

CEDAR HILL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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CERTIFICATE OF THE BOARD

Cedar Hill Independent School District

Dallas

057-904

Name of School District

County

County-District No.

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and X approved _____ disapproved for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 10th day of NOVEMBER, 2014.



Signature of Board President



Signature of Board Secretary

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cedar Hill Independent School District
Cedar Hill, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar Hill Independent School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–10 and 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund statements and schedules, the required Texas Education Agency 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.

Cedar Hill Independent School District
November 4, 2014

Page 3

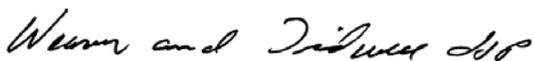
Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the required Texas Education Agency 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.

Emphasis of Matters

As discussed in Note 14 to the financial statements, beginning net position of governmental activities has been restated to correct errors in accounting for long-term debt related transactions. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 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.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 4, 2014

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Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent period by \$33,783,974. Of this amount, a deficit of \$8,570,373 is reported as unrestricted net position. Overall, net position increased by \$2,535,273 during the fiscal year ended June 30, 2014.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$34,720,254. Approximately 32 percent of this total amount \$11,268,294 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,271,242 or 19 percent of the total general fund expenditures.
- The District's net bonded debt decreased by \$6,562,161 (4%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets, liabilities, deferred outflows and deferred inflows, with the difference between the sum of the assets and deferred outflows and the sum of the liabilities and deferred inflows reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and child nutrition fund. Budgetary comparison schedules have been presented to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-19 of this report.

- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government wide financial statements, only in more detail. The District maintains one proprietary fund type: enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has *business-type activities* or *enterprise funds* that operate similar to a private business. The District uses the enterprise fund to account for its extended day program activities. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary fund statements can be found on pages 23-24.

- **Notes to the basic financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 42-43 of this report. The District also presents additional supplementary information in the form of combining and individual fund statements and schedules beginning on page 44 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The sum of the District's liabilities and deferred inflows exceeded the sum of its assets and deferred outflows by \$33,783,974 at June 30, 2014. Although the District reports a deficit, the deficit is primarily due to the previous issuance of debt, a portion of which is financed by capital appreciation bonds (CAB). The CAB's accreted interest is reported as incurred in the governmental activities, however, the taxes are not levied in the debt service fund until the payments are due, which creates a timing difference.

Cedar Hill Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current assets	\$ 45,687,367	\$ 74,764,594	\$ 69,610	\$ 52,236	\$ 45,756,977	\$ 74,816,830
Capital assets, net of accumulated depreciation	128,591,995	103,138,962	-	-	128,591,995	103,138,962
Total assets	174,279,362	177,903,556	69,610	52,236	174,348,972	177,955,792
Liabilities						
Current liabilities	11,596,350	12,836,584	8,228	7,726	11,604,578	12,844,310
Long-term liabilities	195,462,649	194,341,427	-	-	195,462,649	194,341,427
Total liabilities	207,058,999	207,178,011	8,228	7,726	207,067,227	207,185,737
Deferred gain on refunding	1,065,719	100,809	-	-	1,065,719	100,809
Total deferred inflows of resources	1,065,719	100,809	-	-	1,065,719	100,809
Net position:						
Net investment in capital assets	(33,984,982)	(51,601,161)	-	-	(33,984,982)	(51,601,161)
Restricted	8,771,381	10,403,471	-	-	8,771,381	10,403,471
Unrestricted	(8,631,755)	11,822,426	61,382	44,510	(8,570,373)	11,866,936
Total net position	\$ (33,845,356)	\$ (29,375,264)	\$ 61,382	\$ 44,510	\$ (33,783,974)	\$ (29,330,754)

Net investment in capital assets of (\$34.0) million reflects the District's investment of \$129 million in capital assets (e.g. land, buildings and improvements, furniture and equipment, and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$8,771,381 represents resources that are subject to external restrictions on how they may be used. The remaining balance, a \$8,570,373 deficit, is reported as unrestricted net position. This deficit is not an indication that the District does not have sufficient resources available to meet financial obligations next year, but rather the result of having *long-term* liabilities that are greater than current resources.

Changes in the Cedar Hill Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Program revenues:						
Charges for services	\$ 1,033,578	\$ 1,001,933	\$ 311,985	\$ 333,551	\$ 1,345,563	\$ 1,335,484
Operating grants and contributions	9,343,860	8,423,824	-	-	9,343,860	8,423,824
General revenues:						
Property taxes	38,237,272	35,969,838	-	-	38,237,272	35,969,838
State grants	27,235,330	27,164,501	-	-	27,235,330	27,164,501
Other	1,451,473	3,228,283	-	-	1,451,473	3,228,283
Total revenues	\$ 77,301,513	\$ 75,788,379	\$ 311,985	\$ 333,551	\$ 77,613,498	\$ 76,121,930
Expenses:						
Instruction	\$ 37,081,334	\$ 37,065,964	\$ -	\$ -	\$ 37,081,334	\$ 37,065,964
Instructional resources and media services	799,833	822,346	-	-	799,833	822,346
Curriculum and staff development	1,069,365	355,526	-	-	1,069,365	355,526
Instructional leadership	552,335	652,190	-	-	552,335	652,190
School leadership	3,870,189	3,951,753	-	-	3,870,189	3,951,753
Guidance, counseling and evaluation services	2,492,099	2,570,136	-	-	2,492,099	2,570,136
Social work services	36,692	62,106	-	-	36,692	62,106
Health services	666,630	697,537	-	-	666,630	697,537
Student (pupil) transportation	1,536,129	1,574,940	-	-	1,536,129	1,574,940
Food services	4,605,355	4,436,195	-	-	4,605,355	4,436,195
Extracurricular activities	2,148,575	2,234,795	-	-	2,148,575	2,234,795
General administration	2,497,810	2,390,018	-	-	2,497,810	2,390,018
Facilities maintenance and operations	7,684,861	7,328,963	-	-	7,684,861	7,328,963
Security and monitoring services	1,191,225	1,168,397	-	-	1,191,225	1,168,397
Data processing services	1,084,901	1,167,574	-	-	1,084,901	1,167,574
Community services	203,521	189,262	-	-	203,521	189,262
Debt service - Interest on long-term debt	6,932,092	10,762,622	-	-	6,932,092	10,762,622
Debt service - Bond issuance cost and fees	-	374,597	-	-	-	374,597
Payments related to shared service arrangements	59,538	49,615	-	-	59,538	49,615
Payments to Juvenile Justice Alt. Educ. Prg.	39,672	39,558	-	-	39,672	39,558
Payments to tac increment fund	84,612	80,031	-	-	84,612	80,031
Other intergovernmental charges	146,344	147,325	-	-	146,344	147,325
Enterprise funds - locally defined	-	-	295,113	327,800	295,113	327,800
Total expenses	74,783,112	78,121,450	295,113	327,800	75,078,225	78,449,250
Change in net position	2,518,401	(2,333,071)	16,872	5,751	2,535,273	(2,327,320)
Net position - beginning (July 1)	(29,375,264)	(23,259,868)	44,510	38,759	(29,330,754)	(23,221,109)
Prior Period Adjustment	(6,988,493)	(3,782,325)	-	-	(6,988,493)	(3,782,325)
Net position - ending (June 30)	\$ (33,845,356)	\$ (29,375,264)	\$ 61,382	\$ 44,510	\$ (33,783,974)	\$ (29,330,754)

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$34,720,254, a decrease of \$28,237,991. Approximately 32 percent of this total amount, \$11,268,294, constitutes *unassigned fund balance*. The remainder of fund balance is reserved *non-spendable, restricted, committed, or assigned* to indicate that it is not available for new spending.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,271,242, out of a total fund balance of \$11,389,930. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 19 percent of the total general fund expenditures. Total fund balance represents 19 percent of the total general fund expenditures.

