

ROCKDALE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014



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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
Certificate of Board	1	
Independent Auditors' Report	3	
Management Discussion and Analysis	7	
 <b><u>Basic Financial Statements</u></b>		
Government-Wide Financial Statements		
Statement of Net Position	15	A-1
Statement of Activities	16	B-1
Governmental Funds Financial Statements		
Balance Sheet	18	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	22	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24	C-4
Fiduciary Funds Financial Statements		
Statement of Fiduciary Net Position	25	E-1
Statement of Changes in Fiduciary Funds Net Position	26	E-2
Notes to the Financial Statements	27	
 <b><u>Required Supplementary Information</u></b>		
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual - General Fund	47	G-1
 <b><u>Other Supplementary Information</u></b>		
<i>Combining and Other Statements</i>		
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances		
Nonmajor Governmental Funds:		
Combining Balance Sheet	50	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	54	H-2
Agency Funds:		
Combining Statement of Changes in Assets and Liabilities	58	H-9
Private Purpose Trust Funds:		
Combining Statement of Net Position	59	H-10
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	60	H-11

TABLE OF CONTENTS (CONTINUED)

**TEA Required Schedules**

Schedule of Delinquent Taxes Receivable	62	J-1
Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual		
Child Nutrition Program	64	J-4
Debt Service Fund	65	J-5

**Reports on Internal Controls, Compliance, and Federal Awards**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67	
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	69	
Schedule of Findings and Questioned Costs	71	
Schedule of Expenditures of Federal Awards	73	K-1
Notes to Schedule of Expenditures of Federal Awards	74	
Schools First Questionnaire	75	L

CERTIFICATE OF BOARD

Rockdale Independent School District  
Name of School District

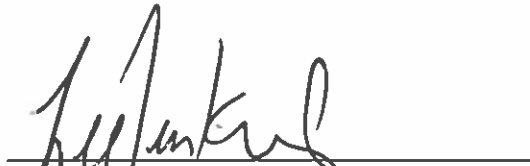
Milam  
County

166904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)   X   approved        disapproved for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 17th of November, 2014.



Signature of Board Secretary



Signature of Board President

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

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Rockdale Independent School District  
520 Davilla  
Rockdale, Texas 76567

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockdale 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.

### Auditors' Responsibility

Our responsibility is to express opinions of 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 of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rockdale Independent School 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 conformity 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 Management's Discussion and Analysis on pages 7 to 13 and Budgetary Comparison Information on pages 47, 64, and 65 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 Supplementary 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 Statements of Nonmajor Governmental Funds, Agency Funds, and Private Purpose Trust Funds, the Schedule of Delinquent Taxes Receivable, and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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 the 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.

*Atehley & Associates, LLP*

Austin, Texas

November 17, 2014

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Management's Discussion and Analysis  
Rockdale Independent School District  
For the Year Ended June 30, 2014

In this section of the Annual Financial and Compliance Report, we, the managers of Rockdale Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2014. Please read it in conjunction with the Independent Auditors' Report on pages 3 through 5 and the District's Basic Financial Statements which begin on page 15.

### **FINANCIAL HIGHLIGHTS**

The District's net position decreased \$2,294,836 from \$10,664,544 to \$8,369,708, a decrease of 21.5%. Thirty-five percent of the decrease is attributed to a reduction in capital assets, net of related debt.

Net position invested in capital assets decreased \$721,583 from \$2,103,158 to \$1,371,575. Unrestricted net assets decreased 34.8% from \$5,306,807 to \$3,537,490.

Revenues increased \$1,003,995, from \$16,886,301 to \$17,890,296, an increase of 6.0%. The increase stems primarily from increases in grants and contributions received not restricted to specific purposes. Expenditure increases totaled \$254,438, or 1%. The majority of the increase is attributed to the bond issuance costs/fees associated with the re-financing of more than \$9M of the district's U/L Tax Refunding Bonds, Series 2014. However, the future interest savings will recap these costs and more.

The General Fund ended the year with a fund balance of \$4,577,661, a decrease of \$1,255,512 from the prior year balance of \$5,833,173. Of this total, \$16,051 is held in inventories and is unspendable and \$1,238,502 is committed, leaving an unassigned total of \$3,323,108.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of others, such as students.

