from the programs, \$ 1,369,910, or
- By grants and contributions \$ 1,878,851.

Table A-3

**Aubrey Independent School District's
Net Cost of Selected District Functions**

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2014	2013		2014	2013	
Instruction	\$11,619,466	\$10,287,467	12.95%	\$10,250,751	\$ 9,467,568	8.27%
School Leadership	1,041,264	1,168,412	-10.88%	1,007,532	1,133,092	-11.08%
General Administration	592,672	476,716	24.32%	570,886	460,619	23.94%
Plant Maintenance and Operations	1,710,530	1,477,548	15.77%	1,452,910	1,419,232	2.37%
Debt Service	3,049,705	3,592,530	-15.11%	2,649,972	3,350,245	-20.90%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's fund equity in the governmental funds totaled \$ 8,841,264.

Revenues from governmental fund types totaled \$ 20,018,478 which is an increase of \$ 1,117,594 from the prior year. The increase reflects additional state aid for attendance increases.

Expenditures of governmental fund types totaled \$ 20,239,262 which is an increase of \$ 2,091,253 from the prior year. The change represents the increase in operational costs including various maintenance and security projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, actual expenditures were \$ 164,639 below final General Fund budget amounts. The most significant positive variance resulted from plant maintenance and operations with several others below amounts budgeted.

Resources available were \$ 74,397 above the final General Fund budgeted amount. The favorable variance was due to higher than anticipated student enrollment and attendance.

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 64,307,509 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Aubrey Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2014	2013	2013-2014
Land	\$ 992,441	\$ 992,441	0.00%
Buildings and Improvements	62,717,313	62,689,913	0.04%
Vehicles	221,418	221,418	0.00%
Equipment	376,337	376,337	0.00%
Totals at Historical Cost	\$ 64,307,509	\$ 64,280,109	0.04%
Total Accumulated Depreciation	(19,996,448)	(17,554,280)	13.91%
Net Capital Assets	\$ 44,311,061	\$ 46,725,829	-5.17%

DEBT

At year end, the District had \$ 62,726,867 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Aubrey Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2014	2013	2013-2014
Bonds Payable	\$ 51,664,027	\$ 52,113,461	-0.86%
Other Debt Payable	11,062,840	10,110,046	9.42%
Total Debt Payable	\$ 62,726,867	\$ 62,223,507	0.81%

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to housing development bankruptcies and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by a drop in property values from prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2013-2015 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2013 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2013-2015 biennium.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact James Monaco, Finance Director for the District.

BASIC FINANCIAL STATEMENTS

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

		1	
Data			
Control		Governmental	
<u>Codes</u>		<u>Activities</u>	
ASSETS			
1110	Cash and Investments	\$	9,189,352
1225	Property Taxes Receivable, Net		425,023
1240	Due from Other Governments		371,810
1290	Other Receivables, Net		10,800
	Capital Assets:		
1510	Land		992,441
1520	Building and Improvements, Net		43,115,819
1530	Furniture and Equipment, Net		<u>202,801</u>
1000	Total Assets	\$	<u>54,308,046</u>
DEFERRED OUTFLOWS OF RESOURCES			
1700	Total Deferred Outflows of Resources	\$	<u>1,490,389</u>
LIABILITIES			
2110	Accounts Payable	\$	94,514
2140	Interest Payable		75,155
2165	Accrued Liabilities		587,716
2300	Unearned Revenue		48,468
	Noncurrent Liabilities:		
2501	Due within one year		390,571
2502	Due in more than one year		<u>62,336,296</u>
2000	Total Liabilities	\$	<u>63,532,720</u>
NET POSITION			
3200	Net Investment in Capital Assets	\$	(8,035,990)
	Restricted For:		
3820	State and Federal Programs		1,214
3850	Debt Service		1,085,900
3890	Other Purposes		20,037
3900	Unrestricted		<u>(805,446)</u>
3000	Total Net Position	\$	<u>(7,734,285)</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