The fund balance of the District's general fund decreased by \$1,581,731 during the current fiscal year, as a result of the purchase of an administrative building to be used to collocate several administrative functions of the District.

The District reported a debt service fund balance of \$9,176,339 as of June 30, 2014, a decrease of \$31,364. The decrease is due primarily to the planned utilization of fund balance in an effort to keep the I&S tax rate flat.

The District reported a capital projects fund balance of \$12,783,995 as of June 30, 2014, a decrease of \$26,918,118. The decrease is due primarily to the planned spend down of bond proceeds issued in prior years.

General Fund Budgetary Highlights

The actual revenues were below budgetary estimates by \$81,958. This shortfall in actual revenues was primarily due to the receipt of lower than budgeted local revenue.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$128,591,995 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. Current year capital assets additions include major roof/HVAC repair and/or replacement at High Pointe Elementary School, West Intermediate School, and Permenter Middle School. Additions also include technology network and hardware upgrades.

Cedar Hill Independent School District's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 8,113,983	\$ 7,462,443	\$ -	\$ -	\$ 8,113,983	\$ 7,462,443
Buildings and improvements	136,768,635	126,280,299	-	-	136,768,635	126,280,299
Furniture and Equipment	9,112,090	4,634,112	-	-	9,112,090	4,634,112
Construction in progress	18,514,215	5,313,582	-	-	18,514,215	5,313,582
Totals at historical cost	<u>172,508,923</u>	<u>143,690,436</u>	<u>-</u>	<u>-</u>	<u>172,508,923</u>	<u>143,690,436</u>
Less accumulated depreciation	<u>(43,916,928)</u>	<u>(40,551,474)</u>	<u>-</u>	<u>-</u>	<u>(43,916,928)</u>	<u>(40,551,474)</u>
Net capital assets	<u>\$ 128,591,995</u>	<u>\$ 103,138,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,591,995</u>	<u>\$ 103,138,962</u>

Additional information on the District's capital assets can be found in Note 6. on pages 35-36 of this report.

Long-term debt. As of June 30, 2014, the District had total general obligation bonded debt outstanding of \$167,250,324 a decrease of \$6,562,161 over the prior year. Accretion on capital appreciation bonds was \$3,026,444 for fiscal year 2014, resulting in an ending balance of \$20,101,677. Unamortized bond premium was \$8,110,648 at June 30, 2014.

The District maintains an underlying bond rating of “AA-“ from Standard and Poor’s Rating Services and has also received an underlying bond rating of “AA-“ from Fitch Ratings on the District’s outstanding debt. In addition, the District by virtue of the guarantee of the Permanent School Fund of the State of Texas, has received a AAA financial bond rating on the 2013 Series of \$70,339,333 from Standard & Poor’s and Fitch Ratings. Key rating drivers for the District are: (1) stable financial operations, (2) strong economy of the Dallas-Fort Worth metro area, (3) local and regional home price indicators and (4) strong voter support for the most recent bond proposition.

Additional information on the District’s long-term debt can be found in Note 7. on pages 36-37 of this report.

Economic Factors and Next Year’s Budgets and Rates

During the spring of 2006 the state enacted legislation that allowed the District to lower its 2008 Maintenance and Operations (M&O) tax rate by \$0.33, resulting in a 2013 Maintenance and Operations tax rate of \$1.04. The I&S rate in the 2013-2014 school year is \$0.485, as communicated in bond planning information for the November 2012 bond package. Additional debt funding will be provided by an annual Qualified School Construction Bond subsidy through 2035. Also, trustees authorized a portion of the I&S fund balance be spent in the 2013-2014 school year to stabilize the debt rate between years.

The 2014 Certified Taxable Value for Cedar Hill ISD is \$2,703,886,732 which represents a 6% increase over prior year value. This increase in taxable value may result in a minimal decrease in state funding for the 2014-2015 school year due to the inverse relationship between taxes and state aid.

After experiencing several years of declining enrollment, District Administration presented a conservative estimate for Refined ADA for 2014-15. The District’s 2014-2015 average daily attendance is expected to be approximately 7,200, which is a 3% decrease from prior year estimates. The average daily attendance will be monitored after every marking period and is expected to stabilize in future years.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances as well as demonstrate accountability for funds the District receives.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District’s Financial Services Office:

Cedar Hill Independent School District
Business Services Office
285 Uptown Blvd. PO Box 248
Cedar Hill, TX 75104

BASIC FINANCIAL STATEMENTS

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
1110 Cash and cash equivalents	\$ 34,879,381	\$ 71,100	\$ 34,950,481
1220 Property taxes receivables (delinquent)	1,478,966	-	1,478,966
1230 Allowance for uncollectible taxes (credit)	(165,774)	-	(165,774)
1240 Due from other governments	9,185,225	-	9,185,225
1260 Internal balances	1,490	(1,490)	-
1290 Other receivables, net	180,388	-	180,388
1410 Deferred expenses	127,691	-	127,691
Capital assets:			
1510 Land	8,113,983	-	8,113,983
1520 Buildings, net	97,315,847	-	97,315,847
1530 Furniture and equipment, net	4,647,950	-	4,647,950
1580 Construction in progress	18,514,215	-	18,514,215
1000 Total assets	174,279,362	69,610	174,348,972
LIABILITIES			
2110 Accounts payable	3,178,148	-	3,178,148
2140 Interest payable	1,857,569	-	1,857,569
2150 Payroll deductions and withholdings	546,749	-	546,749
2160 Accrued wages payable	5,222,964	8,228	5,231,192
2180 Due to other governments	125	-	125
2200 Accrued expenses	790,795	-	790,795
Noncurrent liabilities:			
2501 Due within one year	8,090,002	-	8,090,002
2502 Due in more than one year	187,372,647	-	187,372,647
2000 Total liabilities	207,058,999	8,228	207,067,227
DEFERRED INFLOWS OF RESOURCES			
2602 Deferred gain on refunding	1,065,719	-	1,065,719
Total deferred inflows of resources	1,065,719	-	1,065,719
NET POSITION (DEFICIT)			
3200 Net investment in capital assets	(33,984,982)	-	(33,984,982)
Restricted for:			
3820 Restricted federal and state programs	1,115,610	-	1,115,610
3850 Restricted for debt service	7,655,771	-	7,655,771
3900 Unrestricted (deficit)	(8,631,755)	61,382	(8,570,373)
3000 Total net position (deficit)	\$ (33,845,356)	\$ 61,382	\$ (33,783,974)