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

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required to be presented, but are included for informational purposes. The sections labeled Required TEA Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Management's Discussion and Analysis  
Rockdale Independent School District  
For the Year Ended June 30, 2014

## **Reporting the District as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition is shown in the Statement of Net Position and Statement of Activities. The primary purpose of these statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, all of the activities of Rockdale Independent School District are classified as governmental activities. Governmental activities cover the District's basic services, such as instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

Management's Discussion and Analysis  
 Rockdale Independent School District  
 For the Year Ended June 30, 2014

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Total net position of the District's governmental activities decreased from \$10,664,544 to \$8,369,708. Unrestricted net position – the part of net position that can be used to finance day-to-day operations – decreased from \$5,306,807 at June 30, 2013 to \$3,537,490 at June 30, 2014, a total of \$1,769,317. Of this total, \$809,068 is a decrease in Due from Other Governments and \$1,027,452 is a decrease in Cash and Cash Equivalents.

Long-term investments consist of a U.S. Government Agency security held in a sinking fund, which will be used to pay debt in the year 2021. The district makes annual sinking fund payments of \$126,118. The percent increase is high in the early years, but declines over time as the amount invested grows.

**Table I**  
**Rockdale Independent School District's Net Position**

	Government Activities		% Change
	2014	2013	2013 to 2014
<b>Assets</b>			
Current and other assets	\$ 8,962,305	\$ 11,124,321	-19.4%
Capital assets	31,075,641	32,661,815	-4.9%
Long-term investments	1,114,368	986,877	12.9%
<b>Total Assets</b>	<b>41,152,314</b>	<b>44,773,013</b>	<b>-8.1%</b>
<b>Liabilities:</b>			
Long-term liabilities	30,745,646	31,211,457	-1.5%
Other liabilities	2,036,960	2,897,012	-29.7%
<b>Total Liabilities</b>	<b>32,782,606</b>	<b>34,108,469</b>	<b>-3.9%</b>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	1,371,575	2,103,158	-34.8%
Restricted for other purposes	3,460,643	3,254,579	6.3%
Unrestricted	3,537,490	5,306,807	-33.3%
	<b>\$ 8,369,708</b>	<b>\$ 10,664,544</b>	<b>-21.5%</b>

Management's Discussion and Analysis  
 Rockdale Independent School District  
 For the Year Ended June 30, 2014

**Table II**  
**Rockdale Independent School District's Changes in Net Position**

	Government Activities		% Change
	2014	2013	2013 to 2014
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 976,018	\$ 979,180	0%
Operating grants & contributions	3,951,546	\$ 4,482,214	-12%
General Revenues			
Property taxes levied for general purposes	9,629,886	9,512,894	1%
Property taxes levied for debt services	1,975,964	1,820,806	9%
Grants & contributions not restricted to specific purposes	1,235,602	466,535	165%
Investment earnings	60,886	137,730	-56%
Miscellaneous	60,394	(449,798)	-113%
Transfers in (out)	-	(63,260)	100%
Total Revenues	17,890,296	16,886,301	6%
<b>Expenses</b>			
Instruction, curriculum & library services	10,810,596	10,366,860	4%
Instructional & school leadership	1,197,405	1,175,236	2%
Counseling, health & social services	1,054,630	1,111,663	-5%
Transportation & food services	1,531,960	1,537,826	0%
Extracurricular activities	852,797	802,913	6%
General administration	1,300,183	1,242,368	5%
Maintenance, security & data processing	1,595,004	1,661,446	-4%
Community services	50,144	13,036	285%
Interest on debt services	1,336,490	2,023,532	-34%
Bond insurance costs/fees	161,424	7,711	1993%
Contracted instructional services between schools	308	(306,088)	-100%
Total Expenses	19,890,941	19,636,503	1%
Increase in net assets	(2,000,645)	(2,750,202)	-27%
Net position, beginning of year	10,664,544	13,761,864	-23%
Prior period adjustment	(294,191)	(347,118)	-15%
Net position, end of year	\$ 8,369,708	\$ 10,664,544	-22%

The District's total revenues increased \$1,003,995 from \$16,886,301 to \$17,890,296, an increase of 6% from the prior year. The greatest part of this increase is due to a \$730,912 refund of 2012-2013 Chapter 41 Recapture Payments received in October 2013. This refund plus additional state aid payments were the direct result of taxable value audit appeals filed by the district to the State Comptroller of Public Accounts to adjust Comptroller's Property Tax Division (CPTD) T2 values.