		1	3	4	Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
		Operating			
		Charges for			
		Grants and			
Codes	Functions/Programs	Expenses	Services	Contributions	Governmental Activities
Governmental Activities:					
11	Instruction	\$ 11,619,466	\$ 501,175	\$ 867,540	\$ (10,250,751)
12	Instructional Resources and Media Services	511,747	-	12,902	(498,845)
13	Curriculum and Staff Development	77,366	-	2,853	(74,513)
23	School Leadership	1,041,264	-	33,732	(1,007,532)
31	Guidance, Counseling and Evaluation Services	381,903	-	13,149	(368,754)
33	Health Services	154,865	-	5,670	(149,195)
34	Student (Pupil) Transportation	668,703	-	24,583	(644,120)
35	Food Services	741,092	325,173	376,842	(39,077)
36	Cocurricular/Extracurricular Activities	758,135	76,257	22,435	(659,443)
41	General Administration	592,672	-	21,786	(570,886)
51	Plant Maintenance and Operations	1,710,530	195,753	61,867	(1,452,910)
52	Security and Monitoring Services	52,865	-	1,949	(50,916)
61	Community Services	278,950	271,552	13,233	5,835
72	Interest on Long-term Debt	2,923,407	-	395,076	(2,528,331)
73	Debt Issuance Costs and Fees	161,608	-	-	(161,608)
81	Capital Outlay	126,298	-	4,657	(121,641)
93	Payments to Shared Service Arrangements	558,063	-	20,577	(537,486)
TG	Total Governmental Activities	<u>\$ 22,358,934</u>	<u>\$ 1,369,910</u>	<u>\$ 1,878,851</u>	<u>\$ (19,110,173)</u>
TP	Total Primary Government	<u>\$ 22,358,934</u>	<u>\$ 1,369,910</u>	<u>\$ 1,878,851</u>	<u>\$ (19,110,173)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				\$ 6,380,285
DT	Property Taxes, Levied for Debt Service				2,882,213
IE	Investment Earnings				70,389
GC	Grants and Contributions Not Restricted to Specific Programs				7,452,701
MI	Miscellaneous				398
TR	Total General Revenues				<u>\$ 16,785,986</u>
CN	Change in Net Position				\$ (2,324,187)
NB	Net Position - Beginning (September 1)				<u>(5,410,098)</u>
NE	Net Position - Ending (August 31)				<u>\$ (7,734,285)</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS:				
1110 Cash and Investments	\$ 7,967,018	\$ 1,040,702	\$ 181,632	\$ 9,189,352
1225 Property Taxes Receivable, Net	299,127	125,896	-	425,023
1240 Due from Other Governments	232,360	-	139,450	371,810
1290 Other Receivables, Net	10,800	-	-	10,800
1000 Total Assets	<u>\$ 8,509,305</u>	<u>\$ 1,166,598</u>	<u>\$ 321,082</u>	<u>\$ 9,996,985</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 78,600	\$ -	\$ 15,914	\$ 94,514
2160 Accrued Wages Payable	539,089	-	37,640	576,729
2200 Accrued Expenses	9,932	-	1,055	10,987
2300 Unearned Revenues	25,166	5,543	17,759	48,468
2000 Total Liabilities	<u>\$ 652,787</u>	<u>\$ 5,543</u>	<u>\$ 72,368</u>	<u>\$ 730,698</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Total Deferred Inflows of Resources	\$ 299,127	\$ 125,896	\$ -	\$ 425,023
FUND BALANCES				
Restricted Fund Balances:				
3450 Federal/State Funds Grants	\$ -	\$ -	\$ 4,810	\$ 4,810
3480 Retirement of Long-Term Debt	-	1,035,159	-	1,035,159
3490 Other Restrictions of Fund Balance	-	-	16,452	16,452
Committed Fund Balances:				
3545 Other Committed Fund Balance	-	-	227,452	227,452
Assigned Fund Balances:				
3550 Construction	2,000,000	-	-	2,000,000
3600 Unassigned	5,557,391	-	-	5,557,391
3000 Total Fund Balances	<u>\$ 7,557,391</u>	<u>\$ 1,035,159</u>	<u>\$ 248,714</u>	<u>\$ 8,841,264</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,509,305</u>	<u>\$ 1,166,598</u>	<u>\$ 321,082</u>	<u>\$ 9,996,985</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - Balance Sheet (governmental funds)	\$ 8,841,264
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	44,311,061
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	425,023
Payables for bond principal which are not due in the current period are not reported in the funds.	(51,664,028)
Payables for bond interest which are not due in the current period are not reported in the funds.	(75,155)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(9,572,450)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ (7,734,285)</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 6,769,680	\$ 2,888,940	\$ 918,933	\$ 10,577,553
5800 State Program Revenues	8,009,758	395,076	364,386	8,769,220
5900 Federal Program Revenues	158,433	-	513,272	671,705
5020 Total Revenues	\$ 14,937,871	\$ 3,284,016	\$ 1,796,591	\$ 20,018,478
EXPENDITURES				
Current:				
0011 Instruction	\$ 8,864,155	\$ -	\$ 851,863	\$ 9,716,018
0012 Instructional Resources and Media Services	349,912	-	-	349,912
0013 Curriculum and Staff Development	77,366	-	-	77,366
0023 School Leadership	914,831	-	-	914,831
0031 Guidance, Counseling and Evaluation Services	356,616	-	-	356,616
0033 Health Services	153,766	-	-	153,766
0034 Student (Pupil) Transportation	666,703	-	-	666,703
0035 Food Services	-	-	703,172	703,172
0036 Cocurricular/Extracurricular Activities	608,462	-	-	608,462
0041 General Administration	590,846	-	-	590,846
0051 Plant Maintenance and Operations	1,705,283	-	-	1,705,283
0052 Security and Monitoring Services	52,865	-	-	52,865
0061 Community Services	-	-	278,950	278,950
0071 Principal on Long-term Debt	-	449,432	-	449,432
0072 Interest on Long-term Debt	-	2,769,071	-	2,769,071
0073 Debt Issuance Cost and Fees	-	161,608	-	161,608
0081 Capital Outlay	126,298	-	-	126,298
0093 Payments for Shared Service Arrangements	558,063	-	-	558,063
6030 Total Expenditures	\$ 15,025,166	\$ 3,380,111	\$ 1,833,985	\$ 20,239,262
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ (87,295)	\$ (96,095)	\$ (37,394)	\$ (220,784)
Other Financing Sources and (Uses)				
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 7,427,570	\$ -	\$ 7,427,570
7916 Premium or Discount on Issuance of Bonds	-	2,537,581	-	2,537,581
8949 Other Uses	-	(9,805,293)	-	(9,805,293)
7080 Total Other Financing Sources and (Uses)	\$ -	\$ 159,858	\$ -	\$ 159,858
1200 Net Changes in Fund Balances	\$ (87,295)	\$ 63,763	\$ (37,394)	\$ (60,926)
0100 Fund Balances - Beginning (September 1)	7,644,686	971,396	286,108	8,902,190
3000 Fund Balances - Ending (August 31)	\$ 7,557,391	\$ 1,035,159	\$ 248,714	\$ 8,841,264