The Notes to Financial Statements are an integral part of this statement.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Data Control Codes	1 Expenses	Program Revenues		
		3 Charges for Services	4 Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:				
11	Instruction	\$ 37,081,334	\$ 24,125	\$ 4,052,384
12	Instructional resources and media services	799,833	-	30,916
13	Curriculum and staff development	1,069,365	-	390,534
21	Instructional leadership	552,335	-	24,112
23	School leadership	3,870,189	-	180,195
31	Guidance, counseling, and evaluation services	2,492,099	-	133,556
32	Social work services	36,692	-	1,602
33	Health services	666,630	-	29,102
34	Student (pupil) transportation	1,536,129	-	160,374
35	Food services	4,605,355	756,439	3,527,364
36	Extracurricular activities	2,148,575	223,588	78,628
41	General administration	2,497,810	-	101,397
51	Facilities maintenance and operations	7,684,861	29,426	331,537
52	Security and monitoring services	1,191,225	-	51,936
53	Data processing services	1,084,901	-	45,210
61	Community services	203,521	-	78,845
72	Debt service - interest on long-term debt	6,929,489	-	-
73	Debt service - bond issuance cost and fees	2,603	-	-
81	Facilities acquisition and construction	-	-	66,630
93	Payments related to shared service arrangements	59,538	-	59,538
95	Payments to Juvenile Justice Alternative Ed. Prg.	39,672	-	-
97	Payments to Tax Increment Fund	84,612	-	-
99	Other intergovernmental charges	146,344	-	-
	Total governmental activities	<u>74,783,112</u>	<u>1,033,578</u>	<u>9,343,860</u>
BUSINESS-TYPE ACTIVITIES:				
01	Extended Day	<u>\$ 295,113</u>	<u>\$ 311,985</u>	<u>\$ -</u>
	Total business-type activities	<u>\$ 295,113</u>	<u>\$ 311,985</u>	<u>\$ -</u>
	[TP] TOTAL PRIMARY GOVERNMENT:	<u><u>\$ 75,078,225</u></u>	<u><u>\$ 1,345,563</u></u>	<u><u>\$ 9,343,860</u></u>
Data	General Revenues:			
Control	Taxes			
Codes	Property taxes, levied for general purposes			
MT	Property taxes, levied for debt service			
DT	State aid - formula grants			
SF	Grants and contributions not restricted			
GC	Investment earnings			
IE	Miscellaneous local and intermediate revenue			
MI	Total general revenues			
TR	Change in net position			
CN	Net position (deficit)- beginning			
NB	Prior period adjustment			
PA	Net position (Deficit)- ending			
NE				

The Notes to Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
6	7	8
Governmental Activities	Business-type Activities	Total
\$ (33,004,825)	\$ -	\$ (33,004,825)
(768,917)	-	(768,917)
(678,831)	-	(678,831)
(528,223)	-	(528,223)
(3,689,994)	-	(3,689,994)
(2,358,543)	-	(2,358,543)
(35,090)	-	(35,090)
(637,528)	-	(637,528)
(1,375,755)	-	(1,375,755)
(321,552)	-	(321,552)
(1,846,359)	-	(1,846,359)
(2,396,413)	-	(2,396,413)
(7,323,898)	-	(7,323,898)
(1,139,289)	-	(1,139,289)
(1,039,691)	-	(1,039,691)
(124,676)	-	(124,676)
(6,929,489)	-	(6,929,489)
(2,603)	-	(2,603)
66,630	-	66,630
-	-	-
(39,672)	-	(39,672)
(84,612)	-	(84,612)
(146,344)	-	(146,344)
<u>(64,405,674)</u>	<u>-</u>	<u>(64,405,674)</u>
\$ -	\$ 16,872	\$ 16,872
\$ -	\$ 16,872	\$ 16,872
\$ (64,405,674)	\$ 16,872	\$ (64,388,802)
26,083,838	-	26,083,838
12,153,434	-	12,153,434
27,235,330	-	27,235,330
640,561	-	640,561
51,508	-	51,508
759,404	-	759,404
<u>66,924,075</u>	<u>-</u>	<u>66,924,075</u>
2,518,401	16,872	2,535,273
(29,375,264)	44,510	(29,330,754)
(6,988,493)	-	(6,988,493)
<u>\$ (33,845,356)</u>	<u>\$ 61,382</u>	<u>\$ (33,783,974)</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Data Control Codes		10	50
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 9,463,313	\$ 9,112,680
1220	Property taxes delinquent	1,073,205	405,761
1230	Allowance for uncollectable taxes (credit)	(121,445)	(44,329)
1240	Receivables from other governments	8,069,051	32,467
1260	Due from other funds	15,056	-
1290	Other receivables	86,215	6,761
1410	Prepaid items	118,688	-
1000	Total assets	<u>\$ 18,704,083</u>	<u>\$ 9,513,340</u>
LIABILITIES			
2110	Accounts payable	\$ 879,334	\$ -
2150	Payroll deductions and withholdings payables	532,531	-
2160	Accrued wages payable	5,010,957	-
2170	Due to other funds	-	-
2180	Due to other governments	-	-
2200	Accrued expenditures	-	-
2000	Total liabilities	<u>6,422,822</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable revenue - property taxes	891,331	337,001
2600	Total deferred inflows of resources	<u>891,331</u>	<u>337,001</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430	Prepaid items	118,688	-
Restricted Fund Balance:			
3450	Federal or state funds grant restrictions	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Retirement of long-term debt	-	9,176,339
Committed Fund Balance:			
3545	Campus activities	-	-
3600	Unassigned fund balance (deficit)	11,271,242	-
3000	Total fund balances	<u>11,389,930</u>	<u>9,176,339</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,704,083</u>	<u>\$ 9,513,340</u>

The Notes to Financial Statements are an integral part of this statement.

60		
Capital Projects	Non-major Governmental Funds	Total Governmental Funds
\$ 15,768,089	\$ 535,299	\$ 34,879,381
-	-	1,478,966
-	-	(165,774)
-	1,083,707	9,185,225
-	-	15,056
-	87,412	180,388
-	9,003	127,691
<u>\$ 15,768,089</u>	<u>\$ 1,715,421</u>	<u>\$ 45,700,933</u>
\$ 2,190,284	\$ 108,530	\$ 3,178,148
-	14,218	546,749
-	212,007	5,222,964
3,015	10,551	13,566
-	125	125
790,795	-	790,795
<u>2,984,094</u>	<u>345,431</u>	<u>9,752,347</u>
-	-	1,228,332
-	-	<u>1,228,332</u>
-	9,003	127,691
-	1,115,610	1,115,610
12,783,995	-	12,783,995
-	-	9,176,339
-	248,325	248,325
-	(2,948)	11,268,294
<u>12,783,995</u>	<u>1,369,990</u>	<u>34,720,254</u>
<u>\$ 15,768,089</u>	<u>\$ 1,715,421</u>	<u>\$ 45,700,933</u>