Management's Discussion and Analysis  
Rockdale Independent School District  
For the Year Ended June 30, 2014

State aid, as discussed under "Economic Factors" below, is tied to property tax revenues through a "target revenue" amount per student; an increase in property tax revenue results in a decrease in state aid, and vice versa. The total of these two revenue sources can be related back to changes in the weighted daily attendance (WADA) of students and to the Comptroller's T2 values. Each student enrolled in the district generates weighting – regular education, special education, English second language, economically disadvantaged, career and technology, etc. – all carry a different weight based on the state's determination of cost to education. Weighting for students enrolled in regular education classes does not generate the same amount of funding attributed to those enrolled in career and technology classes because the state acknowledges there are additional costs incurred to provide CTE courses – more equipment, more supplies, etc. Increased weighting also applies to the other specialized education areas such as additional personnel for special education, additional supplies for ESL, etc. Once a student's weight is calculated, a funding formula is utilized to determine the amount of state aid to be received for the education of that student. Included in these calculations to determine funding levels is the above mentioned CPTD T2 values (state appraised value of property located within the district's boundaries). When the district's tax revenues exceed the amount the state has determined is needed to educate the district's students, the district becomes "property rich" and is designated a Chapter 41 district, subject to transferring some of its local tax funding back to the state as "recapture." For 2013-14, the state calculated the cost of recapture on two Equalized Wealth Levels, \$495,000 (Level 1) and \$319,500 (Level 3). If a district's taxable values do not generate excessive revenues, recapture is eliminated. Falling enrollment, however, kept the wealth per RISD student above \$319,500, keeping Rockdale ISD a Chapter 41 district and in "the formula," which eliminated recapture payments but did not generate any additional state aid.

Total expenses increased \$254,438 from \$19,636,503 in the prior year to \$19,890,941 for 2013-2014. The greatest portion of the increase, \$153,713, is attributed to the bond issuance costs and fees associated with the re-financing of approximately \$9,000,000 of the district's 2007 U/L Tax School Building Bonds, Series 2007.

The cost of all governmental activities this year was \$19,890,941. The amount, as shown in the Statement of Activities on page 16 (Exhibit B-1), that our taxpayers ultimately financed for these activities through District taxes was \$14,501,637, with the balance of \$461,740 contributed by the Burleson Milam Special Services Coop. The costs borne by the RISD taxpayers increased by \$891,149 from the previous year's total of \$13,610,488. Of the \$3,951,546 paid by operating grants and contributions, \$1,391,472 is attributable to BMSS and \$2,560,074 to RISD. These grants are primarily funds received through the federal government. Charges for services, such as transportation fees, food service programs, athletic events, and fiscal agent services, paid \$976,018 of the total expenditures.

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds as presented in the balance sheet on page 18 reported a combined fund balance of \$8,111,401, which is a decrease of \$1,040,732 from last year's total of \$9,152,133. The balance for the District's Other Funds increased \$20,957 due to inventories held. The District's fund balance in the General Fund decreased from \$5,833,173 to \$4,577,661.

The fund balance in the Debt Service fund is \$2,542,106, which will be used for debt payments that come due in August (immediately after the June 30<sup>th</sup> year-end) and future years. Other fund balances include the Food Service Fund (national breakfast and lunch programs), Campus Activity Funds, Capital Project Funds, and other small funds, which are planned for use in the future years.

Management's Discussion and Analysis  
 Rockdale Independent School District  
 For the Year Ended June 30, 2014

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2014, the district had \$31,075,641 (net of depreciation) invested in a broad range of capital assets, including land, facilities and equipment for instruction, transportation, athletics, administration and maintenance.

**Debt**

The District's debt structure had changed from the prior year, due to the refinance of another portion of the 2007 School Building Bonds. Payments on the 2007 Bond Issue, the 2013 Refinancing Bond Issue, and the 2014 Refinancing Bond Issue are due in August and February of each fiscal year. The bus lease payment is due in August of each fiscal year.