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ (60,926)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	27,400
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,442,168)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	16,269
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	9,672,386
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	449,432
The accretion of interest on capital appreciation bonds is not reported in the funds.	(34,332)
(Increase) decrease in accrued interest from beginning of period to end of period.	12,903
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(7,427,570)
Bond premiums are reported in the funds but not in the SOA.	<u>(2,537,581)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (2,324,187)</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Funds
	ASSETS	
1110	Cash and Investments	\$ 214,811
1000	Total Assets	\$ 214,811
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	\$ 214,811
2000	Total Liabilities	\$ 214,811
	NET POSITION	
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNA) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for tax revenues and for the payment of principal, interest, and related costs on long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

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. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. **Measurement Focus – Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
		<hr/>
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash and investments if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

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

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

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

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

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

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

The following schedule provides information about the specific fund balance classification by fund:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Restricted				
Successful School Projects	-	-	12,426	12,426
Aubrey Education Grants	-	-	7,611	7,611
Retirement of Long Term Debt	-	1,035,159	-	1,035,159
Capital Projects	-	-	10	10
Child Nutrition Program	-	-	4,809	4,809
State Textbook Fund	-	-	(3,595)	(3,595)
Committed				
Campus Activity Funds	-	-	136,612	136,612
Day Care Program	-	-	90,841	90,841
Assigned				
Construction	2,000,000	-	-	2,000,000
Unassigned	5,557,391	-	-	5,557,391
Totals	<u>\$ 7,557,391</u>	<u>\$ 1,035,159</u>	<u>\$ 248,714</u>	<u>\$ 8,841,264</u>