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 34,720,254
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	172,508,923
2 Accumulated depreciation is not reported in the governmental fund financial statements.	(43,916,928)
3 Bonded debt is not reported in the governmental funds financial statements. This amount is the sum of bonds payable (\$129,629,899) and premium on capital appreciation bonds (\$37,620,425).	(167,250,324)
4 Accreted interest for capital appreciation bonds is not reported as a liability in the governmental fund financial statements, but it is reported as part of non-current liabilities in the government-wide statement of net position.	(20,101,677)
5 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are reported when due.	(1,857,569)
6 Receipts reported as deferred inflows in the governmental fund financial statements are recognized as revenue in the government-wide financial statements.	1,228,332
7 Premiums and discounts on the issuance of current interest bonds are reflected in the statement of net position in the government-wide financial statements, net of amortization.	(8,110,648)
8 Deferred gain on refunding amount is reflected in the statement of net position of government-wide financial statements, net of amortization.	<u>(1,065,719)</u>
19 NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (33,845,356)</u></u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Data Control Codes		10 General Fund	50 Debt Service Fund
REVENUES			
5700	Total local and intermediate sources	\$ 26,846,241	\$ 12,201,680
5800	State program revenues	29,600,651	189,666
5900	Federal program revenues	640,561	-
5020	Total revenues	<u>57,087,453</u>	<u>12,391,346</u>
EXPENDITURES			
CURRENT:			
0011	Instruction	32,495,394	-
0012	Instructional resources and media services	707,026	-
0013	Curriculum and staff development	709,818	-
0021	Instructional leadership	552,335	-
0023	School leadership	3,823,153	-
0031	Guidance, counseling, and evaluation services	2,466,204	-
0032	Social work services	36,692	-
0033	Health services	666,630	-
0034	Student (pupil) transportation	1,345,522	-
0035	Food services	-	-
0036	Extracurricular activities	1,801,143	-
0041	General administration	2,322,719	-
0051	Facilities maintenance and operations	7,594,560	-
0052	Security and monitoring services	1,189,695	-
0053	Data processing services	1,035,623	-
0061	Community services	130,367	-
DEBT SERVICE:			
0071	Principal on long-term debt	-	3,421,644
0072	Interest on long-term debt	-	8,998,463
0073	Bond issuance costs and fees	-	2,603
CAPITAL OUTLAY:			
0081	Facilities acquisition and construction	1,526,315	-
INTERGOVERNMENTAL:			
0093	Payments to Member Districts of SSA	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prog.	39,672	-
0097	Payments to Tax Increment Fund	84,612	-
0099	Other intergovernmental charges	146,344	-
6030	Total expenditures	<u>58,673,824</u>	<u>12,422,710</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(1,586,371)</u>	<u>(31,364)</u>
OTHER FINANCING SOURCES (USES) :			
7912	Proceeds from sale of assets	4,640	-
7080	Total other financing sources (uses)	<u>4,640</u>	<u>-</u>
1200	Net change in fund balances	(1,581,731)	(31,364)
0100	Fund balance - July 1 (beginning)	<u>12,971,661</u>	<u>9,207,703</u>
3000	Fund balances - June 30 (ending)	<u>\$ 11,389,930</u>	<u>\$ 9,176,339</u>

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT C-3

60 Capital Projects	Non-major Governmental Funds	Total Governmental Funds
\$ 29,613	\$ 1,186,847	\$ 40,264,381
-	705,072	30,495,389
-	6,083,801	6,724,362
<u>29,613</u>	<u>7,975,720</u>	<u>77,484,132</u>
-	2,549,980	35,045,374
-	24,179	731,205
-	359,547	1,069,365
-	-	552,335
-	13,298	3,836,451
-	25,895	2,492,099
-	-	36,692
-	-	666,630
-	101,635	1,447,157
-	4,474,181	4,474,181
-	-	1,801,143
-	-	2,322,719
-	-	7,594,560
-	1,091	1,190,786
-	-	1,035,623
-	73,154	203,521
-	-	3,421,644
-	-	8,998,463
-	-	2,603
26,947,731	-	28,474,046
-	59,538	59,538
-	-	39,672
-	-	84,612
-	-	146,344
<u>26,947,731</u>	<u>7,682,498</u>	<u>105,726,763</u>
<u>(26,918,118)</u>	<u>293,222</u>	<u>(28,242,631)</u>
-	-	4,640
-	-	4,640
(26,918,118)	293,222	(28,237,991)
<u>39,702,113</u>	<u>1,076,768</u>	<u>62,958,245</u>
<u>\$ 12,783,995</u>	<u>\$ 1,369,990</u>	<u>\$ 34,720,254</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (28,237,991)
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of removing the capital outlay is to increase net assets.	28,818,487
Current year long-term debt principal payments on bonded debt are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. This amount represents the sum of principal payments on bonds payable, \$3,421,644, and the retirement of premium on capital appreciation bonds, \$3,140,517.	6,562,161
Interest on capital appreciation bonds is recognized as an expense when incurred in the government-wide financial statements; whereas in the fund financial statements, interest expenditures are reported when due. This amount represents the net effect of current year accretion of interest, (\$3,026,444), and payment of accreted interest, \$1,517,839.	(1,508,605)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. This amount represents the current year increase in interest payable.	(158,836)
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position in the government-wide financial statements.	(3,365,454)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(187,259)
Amortization of deferred gain on refunding (\$126,184) and premium on issuance of bonds (\$469,714) is not recognized on the governmental fund financial statements.	<u>595,898</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,518,401</u></u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities Total Enterprise Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 71,100
Total assets	\$ 71,100
LIABILITIES	
Current liabilities:	
Accrued wages payable	\$ 8,228
Due to other funds	1,490
Total liabilities	9,718
NET POSITION	
Unrestricted net position	61,382
Total net position	\$ 61,382

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Total Enterprise Funds
OPERATING REVENUES	
Total local and intermediate sources	\$ 311,985
Total operating revenues	<u>311,985</u>
OPERATING EXPENSES	
Payroll costs	283,089
Professional and contracted services	1,331
Supplies and materials	9,923
Other operating costs	770
Total operating expenses	<u>295,113</u>
Operating income	16,872
Total net position, beginning (July 1)	<u>44,510</u>
Total net position, ending (June 30)	<u><u>\$ 61,382</u></u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities
	Total
	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 311,985
Payments to employees for services	(282,428)
Payments to suppliers	(9,923)
Payments for other operating expenses	(770)
Net cash provided by operating activities	<u>18,864</u>
Net increase in cash and cash equivalents	18,864
Cash and cash equivalents, beginning of year	52,236
Cash and cash equivalents, end of year	<u>\$ 71,100</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income:	\$ 16,872
Effect of increases and decreases in current assets and liabilities:	
Increase in accrued wages payable	502
Increase in due to other funds	1,490
Net cash provided by operating activities	<u>\$ 18,864</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
JUNE 30, 2014**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 34,999	\$ 401,497
Total assets	<u>34,999</u>	<u>401,497</u>
LIABILITIES		
Accounts payable		12,055
Due to student groups	-	389,442
Total liabilities	<u>-</u>	<u>\$ 401,497</u>
NET POSITION		
Restricted for scholarships	34,999	
Total Net Position	<u>\$ 34,999</u>	

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust Fund
	<u> </u>
ADDITIONS:	
Local and intermediate sources	\$ 7,264
Total additions	<u>7,264</u>
Change in Net Position	7,264
Total Net Position - July 1 (Beginning)	<u>27,735</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 34,999</u></u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cedar Hill Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", as amended by Statements No. 39, "Determining Whether Certain Organizations are Component Units", and No. 61, "The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34". There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects funds.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for specific revenue sources legally restricted or committed for a specific purpose in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

2. **Enterprise Funds** – The District accounts for activities for which outside users are charged a fee roughly equal to the cost of providing goods or services of those activities in an enterprise fund. The District’s enterprise fund provides extended days services for students at elementary campuses.