**Rockdale Independent School District's Outstanding Debt**

	<b>2014</b>	<b>2013</b>
Maintenance Tax Notes	\$ 2,500,000	\$ 2,500,000
School Building Bonds 2007	8,860,004	18,440,000
Refunding Bonds 2013	8,414,998	8,599,998
Refunding Bonds 2014	9,004,998	-
Capitalized Lease Obligation	227,508	297,409
	<u>\$ 29,007,508</u>	<u>\$ 29,837,407</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

State funding continues to be primarily dependent on "weighted average daily attendance (WADA)". Enrollment is the number of students registered to attend in a district. The number that actually attends each day is "average daily attendance (ADA)". The weighted average daily attendance is adjusted for a factor to weight students in certain settings, such as special education, career and technology, and compensatory education, in order to receive a higher amount of funding to cover the additional costs of these programs. State funding for Rockdale ISD is dependent both on WADA and property values.

District student data for the past years is as follows:

	<b>2003-04</b>	<b>2004-05-</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Enrollment	1,882	1,934	1,936	1,834	1,845	1,703	1,706	1,656	1,599	1,571	1,575
ADA	1,785	1,804	1,798	1,730	1,712	1,594	1,616	1,599	1,501	1,479	1,475
WADA	2,616	2,662	2,619	2,526	2,458	2,240	2,265	2,303	2,065	2,091	2,131

Enrollment for each school year is tracked on a weekly basis. Enrollment at the end of the first six weeks period of the 2013-14 school year totaled 1,586, up 2 students from the same time period of the 2012-2013 school year and only 11 students less (1586 vs. 1597) from 2011-2012. Compared to the free-fall of 2010-2011 to 2011-2012 (1,702 vs 1,597 – down over 100 students), the district felt encouraged by the reported numbers. Enrollment at the beginning of the 2014-2015 school year (1,586) continues to indicate the drastic downward spiral has ended. Refined ADA at the end of the 2011-2012 school year was calculated at 1,500.6, with attendance at 96.1% and at the end of 2012-2013 was calculated at 1,478.6, attendance at 96.0%. At the end of 2013-14, refined ADA stands at 1,475.4, with attendance at 96.2%. Near Final calculations from the state indicate WADA has increased to



Management's Discussion and Analysis  
Rockdale Independent School District  
For the Year Ended June 30, 2014

2,131.966 for 2013-2014, up from 2,091.167 in 2012-13 and 2,055.087 in 2011-2012. The TEA's mandated reduction in WADA (as per the legislature's reduction in education funding) factored in the dramatic decreases. Regular program allotment weight, which also plays a significant factor in state funding, was 1.0000 in 2010-2011 and prior years. It fell in 2011-2012 to 0.9239 at the height of the school funding cuts, was raised to 0.98 in 2012-2013, and was restored to 1.0000 in 2013-2014.

Property values, which had increased after the construction of the Sandow 5 power plant was completed and went on line during the summer of 2009, were negatively impacted by the taxable value lawsuit filed by Energy Future Holdings Corp. (formerly Luminant), in August 2011 against the Milam County Appraisal District. The original value of the power plant was first reduced by pollution control exemptions granted by TCEQ in 2010. The lawsuit, settled in July 2012, reduced the value from \$544,016,530 to the settlement value of \$410,000,000 for the 2011 and 2012 tax years. The reduction in value was based on an additional \$134,000,000 in TCEQ exemptions. Prior to the issuance of certified taxable values in July 2013, RISD was informed of the intention of Energy Future Holdings Corp. to file for Chapter 11 bankruptcy and the need to reach an "agreed upon" value prior to the filing. The agreement reached reduced the taxable value to \$300,000,000 for 2013. For 2014, the value has fallen again, this time to approximately \$230,000,000. State funding increases do not equal tax revenue decreases, with the result, again, of adopting a deficit budget for the 2014-2015 school year.

The "freeze-adjusted taxable values" for 2010, 2011 and 2012 fiscal years (as adjusted) were \$1,224,526,284, \$1,160,518,825, and \$996,311,291, respectively. Audit appeals to the State Comptroller's office to adjust the district's taxable values on their books was submitted by MCAD's legal counsel and resulted in adjustments to the district's state funding and recapture calculations.

The property tax rate adopted for maintenance and operations for 2013-14 was \$1.04 per \$100 value, the same rate as adopted for 2011-12 and 2012-13. This is the maximum rate allowed by state law without voter approval. The adopted property tax rate for debt service for 2013-14 was \$0.2134, up from \$0.1984 for 2012-13 and \$0.1850 for 2011-12. The budget for 2013-14 was adopted prior to June 30th and was based on administration's conservative estimates of enrollment and certified taxable values. The board again agreed to using part of the district's fund balance to fund operations. The property tax rate adopted for 2014 was \$1.04 per \$100 value for maintenance and operations and \$0.22145 per \$100 for debt services. Although an increase in rate, as compared to the prior year, was needed for debt services, the increase was tempered by the district re-financing two separate blocks of the 2007 U/L Tax School Building Bonds, Series 2007. The district continues to monitor interest rates to determine if re-financing the final block of the 2007 Bond Series will save the district's taxpayers significant amounts of tax monies.