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

6. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

7. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

8. Vacation, Sick Leave, and Other Compensated Absences

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

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2014, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as the Lone Star Investment Pool. All Lone Star investments are reported at share price (fair value) and are presented as cash and investments.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAm rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

The following table provides a listing of the District's investment at year end:

	Credit Rating	Fair Value
Lone Star Investment Pool	AAAm	\$ 10,639

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

B. Deposits, Securities, and Investments (Continued)

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

- a. Name of bank: Point Bank, Pilot Point, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 23,429,197.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 15,587,060, and occurred during the month of January 2014.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,010.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

C. Property Taxes (Continued)

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.04 to fund general operations and \$ 0.5000 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 591,817,213.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 992,441	\$ -	\$ -	\$ 992,441
Total Capital Assets not being Depreciated	\$ 992,441	\$ -	\$ -	\$ 992,441
Capital Assets being Depreciated:				
Building and Improvements	\$ 62,689,913	\$ 27,400	\$ -	\$ 62,717,313
Equipment	376,337	-	-	376,337
Vehicles	221,418	-	-	221,418
Total Capital Assets being Depreciated	\$ 63,287,668	\$ 27,400	\$ -	\$ 63,315,068
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 17,192,630	\$ 2,408,864	\$ -	\$ 19,601,494
Equipment	143,827	30,209	-	174,036
Vehicles	217,823	3,095	-	220,918
Total Accumulated Depreciation	\$ 17,554,280	\$ 2,442,168	\$ -	\$ 19,996,448
Total Capital Assets being Depreciated, Net	\$ 45,733,388	\$ (2,414,768)	\$ -	\$ 43,318,620
Governmental Activities Capital Assets, Net	\$ 46,725,829	\$ (2,414,768)	\$ -	\$ 44,311,061

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,903,448
Instructional Resources and Media Services	161,835
School Leadership	126,433
Guidance, Counseling and Evaluation Services	25,287
Health Services	1,099
Student (Pupil) Transportation	2,000
Food Services	37,920
Cocurricular/Extracurricular Activities	149,673
General Administration	1,826
Plant Maintenance and Operations	32,647
Total	<u>\$ 2,442,168</u>

E. Long Term Obligations

Long-term obligation activities during the year ended August 31, 2014 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
General Obligation Bonds	\$ 52,113,461	\$ 7,427,570	\$ 7,877,004	\$ 51,664,027	\$ 390,571
Accreted Interest Payable	10,326,968	2,535,309	2,371,866	10,490,411	-
Unamortized Premium (Discount)	(216,921)	797,170	7,820	572,429	-
Total Governmental Activities	<u>\$ 62,223,508</u>	<u>\$ 10,760,049</u>	<u>\$ 10,256,690</u>	<u>\$ 62,726,867</u>	<u>\$ 390,571</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The District issued "Aubrey Independent School District Unlimited Tax Refunding Bonds, Series 2014," totaling \$ 7,427,570 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building and Refunding Bonds, Series 2007

The bonds are dated April 1, 2014 and were issued May 22, 2014. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on February 15, 2016.

As a result of the refunding, the District decreased its debt service requirements by \$ 1,041,226. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 250,000.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

E. Long Term Obligations (Continued)

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Balances	Outstanding Balances
Unlimited Tax School Building and Refunding Bonds, Series 1996	5.875%	\$ 7,379,786	\$ 1,719,109
Unlimited Tax School Building and Refunding Bonds, Series 2002	5.390%	8,497,727	248,324
Unlimited Tax School Building Bonds, Series 2003	4.850%	6,700,000	303,983
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.592%	34,266,574	26,459,020
Unlimited Tax School Building Bonds, Series 2008	4.453%	9,000,000	8,895,000
Unlimited Tax Refunding Bonds, Series 2011	3.475%	6,711,021	6,711,021
Unlimited Tax Refunding Bonds, Series 2014	2.2936%	7,427,570	7,327,570
Totals			<u>\$ 51,664,027</u>