Fiduciary Funds:

3. **Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that the income may be used for purposes that benefit parties outside the District. The District’s private purpose trust fund is for a scholarship fund.
4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s agency fund is for student activities.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Due From (To) Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

3. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Buildings Improvements	15
Vehicles	7
Office Equipment	5
Computer Equipment	5

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

4. Vacation and Sick Leave

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

5. Long-term Obligations

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

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

6. Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

6. Fund Equity – Continued

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Board of Trustees delegates this authority.
- **Unassigned:** This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Funds	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$ 118,688	\$ -	\$ -	\$ 9,003	\$ 127,691
Restricted:					
Grant restrictions	-	-	-	1,115,610	1,115,610
Capital projects	-	-	12,783,995	-	12,783,995
Debt service	-	9,176,339	-	-	9,176,339
Committed:					
Campus activities	-	-	-	248,325	248,325
Unassigned:	11,271,242	-	-	(2,948)	11,268,294
Total Fund Balances	<u>\$ 11,389,930</u>	<u>\$ 9,176,339</u>	<u>\$ 12,783,995</u>	<u>\$ 1,369,990</u>	<u>\$ 34,720,254</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Position or Equity – Continued

7. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resources Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State-wide data base for policy development and funding plans.

8. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period; only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year end.

9. Management's Use of Estimates

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

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is possible that the foundation revenue estimate as of June 30, 2014 will change.

NOTE 2. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2 DEPOSITS AND INVESTMENTS – CONTINUED

At June 30, 2014, the carrying amount of the District's cash, savings, and time deposits was \$2,381,333 (excluding \$34,999 certificates of deposit) and the bank balance was \$2,721,952. With the exception of the date of highest deposits, the District's combined deposit at June 30, 2014, and during the year ending June 30, 2014, were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent. In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank: Prosperity Bank, Cedar Hill, Texas.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$6,484,221.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$7,856,437 and occurred on March 24, 2014.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool (TexPool), and the Logic Investment Pool (Logic). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of Logic is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for Logic at year end was AAAM by Moody's Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 % or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5% disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2014, were as follows:

<u>Investment Type:</u>	<u>Fair Value</u>
Logic investment pool	\$ 32,809,243
TexPool investment pool	161,402
Certificates of deposit	34,999
Total	<u>\$ 33,005,644</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3. PROPERTY TAXES

Property taxes 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. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2013, upon which the levy for the 2013-14 fiscal years was based, was \$2,547,691,918. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the year ended June 30, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.040 and \$0.485 per \$100 valuation, respectively, for the total of \$1.525 per \$100 valuation.

Total tax collections for the year ended June 30, 2014 were 99% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$951,760 and \$361,432 for the General and Debt Service Funds, respectively.

NOTE 4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Local	State Entitlements	Federal Grants	Total
General	\$ -	\$ 8,069,051	\$ -	\$ 8,069,051
Debt Service	-	32,467	-	32,467
Non-major Governmental	-	875,467	208,240	1,083,707
	\$ -	\$ 8,976,985	\$ 208,240	\$ 9,185,225

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances in the fund financial statements was as follows as of June 30, 2014:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 15,056	\$ -
Capital Projects Fund	-	3,015
Nonmajor Governmental Funds	-	10,551
Enterprise Fund	-	1,490
Totals	<u>\$ 15,056</u>	<u>\$ 15,056</u>

The primary interfund transactions at year-end included amounts due to the General Fund from nonmajor governmental funds for expenditures made by the funds prior to receiving reimbursement from federal or state sources.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,462,443	\$ 651,540	\$ -	\$ 8,113,983
Construction in progress	5,313,582	22,814,194	(9,613,561)	18,514,215
Total capital assets not being depreciated	<u>12,776,025</u>	<u>23,465,734</u>	<u>(9,613,561)</u>	<u>26,628,198</u>
Capital assets being depreciated:				
Buildings and improvements	126,280,299	874,775	9,613,561	136,768,635
Furniture and equipment	4,634,112	4,477,978	-	9,112,090
Total capital assets being depreciated	<u>130,914,411</u>	<u>5,352,753</u>	<u>9,613,561</u>	<u>145,880,725</u>
Less accumulated depreciation for:				
Buildings and improvements	(36,763,581)	(2,689,207)	-	(39,452,788)
Furniture and equipment	(3,787,893)	(676,247)	-	(4,464,140)
Total accumulated depreciation	<u>(40,551,474)</u>	<u>(3,365,454)</u>	<u>-</u>	<u>(43,916,928)</u>
Total capital assets being depreciated, net	<u>90,362,937</u>	<u>1,987,299</u>	<u>9,613,561</u>	<u>101,963,797</u>
Governmental activities capital assets, net	<u>\$ 103,138,962</u>	<u>\$ 25,453,033</u>	<u>\$ -</u>	<u>\$ 128,591,995</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Function</u>	<u>Depreciation</u>
Instruction	\$ 2,108,070
Instructional Resources & Media	68,628
School Leadership	33,738
Student Transportation	88,972
Food Services	297,338
Extracurricular Activities	347,432
General Administration	175,091
Plant Maintenance & Operations	117,420
Security & Monitoring	439
Data Processing Services	128,326
Total depreciation expense	<u>\$ 3,365,454</u>

NOTE 7. LONG-TERM DEBT

The District's long-term debt activity for the year ended June 30, 2014 was as follows:

	Obligations Outstanding 7/1/2013	Additions	Reductions	Obligations Outstanding 6/30/2014	Obligations Due Within One Year
Bonds Payable-Par Value	\$ 133,051,543	\$ -	\$ (3,421,644)	\$ 129,629,899	\$ 3,797,664
Bonds Payable-CAB Premium	40,760,942	-	\$ (3,140,517)	37,620,425	\$ 2,832,456
Total Bonded Debt	173,812,485	-	(6,562,161)	167,250,324	6,630,120
Accreted Interest	18,593,072	3,026,444	(1,517,839)	20,101,677	1,459,882
Premium on Bonds	8,580,362	-	(469,714)	8,110,648	-
Totals	<u>\$ 200,985,919</u>	<u>\$ 3,026,444</u>	<u>\$ (8,549,714)</u>	<u>\$ 195,462,649</u>	<u>\$ 8,090,002</u>

The District's governmental activities' bonds payable at June 30, 2014 consist of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Principal Balance 6/30/2014</u>	<u>CAB Premium</u>	<u>Total Outstanding 6/30/2014</u>
2002 School Bldg & Refunding	6.00%	\$ 34,298,816	\$ 3,234,837	\$ 6,130,599	\$ 9,365,436
2005 School Bldg & Refunding	5.42%	31,742,827	12,560,734	3,273,362	15,834,096
2006 School Refunding	3.95%	6,980,085	582,502	2,355,506	2,938,008
2007 School Refunding	4.00%	11,468,762	10,828,745	9,501,529	20,330,274
2009 School Refunding	4.50%	5,203,810	4,771,535	4,534,023	9,305,558
2011 School Refunding	3.50%	8,744,384	8,699,890	679,015	9,378,905
2012 School Refunding	3.15%	6,229,999	3,105,000	-	3,105,000
2012-A School Refunding	3.15%	18,717,683	18,717,683	1,516,262	20,233,945
2013 School Building	4.20%	32,270,000	31,270,000	-	31,270,000
2013-A School Refunding	3.63%	27,053,973	26,918,973	9,630,129	36,549,102
2013 Qualified School Building	4.19%	8,940,000	8,940,000	-	8,940,000
Total Bonds payable			<u>\$ 129,629,899</u>	<u>\$ 37,620,425</u>	<u>\$ 167,250,324</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 7. LONG-TERM DEBT - CONTINUED