The actions of the state legislature during the regular session in the spring of 2011 which reduced school funding by approximately \$5.4 billion precipitated the filing of several lawsuits against the State of Texas, TEA, etc. The trial commenced on October 22, 2012. On February 4, 2013, the Honorable John Dietz ruled Texas' school finance system was inequitable and inefficient, inadequate and unsuitable, and a statewide de facto property tax. The ruling assisted in having over \$3.2 billion restored to funding for public schools during the 83rd Legislative Session. A "rehearing" was requested by the Calhoun County ISD plaintiffs, with the other plaintiffs eventually adding their support to the request. In issuing his ruling August 28, 2014, Judge Dietz found the public school system to be inequitable, unsuitable, and inadequate in violation of Article VII, § of the Texas Constitution. The Office of the Attorney General will seek to overturn the decision. It is estimated that it will be at least a year before a Supreme Court decision is issued.

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# **BASIC FINANCIAL STATEMENTS**



ROCKDALE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 7,695,645
1220 Property Taxes Receivable (Delinquent)	491,614
1230 Allowance for Uncollectible Taxes	(79,876)
1240 Due from Other Governments	706,205
1290 Other Receivables, net	77,905
1300 Inventories	37,330
1410 Prepayments	32,511
1490 Other Current Assets	971
Capital Assets:	
1510 Land	1,086,528
1520 Buildings, Net	28,608,776
1530 Furniture and Equipment, Net	1,005,796
1550 Leased Property Under Capital Leases, Net	374,541
1990 Other Assets	1,114,368
1000 Total Assets	41,152,314
<b>LIABILITIES</b>	
2110 Accounts Payable	7,183
2120 Short Term Debt Payable	72,788
2140 Interest Payable	410,637
2150 Payroll Deductions & Withholdings	101,580
2160 Accrued Wages Payable	1,265,321
2180 Due to Other Governments	1,793
2300 Unearned Revenue	177,658
Noncurrent Liabilities	
2501 Due Within One Year	830,000
2502 Due in More Than One Year	29,915,646
2000 Total Liabilities	32,782,606
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	1,371,575
3820 Restricted for Federal and State Programs	705,397
3850 Restricted for Debt Service	2,542,106
3860 Restricted for Capital Projects	213,140
3900 Unrestricted	3,537,490
3000 Total Net Position	\$ 8,369,708

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 10,002,289	\$ 114,527	\$ 2,309,429	\$ (7,578,333)
12 Instructional Resources and Media Services	136,146	-	8,135	(128,011)
13 Curriculum and Staff Development	140,054	-	120,183	(19,871)
21 Instructional Leadership	169,270	-	10,528	(158,742)
23 School Leadership	1,028,135	-	51,828	(976,307)
31 Guidance, Counseling and Evaluation Services	869,456	-	472,122	(397,334)
32 Social Work Services	35,708	-	-	(35,708)
33 Health Services	149,466	-	7,132	(142,334)
34 Student (Pupil) Transportation	484,600	-	21,115	(463,485)
35 Food Services	1,047,360	229,458	705,148	(112,754)
36 Extracurricular Activities	852,797	87,653	32,363	(732,781)
41 General Administration	1,036,017	28,725	127,621	(879,671)
51 Facilities Maintenance and Operations	1,334,046	29,345	40,671	(1,264,030)
52 Security and Monitoring Services	62,704	-	45	(62,659)
53 Data Processing Services	198,254	-	12,155	(186,099)
61 Community Services	50,144	-	33,071	(17,073)
72 Debt Service - Interest on Long Term Debt	1,336,490	-	-	(1,336,490)
73 Debt Service - Bond Issuance Cost and Fees	161,424	-	-	(161,424)
91 Contracted Instructional Services Between Schools	308	5,000	-	4,692
93 Payments related to Shared Services Arrangements	532,107	481,310	-	(50,797)
99 Other Intergovernmental Charges	264,166	-	-	(264,166)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 19,890,941</u>	<u>\$ 976,018</u>	<u>\$ 3,951,546</u>	<u>(14,963,377)</u>
Data Control Codes	General Revenues:			
MT	Property Taxes, Levied for General Purposes			9,629,886
DT	Property Taxes, Levied for Debt Service			1,975,964
GC	Grants and Contributions not Restricted			1,235,602
IE	Investment Earnings			60,886
MI	Miscellaneous Local and Intermediate Revenue			60,394
TR	Total General Revenues			<u>12,962,732</u>
CN	Change in Net Position			(2,000,645)
NB	Net Position - Beginning			10,664,544
PA	Prior Period Adjustment			(294,191)
NE	Net Position--Ending			<u>\$ 8,369,708</u>