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2015	\$ 390,571	\$ 2,835,044	\$ 3,225,615
2016	492,597	3,108,018	3,600,615
2017	543,114	3,311,601	3,854,715
2018	331,382	3,527,433	3,858,815
2019	298,427	3,560,388	3,858,815
2020 - 2024	3,914,856	15,360,195	19,275,051
2025 - 2029	7,320,721	11,960,911	19,281,632
2030 - 2034	12,352,359	7,176,582	19,528,941
2035 - 2039	15,260,000	4,161,497	19,421,497
2040 - 2043	10,760,000	740,926	11,500,926
Totals	<u>\$ 51,664,027</u>	<u>\$ 55,742,595</u>	<u>\$ 107,406,622</u>

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System includes a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

F. Pension Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014 and 6.4% for fiscal years 2013 and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.4% contribution. The District's employees' contributions to the System for the periods ended August 31, 2014, 2013, and 2012 were \$ 586,719, \$ 534,377 and \$ 513,648 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2014, 2013, and 2012 were \$ 119,533, \$ 88,467 and \$ 91,986 respectively

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 512,744 are reflected in the governmental fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 75,403 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 25,246 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Programs.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

H. Risk Management

Health Care

During the year ended employees of the Aubrey Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 278 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Aubrey Independent School District and the TRS Activecare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2013, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District is not involved in any litigation as of August 31, 2014.

J. Commitments and Contingencies

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

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

K. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Denton County Special Education Cooperative	Sanger Independent School District	Special Education Service
Denton County Reading Recovery Coop	Little Elm Independent School District	Reading Recovery Program

L. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate sources consisting of the following:

	General	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 6,368,179	\$ 2,878,049	\$ -	\$ 9,246,228
Services to Other Districts	-	-	83,490	83,490
Tuition	66,325	-	263,555	329,880
Investment Income	59,495	10,891	3	70,389
Rent	9,415	-	-	9,415
Food Service Income	-	-	325,172	325,172
Gifts and Bequests	3,072	-	33,934	37,006
Cocurricular/Extracurricular Activities	52,279	-	7,997	60,276
Other	210,915	-	204,782	415,697
Total	\$ 6,769,680	\$ 2,888,940	\$ 918,933	\$ 10,577,553

M. Receivables

Receivables at year end for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible amounts are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Due from Other Governments	\$ 232,360	\$ -	\$ 139,451	\$ 371,811
Property Taxes Receivable	332,363	139,885	-	472,248
Less: Allowance for Uncollectible				
Property Taxes	(33,236)	(13,989)	-	(47,225)
Other Receivables	10,800	-	-	10,800
Net Receivables	\$ 542,287	\$ 125,896	\$ 139,451	\$ 807,634

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

N. Subsequent Events

The District's management has evaluated subsequent events through November 26, 2014, the date which the financial statements were available for use.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settleup with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of finances (SOF)	\$ 486,119	\$ 7,366,985	\$ 70,901	\$ 294,620
August Instructional Days Change	262	6,611	-	-
Prior Period Settle-ups	-	(407,276)	29,439	116
Financial Statement Earnings	<u>\$ 486,381</u>	<u>\$ 6,966,320</u>	<u>\$ 100,340</u>	<u>\$ 294,736</u>
Financial Statement Classifications:				
August Instructional Days Receivable	\$ 14,076	\$ 218,284	\$ -	\$ -
SOF Receivable (Overpayment) *	-	(25,166)	(940)	(4,603)

* Overpayments are reported as Unearned Revenue in the government-wide Statements in the governmental fund type financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