Debt service requirements for the general obligation bonds are as follows:

Year Ending June 30	Principal Requirements	Interest Requirements	Total Requirements
2015	\$ 3,797,664	\$ 9,241,929	\$ 13,039,593
2016	1,978,887	7,113,130	9,092,017
2017	2,703,413	10,667,929	13,371,342
2018	2,092,030	10,822,837	12,914,867
2019	1,752,063	10,947,354	12,699,417
2020 - 2024	14,928,951	49,457,812	64,386,763
2025 - 2029	29,180,355	38,701,360	67,881,715
2030 - 2034	38,276,536	36,471,987	74,748,523
2035 - 2039	21,915,000	5,516,586	27,431,586
2040 - 2044	13,005,000	1,675,250	14,680,250
	<u>\$ 129,629,899</u>	<u>\$ 180,616,174</u>	<u>\$ 310,246,073</u>
Reclass of CAB Premium	<u>37,620,425</u>	<u>(37,620,425)</u>	
	<u>\$ 167,250,324</u>	<u>\$ 142,995,749</u>	

A capital appreciation bond (CAB) is a bond bearing no interest that is sold at a significant discount but matures at its stated value. Accreted interest is the obligation associated with capital appreciation bonds (CABs) and reflects periodic increases in the obligation to reflect it at stated value at maturity. Premium on CABs represents premium received on the issuance of these bonds.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2014.

Defeasance of Debt

In prior years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2014, \$15,908,774 of bonds outstanding are considered defeased.

NOTE 8. DEFERRED INFLOWS OF RESOURCES

Governmental funds report *deferred inflow of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred inflow of resources* reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	<u>\$ 891,331</u>	<u>\$ 337,001</u>	<u>\$ 1,228,332</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 9. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current period, governmental funds revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	Total
Property Taxes	\$ 26,045,944	\$ 12,115,389	\$ -	\$ -	\$ 38,161,333
Food Sales	-	-	-	756,439	756,439
Investment Income	13,620	8,275	29,613	-	51,508
Penalties, Interest and Other Tax Related Income	185,182	78,016	-	-	263,198
Co-curricular Student Activities	223,588	-	-	430,338	653,926
Other	377,907	-	-	70	377,977
Total	<u>\$ 26,846,241</u>	<u>\$ 12,201,680</u>	<u>\$ 29,613</u>	<u>\$ 1,186,847</u>	<u>\$ 40,264,381</u>

NOTE 10. 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 2014, the District purchased commercial insurance to cover general liabilities. There were no 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.

Litigation and Contingencies

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such 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 June 30, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Health Care Coverage

For the year ended June 30, 2014, employees of the District were covered through TRS-Active Care which is the statewide health plan for public education employees established by the 77th Texas Legislature and is a fully insured plan administered by Blue Cross and Blue Shield of Texas. The District paid premiums of \$225, per month per employee to the plan; and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents.

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

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 11. EMPLOYEES' RETIREMENT PLAN AND RETIREE HEALTH PLAN

A. Retirement Plan

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800- 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2012, 2013, and 2014 and a state contribution rate of 6.0% for calendar year 2012, 6.4% for calendar year 2013 and 6.8% for 2014. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2012, 2013 and 2014 were \$2,315,999, \$2,203,663 and \$2,529,125 respectively. The District paid additional state contributions for the years ended June 30, 2012, 2013 and 2014 in the amount of \$459,610, \$479,488, and \$519,924, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

B. Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 11. EMPLOYEES' RETIREMENT PLAN AND RETIREE HEALTH PLAN –
CONTINUED**

B. Retiree Health Plan-continued

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

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2013, and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2012, 2013, and 2014, the State's contributions to TRS-Care were \$428,351, \$424,893 and \$417,392, respectively, the active member contributions were \$278,432, \$276,181 and \$271,305, respectively, and the school district's contributions were \$235,593, \$233,688, and \$229,566, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2014 is estimated by TRS at \$113,318.

NOTE 12. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 4, 2014, the date which the financial statements were available to be issued.

NOTE 13. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 66, Technical Correction – 2012; and amendment of GASB Statements No. 10 and No. 62, which is effective for periods beginning after December 15, 2012. The District has evaluated this standard and determined there was no impact on its financial statements.

The GASB issued Statement No. 67, Financial Reporting for Pension Plans, which is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting of state and local governmental pension plans with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District has evaluated this standard and determined there was no impact on its financial statements.

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 13. NEW ACCOUNTING PRONOUNCEMENTS – CONTINUED

The GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting of state and local governmental pension plans. This Statement applies to all state and governmental entities and replaces Statements 27 and 50. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 69, Governmental Combinations and Disposals of Government Operations, which will be effective for periods beginning after December 15, 2013. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The District will evaluate the impact of the standard on its financial statements and will take the necessary steps to implement it.

The GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is effective for periods beginning after June 15, 2013. The objective of this Statement is to require a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. The District has evaluated this standard and has determined there was no impact on its financial statements.

NOTE 14. RESTATEMENT

During the year, the District discovered errors in the accounting for debt-related transactions. As a result, as of June 30, 2013, the District's amortizable premium and accreted interest were understated by \$6,644,492, accrued interest payable was overstated by \$747,093 and deferred gain on refunding was understated by \$1,091,094. Accordingly, the governmental activities beginning net position has been decreased by \$6,988,493 to reflect the correction of these errors.