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

**GOVERNMENTAL FUNDS  
FINANCIAL STATEMENTS**

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

Data Control Codes	10 General Fund	IDEA, Part B Special Revenue Fund	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 5,241,305	\$ -	\$ 1,427,738
1220 Property Taxes - Delinquent	415,193	-	76,421
1230 Allowance for Uncollectible Taxes (Credit)	(70,595)	-	(9,281)
1240 Receivables from Other Governments	203,583	272,440	-
1260 Due from Other Funds	234,063	-	-
1290 Other Receivables	73,055	-	-
1300 Inventories	16,051	-	-
1410 Prepayments	32,511	-	-
1490 Other Current Assets	971	-	-
1900 Other Assets	-	-	1,114,368
1000 Total Assets	<u>\$ 6,146,137</u>	<u>\$ 272,440</u>	<u>\$ 2,609,246</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 6,033	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	79,422	8,094	-
2160 Accrued Wages Payable	964,583	137,987	-
2170 Due to Other Funds	-	126,359	-
2180 Due to Other Governments	1,793	-	-
2300 Unearned Revenues	516,645	-	67,140
2000 Total Liabilities	<u>1,568,476</u>	<u>272,440</u>	<u>67,140</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	16,051	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractural	-	-	-
3480 Retirement of Long-Term Debt	-	-	2,542,106
Committed Fund Balance:			
3510 Construction	920,200	-	-
3525 Retirement of Loans or Notes Payable	208,302	-	-
3540 Self Insurance	110,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	3,323,108	-	-
3000 Total Fund Balances	<u>4,577,661</u>	<u>-</u>	<u>2,542,106</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,146,137</u>	<u>\$ 272,440</u>	<u>\$ 2,609,246</u>

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



Other Funds	Total Governmental Funds
\$ 1,026,602	\$ 7,695,645
-	491,614
-	(79,876)
230,182	706,205
-	234,063
4,850	77,905
21,279	37,330
-	32,511
-	971
-	1,114,368
<u>\$ 1,282,913</u>	<u>\$ 10,310,736</u>
\$ 1,150	\$ 7,183
14,064	101,580
162,751	1,265,321
107,704	234,063
-	1,793
5,610	589,395
<u>291,279</u>	<u>2,199,335</u>
21,279	37,330
705,397	705,397
213,140	213,140
-	2,542,106
-	920,200
-	208,302
-	110,000
51,818	51,818
-	3,323,108
<u>991,634</u>	<u>8,111,401</u>
<u>\$ 1,282,913</u>	<u>\$ 10,310,736</u>

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

<b>Total Fund Balances - Governmental Funds</b>	\$	8,111,401
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$47,355,743 and the accumulated depreciation was \$14,693,928. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		946,186
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		674,051
<b>3</b> The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,773,666)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		411,736
<b>19 Net Position of Governmental Activities</b>	\$	8,369,708