AUBREY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

Data					Variance with
Control		Budgeted Amounts			Final Budget
Codes		Original	Final	Actual	Positive
					(Negative)
REVENUES					
5700	Local and Intermediate Sources	\$ 9,154,100	\$ 6,787,780	\$ 6,769,680	\$ (18,100)
5800	State Program Revenues	8,142,518	8,066,055	8,009,758	(56,297)
5900	Federal Program Revenues	115,000	158,433	158,433	-
5020	Total Revenues	\$ 17,411,618	\$ 15,012,268	\$ 14,937,871	\$ (74,397)
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 8,572,120	\$ 8,785,770	\$ 8,864,155	\$ (78,385)
0012	Instructional Resources and Media Services	372,511	361,965	349,912	12,053
0013	Curriculum and Staff Development	100,241	87,795	77,366	10,429
	Total Instruction and Instr. Related Services	\$ 9,044,872	\$ 9,235,530	\$ 9,291,433	\$ (55,903)
Instructional and School Leadership:					
0023	School Leadership	\$ 915,941	\$ 921,950	\$ 914,831	\$ 7,119
	Total Instructional and School Leadership	\$ 915,941	\$ 921,950	\$ 914,831	\$ 7,119
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 362,084	\$ 361,800	\$ 356,616	\$ 5,184
0033	Health Services	158,635	161,915	153,766	8,149
0034	Student (Pupil) Transportation	737,000	706,705	666,703	40,002
0036	Cocurricular/Extracurricular Activities	590,244	624,900	608,462	16,438
	Total Support Services - Student (Pupil)	\$ 1,847,963	\$ 1,855,320	\$ 1,785,547	\$ 69,773
Administrative Support Services:					
0041	General Administration	\$ 630,029	\$ 608,085	\$ 590,846	\$ 17,239
	Total Administrative Support Services	\$ 630,029	\$ 608,085	\$ 590,846	\$ 17,239
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,661,832	\$ 1,811,250	\$ 1,705,283	\$ 105,967
0052	Security and Monitoring Services	20,000	60,865	52,865	8,000
	Total Support Services - Nonstudent Based	\$ 1,681,832	\$ 1,872,115	\$ 1,758,148	\$ 113,967
Capital Outlay:					
0081	Capital Outlay	\$ 62,981	\$ 128,805	\$ 126,298	\$ 2,507
	Total Capital Outlay	\$ 62,981	\$ 128,805	\$ 126,298	\$ 2,507
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 528,000	\$ 568,000	\$ 558,063	\$ 9,937
	Total Intergovernmental Charges	\$ 528,000	\$ 568,000	\$ 558,063	\$ 9,937
6030	Total Expenditures	\$ 14,711,618	\$ 15,189,805	\$ 15,025,166	\$ 164,639
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 2,700,000	\$ (177,537)	\$ (87,295)	\$ 90,242
1200	Net Change in Fund Balance	\$ 2,700,000	\$ (177,537)	\$ (87,295)	\$ 90,242
0100	Fund Balance - Beginning (September 1)	7,644,686	7,644,686	7,644,686	-
3000	Fund Balance - Ending (August 31)	\$ 10,344,686	\$ 7,467,149	\$ 7,557,391	\$ 90,242

OTHER SUPPLEMENTARY INFORMATION

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

Tax Roll Year	Last Ten Years Ended August 31	1	2	3	10	20	30	30a	40	50
		Tax Rates		Assessed/Appraised	Beginning	Current			Entire	Ending
		Maintenance	Debt	Value For School	Balance	Year's	Maintenance	Debt Service	Year's	Balance
			Service	Tax Purposes	9/1/2013	Total Levy	Tax Collections	Tax Collections	Adjustments	8/31/2014
XXXX	2005 and Prior Years	Various	Various	Various	\$ 26,564	\$ -	\$ 910	\$ 200	\$ (588)	\$ 24,866
2005	2006	1.50000	0.33880	347,327,822	17,296	-	1,582	241	(1)	15,472
2006	2007	1.37000	0.29660	420,661,779	21,985	-	1,342	182	28	20,489
2007	2008	1.04000	0.35806	495,536,744	18,844	-	3,589	557	(1)	14,697
2008	2009	1.04000	0.44560	542,478,123	22,308	-	4,843	995	905	17,375
2009	2010	1.04000	0.50000	564,894,203	29,796	-	6,396	1,445	7,573	29,528
2010	2011	1.04000	0.50000	540,724,481	40,576	-	11,746	2,543	7,183	33,470
2011	2012	1.04000	0.50000	560,865,980	76,886	-	25,399	8,745	7,497	50,239
2012	2013	1.04000	0.50000	563,555,299	199,916	-	93,675	40,136	17,654	83,759
2013	2014	1.04000	0.47000	591,817,213	-	8,936,440	6,027,373	2,897,771	171,057	182,353
1000	TOTALS				\$ 454,171	\$ 8,936,440	\$ 6,176,855	\$ 2,952,815	\$ 211,307	\$ 472,248