REQUIRED SUPPLEMENTARY INFORMATION

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Positive or (Negative)
		Original	Final	Fund	
REVENUES					
5700	Total local and intermediate sources	\$ 27,156,683	\$ 27,156,683	\$ 26,846,241	\$ (310,442)
5800	State program revenues	29,358,939	29,503,728	29,600,651	96,923
5900	Federal program revenues	509,000	509,000	640,561	131,561
5020	Total revenues	<u>57,024,622</u>	<u>57,169,411</u>	<u>57,087,453</u>	<u>(81,958)</u>
EXPENDITURES					
CURRENT:					
0011	Instruction	32,525,942	32,714,571	32,495,394	219,177
0012	Instructional resources and media services	729,667	727,066	707,026	20,040
0013	Curriculum and instructional staff development	163,536	791,619	709,818	81,801
0021	Instructional leadership	589,878	615,652	552,335	63,317
0023	School leadership	3,800,407	3,880,318	3,823,153	57,165
0031	Guidance, counseling, and evaluation services	2,513,327	2,511,033	2,466,204	44,829
0032	Social work services	58,679	37,529	36,692	837
0033	Health services	700,951	701,371	666,630	34,741
0034	Student (pupil) transportation	1,354,390	1,359,390	1,345,522	13,868
0036	Extracurricular activities	1,877,101	1,900,115	1,801,143	98,972
0041	General administration	2,131,078	2,473,236	2,322,719	150,517
0051	Plant maintenance and operations	7,716,105	7,765,358	7,594,560	170,798
0052	Security and monitoring services	1,262,939	1,390,340	1,189,695	200,645
0053	Data processing services	1,040,315	1,101,288	1,035,623	65,665
0061	Community services	217,975	177,238	130,367	46,871
0081	Facilities acquisition and construction	-	1,526,500	1,526,315	185
0095	Payments to member districts of SSA	75,000	50,000	39,672	10,328
0097	Payments to member districts of SSA	100,000	100,000	84,612	15,388
0099	Other intergovernmental charges	160,000	160,000	146,344	13,656
6030	Total expenditures	<u>57,017,290</u>	<u>59,982,624</u>	<u>58,673,824</u>	<u>1,308,800</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>7,332</u>	<u>(2,813,213)</u>	<u>(1,586,371)</u>	<u>1,226,842</u>
OTHER FINANCING SOURCES (USES):					
7912	Proceeds from sale of assets	-	-	4,640	4,640
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,640</u>	<u>4,640</u>
1200	Net change in fund balances	7,332	(2,813,213)	(1,581,731)	1,231,482
0100	Fund balance - July 1 (beginning)	<u>12,971,661</u>	<u>12,971,661</u>	<u>12,971,661</u>	<u>-</u>
3000	Fund balance - June 30 (ending)	<u>\$ 12,978,993</u>	<u>\$ 10,158,448</u>	<u>\$ 11,389,930</u>	<u>\$ 1,231,482</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1. BUDGETS

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Child Nutrition Program, which is reported as a nonmajor governmental fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit F- 1 and the other two reports are in Exhibits G-1 and G-4.

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

1. Prior to June 29, the District prepared a budget for the next succeeding fiscal year beginning July 1. The operating budget included proposed expenditures and the means of financing them.
2. A meeting of the Board was then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end. The budget was properly amended throughout the period by the Board of Trustees.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 12,076,915	\$ 12,196,915	\$ 12,201,680	\$ 4,765
5800	State program revenues	222,150	192,690	189,666	(3,024)
5900	Federal program revenues	439,565	-	-	-
5020	Total revenues	<u>12,738,630</u>	<u>12,389,605</u>	<u>12,391,346</u>	<u>1,741</u>
EXPENDITURES					
Debt Service:					
0071	Principal on long-term debt	3,421,644	3,421,644	3,421,644	-
0072	Interest on long-term debt	9,304,558	8,998,463	8,998,463	-
0073	Bond issuance costs and fees	5,000	6,500	2,603	3,897
6030	Total expenditures	<u>12,731,202</u>	<u>12,426,607</u>	<u>12,422,710</u>	<u>3,897</u>
1200	Net change in fund balances	7,428	(37,002)	(31,364)	5,638
0100	Fund balance - July 1 (beginning)	<u>9,207,703</u>	<u>9,207,703</u>	<u>9,207,703</u>	-
3000	Fund balance - June 30 (ending)	<u>\$ 9,215,131</u>	<u>\$ 9,170,701</u>	<u>\$ 9,176,339</u>	<u>\$ 5,638</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

Data Control Codes	211 ESEA I,A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA-Part B Preschool	240 Child Nutrition Program	
ASSETS					
1110	Cash and cash equivalents	\$ 62,448	\$ 123,628	\$ 4,339	\$ 153,692
1240	Receivables from other governments	24,717	11,543	273	109,512
1290	Other receivables	-	-	-	87,412
1410	Prepaid items	-	-	-	6,055
1000	Total assets	<u>\$ 87,165</u>	<u>\$ 135,171</u>	<u>\$ 4,612</u>	<u>\$ 356,671</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts payable	\$ 3,248	\$ 7,494	\$ 171	\$ 95,192
2150	Payroll deductions and withholdings payable	5,095	8,597	526	-
2160	Accrued wages payable	75,573	114,827	3,768	17,839
2170	Due to other funds	3,249	4,253	147	2,878
2180	Due to other governments	-	-	-	-
2000	Total liabilities	<u>87,165</u>	<u>135,171</u>	<u>4,612</u>	<u>115,909</u>
Fund balances:					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	6,055
Restricted Fund Balance:					
3450	Federal and State Fund Grant Restrictions	-	-	-	234,707
Committed Fund Balance:					
3545	Campus Activities	-	-	-	-
3600	Unassigned Fund Balance (Deficit)	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,762</u>
4000	Total liabilities and fund balances	<u>\$ 87,165</u>	<u>\$ 135,171</u>	<u>\$ 4,612</u>	<u>\$ 356,671</u>

EXHIBIT G-2 (CON'T)

244 Career and Technical Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Textbook Fund
\$ (6,208)	\$ (29,637)	\$ (29,274)	\$ -	\$ 5,550
3,260	29,661	29,274	-	875,353
-	-	-	-	-
2,948	-	-	-	-
<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,903</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	24	-	-	-
-	-	-	-	-
<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,948	-	-	-	-
-	-	-	-	880,903
-	-	-	-	-
(2,948)	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,903</u>
<u>\$ -</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,903</u>

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

EXHIBIT G-2 (CONCLUDED)

Data Control Codes	411 Technology Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ 11	\$ 250,750	535,299
1240	Receivables from other governments	-	114	-	1,083,707
1290	Other receivables	-	-	-	87,412
1410	Prepaid items	-	-	-	9,003
1000	Total assets	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 250,750</u>	<u>1,715,421</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ 2,425	108,530
2150	Payroll deductions and withholdings payable	-	-	-	14,218
2160	Accrued wages payable	-	-	-	212,007
2170	Due to other funds	-	-	-	10,551
2180	Due to other governments	-	125	-	125
2000	Total liabilities	<u>-</u>	<u>125</u>	<u>2,425</u>	<u>345,431</u>
Fund balances:					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	9,003
Restricted Fund Balance:					
3450	Federal and State Fund Grant Restrictions	-	-	-	1,115,610
Committed Fund Balance:					
3545	Campus Activities	-	-	248,325	248,325
3600	Unassigned Fund Balance (Deficit)	-	-	-	(2,948)
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>248,325</u>	<u>1,369,990</u>
4000	Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 250,750</u>	<u>\$ 1,715,421</u>

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**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

Data Control Codes	211 ESEA I,A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA-Part B Preschool	240 Child Nutrition Program	
REVENUES					
5700	Total local and intermediate sources	\$ -	\$ -	\$ -	\$ 756,509
5800	State program revenues	-	-	-	26,390
5900	Federal program revenues	<u>1,252,036</u>	<u>1,070,952</u>	<u>30,757</u>	<u>3,500,974</u>
5020	Total revenues	<u>1,252,036</u>	<u>1,070,952</u>	<u>30,757</u>	<u>4,283,873</u>
EXPENDITURES					
Current:					
0011	Instruction	874,856	883,222	30,757	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and instructional staff development	308,402	662	-	-
0023	School leadership	3,150	-	-	-
0031	Guidance, counseling, and evaluation services	-	25,895	-	-
0034	Student (pupil) transportation	-	101,635	-	-
0035	Food services	-	-	-	4,474,181
0052	Security and monitoring services	-	-	-	-
0061	Community services	65,628	-	-	-
Intergovernmental:					
0093	Payments to Member Districts of SSA	-	<u>59,538</u>	-	-
6030	Total expenditures	<u>1,252,036</u>	<u>1,070,952</u>	<u>30,757</u>	<u>4,474,181</u>
1200	Net change in fund balances	-	-	-	(190,308)
0100	Fund balance - July 1 (beginning)	-	-	-	<u>431,070</u>
3000	Fund balance - June 30 (ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,762</u>

EXHIBIT G-3(CON'T)

244 Career and Technical Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	410 State Texbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	654,851
71,725	109,677	44,341	3,339	-
71,725	109,677	44,341	3,339	654,851
71,725	57,214	33,173	3,339	177,174
-	-	-	-	-
-	42,315	8,168	-	-
-	10,148	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	3,000	-	-
-	-	-	-	-
71,725	109,677	44,341	3,339	177,174
-	-	-	-	477,677
-	-	-	-	403,226
\$ -	\$ -	\$ -	\$ -	\$ 880,903

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT G-4

Data Control Codes		Budgeted Amounts		Actual Amounts GAAP BASIS Fund	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Total local and intermediate sources	\$ 826,518	\$ 776,518	\$ 756,509	\$ (20,009)
5800	State program revenues	28,500	28,500	26,390	(2,110)
5900	Federal program revenues	3,479,509	3,529,509	3,500,974	(28,535)
5020	Total revenues	<u>4,334,527</u>	<u>4,334,527</u>	<u>4,283,873</u>	<u>(50,654)</u>
EXPENDITURES					
0035	Food services	<u>4,334,527</u>	<u>4,464,527</u>	<u>4,474,181</u>	<u>(9,654)</u>
6030	Total expenditures	<u>4,334,527</u>	<u>4,464,527</u>	<u>4,474,181</u>	<u>(9,654)</u>
1200	Net change in fund balances	-	(130,000)	(190,308)	(60,308)
0100	Fund balance - July 1 (beginning)	<u>431,070</u>	<u>431,070</u>	<u>431,070</u>	<u>-</u>
3000	Fund balance - June 30 (ending)	<u>\$ 431,070</u>	<u>\$ 301,070</u>	<u>\$ 240,762</u>	<u>\$ (60,308)</u>

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2014**

Last Ten Years Ended June 30	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.5000	0.3484	2,340,991,436
2007	1.3700	0.3733	2,560,483,910
2008	1.0400	0.3600	2,829,331,571
2009	1.0400	0.4600	2,902,967,662
2010	1.0400	0.3600	2,722,945,214
2011	1.0400	0.4000	2,582,617,083
2012	1.0400	0.4000	2,549,024,931
2013	1.0400	0.4000	2,511,815,764
2014 (School year under audit)	1.0400	0.4850	2,547,691,918
1000 TOTALS			

EXHIBIT H-1

10	20	31	32	40	50
Beginning Balance 07/01/13	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 06/30/14
\$ 91,836	\$ -	\$ 1,239	\$ 201	\$ -	\$ 90,396
31,169	-	1,295	301	-	29,573
38,624	-	2,718	741	-	35,165
43,245	-	2,512	869	-	39,864
83,046	-	7,226	3,196	-	72,624
133,079	-	16,283	5,637	-	111,159
171,452	-	33,010	12,696	-	125,746
300,639	-	66,417	25,545	-	208,677
679,789	-	178,629	68,704	-	432,456
-	38,440,352	25,674,208	11,973,068	(459,770)	333,306
<u>\$ 1,572,879</u>	<u>\$ 38,440,352</u>	<u>\$ 25,983,537</u>	<u>\$ 12,090,958</u>	<u>\$ (459,770)</u>	<u>\$ 1,478,966</u>

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

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

Board of Trustees
Cedar Hill Independent School District
285 Uptown Boulevard
Cedar Hill, TX 75104

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cedar Hill Independent School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 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 and therefore, material weakness or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2014-01, that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 4, 2014

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

Board of Trustees
Cedar Hill Independent School District
285 Uptown Boulevard
Cedar Hill, TX 75104

Report on Compliance for Each Major Federal Program

We have audited Cedar Hill Independent School District's (the 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 June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 June 30, 2014.

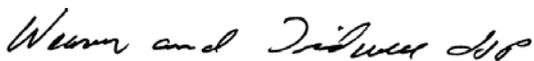
Report on Internal Control over Compliance

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

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

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

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



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 4, 2014

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. Summary of the Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered a material weakness? Yes None reported
- c. Noncompliance material to financial statements noted. Yes No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered a material weakness? Yes None reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) of OMB Circular A-133. Yes No
- g. Identification of major programs:
- | | |
|-------------------------|--------|
| Child Nutrition Cluster | 10.555 |
|-------------------------|--------|
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. Auditee qualified as a low-risk auditee. Yes No

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

2014-01: During our audit, we noted that the District delegated responsibility for the preparation of "GASB-34" entries in the prior year, including entries to record debt-related transactions to its independent auditor, but did not provide appropriate oversight and review of the GASB-34 entries and related support.

As a result, the District's June 30, 2013 government-wide governmental activities liabilities were understated and net position, overstated by \$6,988,493 due to errors in calculations of accreted interest on capital appreciation bonds, accrued interest on current interest bonds, and misapplication of lives and amortization of premium on debt issues and of deferred refunding amount.

We recommend the District designate an individual with suitable skill, knowledge and/or experience to oversee and evaluate the adequacy and results of such entries in the future.

III. Findings and Questioned Costs for Federal Awards

None

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

(1) Federal and State/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through the State Department of Education</u>			
ESEA Title I Part A- Improving Basic Programs	84.010A	14610101057904	\$ 1,252,036
Special Education Cluster (IDEA):			
IDEA- Part B, Fomula	84.027	14660001057904	1,070,952
IDEA- Part B, Preschool	84.173	14661001057904	<u>30,757</u>
Total Special Education Cluster (IDEA)			<u>1,101,709</u>
Career and Technical- Basic Grant	84.048	14420006057904	71,725
ESEA Title III, Part A, English Language Acquisition	84.365A	14671001057950	44,341
ESEA Title II, Part A, Teacher Principal Training	84.367A	14694501057950	109,677
Summer School LEP	84.369A		3,339
Total Passed Through State Department of Education			<u>2,582,827</u>
Total U.S. Department of Education			<u>2,582,827</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Texas Department Of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		<u>9,286</u>
			<u>9,286</u>
Total U.S. Department of Health and Human Services			<u>9,286</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through the State Department of Agriculture</u>			
Child Nutrition Cluster:			
National School Breakfast & Lunch Program	10.555	*	3,276,799
Donated Commodities	10.555	*	<u>224,175</u>
Total Child Nutrition Cluster			<u>3,500,974</u>
Total U.S. Department of Agriculture			<u>3,500,974</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,093,087</u>

* Denotes Major Federal Program - Child Nutrition Cluster

**CEDAR HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014**

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

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, in any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.
5. The following table reconciles total expenditures per the Schedule of Expenditures of Federal Awards (Exhibit I-1) to Federal Program Revenues per Exhibit C-3:

Total Expenditures of Federal Awards per Exhibit I-1	\$ 6,093,087
Reimbursements received from the Federal School Health and Related Services	<u>631,275</u>
Total Federal Program Revenues per Exhibit C-3	<u><u>\$ 6,724,362</u></u>