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

Data Control Codes					Variance with Final Budget Positive (Negative)
Budgeted Amounts					
		Original	Final	Actual	
REVENUES					
5700	Local and Intermediate Sources	\$ 292,451	\$ 313,940	\$ 325,173	\$ 11,233
5800	State Program Revenues	22,250	20,105	20,103	(2)
5900	Federal Program Revenues	296,505	322,787	356,739	33,952
5020	Total Revenues	\$ 611,206	\$ 656,832	\$ 702,015	\$ 45,183
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 611,206	\$ 681,880	\$ 703,172	\$ (21,292)
	Total Support Services - Student (Pupil)	\$ 611,206	\$ 681,880	\$ 703,172	\$ (21,292)
6030	Total Expenditures	\$ 611,206	\$ 681,880	\$ 703,172	\$ (21,292)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (25,048)	\$ (1,157)	\$ 23,891
1200	Net Change in Fund Balance	\$ -	\$ (25,048)	\$ (1,157)	\$ 23,891
0100	Fund Balance - Beginning (September 1)	5,967	5,967	5,967	-
3000	Fund Balance - Ending (August 31)	\$ 5,967	\$ (19,081)	\$ 4,810	\$ 23,891

AUBREY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

Data Control Codes				Variance with Final Budget Positive (Negative)
		Budgeted Amounts		
		Original	Final	Actual
REVENUES				
5700	Local and Intermediate Sources	\$ 2,900,000	\$ 2,902,250	\$ 2,888,940
5800	State Program Revenues	308,125	357,945	395,076
5020	Total Revenues	\$ 3,208,125	\$ 3,260,195	\$ 3,284,016
EXPENDITURES				
Debt Service:				
0071	Principal on Long-term Debt	\$ 349,523	\$ 349,523	\$ 449,432
0072	Interest on Long-term Debt	2,873,867	2,873,957	2,769,071
0073	Debt Issuance Costs and Fees	-	-	161,608
	Total Debt Service	\$ 3,223,390	\$ 3,223,480	\$ 3,380,111
6030	Total Expenditures	\$ 3,223,390	\$ 3,223,480	\$ 3,380,111
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (15,265)	\$ 36,715	\$ (96,095)
Other Financing Sources (Uses)				
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 7,427,570
7916	Premium or Discount on Issuance of Bonds	-	-	2,537,581
8949	Other Uses	-	-	(9,805,293)
7080	Net Other Financing Sources and (Uses)	\$ -	\$ -	\$ 159,858
1200	Net Change in Fund Balance	\$ (15,265)	\$ 36,715	\$ (96,095)
0100	Fund Balance - Beginning (September 1)	971,396	971,396	971,396
3000	Fund Balance - Ending (August 31)	\$ 956,131	\$ 1,008,111	\$ 1,035,159

AUBREY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2014

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 10,290,586

FEDERAL AWARDS SECTION

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Pilot Point Independent School District:			
ESEA Title III Part A - LEP	84.365	14671001061903	\$ 6,584
Total Passed through Pilot Point Independent School District			\$ 6,584
Passed through Education Service Center, Region X:			
ESEA Title-X Part C - Education For Homeless	84.196	61907	\$ 5,300
Total Passed through Education Service Center, Region X			\$ 5,300
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010	15610101061907	\$ 7,994
ESEA Title I Part A - Improving Basic Programs	84.010	14610101061907	90,709
Summer School LEP	84.369	69551102	1,113
ESEA Title II Part A - Teacher/Principal Training	84.367	15694501061907	5,862
ESEA Title II Part A - Teacher/Principal Training	84.367	14694501061907	38,971
Total Passed through the Texas Education Agency			\$ 144,649
Total Department of Education			\$ 156,533
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed through the Denton County, Texas:			
Federal Flood Control	12.106	061-907	\$ 12,055
Total Department of Defense			\$ 12,055
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program *	10.553	0600	\$ 76,181
National School Lunch Program *	10.555	0600	239,661
Commodity Supplemental Food	10.565	061013A	40,897
Total Department of Agriculture			\$ 356,739
Total Federal Expenditures			\$ 525,327

*Major Program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Allen Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.