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	10 General Fund	IDEA, Part B Special Revenue Fund	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 9,894,199	\$ -	\$ 1,968,619
5800 State Program Revenues	1,750,310	-	-
5900 Federal Program Revenues	22,664	1,388,474	-
5020 Total Revenues	<u>11,667,173</u>	<u>1,388,474</u>	<u>1,968,619</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	6,888,969	828,729	-
0012 Instructional Resources and Media Services	121,669	-	-
0013 Curriculum and Instructional Staff Development	16,572	4,517	-
0021 Instructional Leadership	154,290	-	-
0023 School Leadership	894,786	-	-
0031 Guidance, Counseling and Evaluation Services	295,126	455,476	-
0032 Social Work Services	35,708	-	-
0033 Health Services	137,153	-	-
0034 Student (Pupil) Transportation	376,986	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	704,784	-	-
0041 General Administration	657,534	99,752	-
0051 Facilities Maintenance and Operations	1,278,325	-	-
0052 Security and Monitoring Services	127,288	-	-
0053 Data Processing Services	222,478	-	-
0061 Community Services	4,760	-	-
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	69,433	-	742,688
0072 Interest on Long Term Debt	12,752	-	1,158,600
0073 Bond Issuance Cost and Fees	-	-	1,000
<b>Intergovernmental:</b>			
0091 Contracted Instructional Services Between Schools	308	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	532,107	-	-
0099 Other Intergovernmental Charges	264,166	-	-
6030 Total Expenditures	<u>12,795,194</u>	<u>1,388,474</u>	<u>1,902,288</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,128,021)</u>	<u>-</u>	<u>66,331</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-
7915 Transfers In	-	-	127,491
7916 Premium or Discount on Issuance of Bonds	-	-	-
7917 Prepaid Interest	-	-	-
8911 Transfers Out (Use)	(127,491)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>(127,491)</u>	<u>-</u>	<u>127,491</u>
1200 Net Change in Fund Balances	(1,255,512)	-	193,822
0100 Fund Balance - July 1 (Beginning)	<u>5,833,173</u>	<u>-</u>	<u>2,348,284</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 4,577,661</u>	<u>\$ -</u>	<u>\$ 2,542,106</u>

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

Other Funds	Total Governmental Funds
\$ 728,815	\$ 12,591,633
95,915	1,846,225
1,901,598	3,312,736
<u>2,726,328</u>	<u>17,750,594</u>
1,211,953	8,929,651
2,164	123,833
118,965	140,054
2,667	156,957
3,336	898,122
69,602	820,204
-	35,708
-	137,153
-	376,986
942,736	942,736
14,727	719,511
244,024	1,001,310
52,943	1,331,268
105	127,393
9,077	231,555
33,071	37,831
17,311	829,432
-	1,171,352
160,424	161,424
-	308
-	532,107
-	264,166
<u>2,883,105</u>	<u>18,969,061</u>
<u>(156,777)</u>	<u>(1,218,467)</u>
9,004,998	9,004,998
-	127,491
961,631	961,631
13,738	13,738
-	(127,491)
<u>(9,802,632)</u>	<u>(9,802,632)</u>
<u>177,735</u>	<u>177,735</u>
20,958	(1,040,732)
<u>970,676</u>	<u>9,152,133</u>
<u>\$ 991,634</u>	<u>\$ 8,111,401</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(1,040,732)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		674,051
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,773,666)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		139,702
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(2,000,645)</u>

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,109	\$ 62,289
Restricted Assets	58,260	-
Total Assets	<u>59,369</u>	<u>\$ 62,289</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings Payable	-	\$ 5,348
Due to Student Groups	-	56,941
Total Liabilities	<u>-</u>	<u>\$ 62,289</u>
<b>NET POSITION</b>		
Restricted for Other Purposes	<u>59,369</u>	
Total Net Position	<u>\$ 59,369</u>	

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 5,269
Total Additions	<u>5,269</u>
<b>DEDUCTIONS:</b>	
Professional and Contracted Services	<u>11,500</u>
Total Deductions	<u>11,500</u>
Change in Net Position	(6,231)
Total Net Position July 1 (Beginning)	<u>65,600</u>
Total Net Position June 30 (Ending)	<u><u>\$ 59,369</u></u>

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



ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

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

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

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

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

Revenues from local sources consist primarily of property taxes. 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 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 Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

The District has implemented GASB Statement No. 62 (GASB 62) Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1986 FASB and AICPA Pronouncements, which incorporated certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued prior to December 1, 1989, into the GASB Codification as long as they do not conflict or contradict GASB literature. The implementation of this statement had an effect on the financial reporting of the District.

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **The General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Funds** - 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. **Special Education - Grants to States (IDEA, Part B) (Special Revenue Fund)** - The District accounts for resources accumulated and payments made for the Individuals with Disabilities Education Act (IDEA) in a special revenue fund. The purpose of IDEA Part B is to provide children with disabilities an appropriate public education that meets their unique needs.

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

*Governmental Funds:*

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

*Fiduciary Funds:*

1. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds represent scholarship funds being held in trust for student scholarships.
2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are: the Elementary School Activities Fund, the Junior High School Activities Fund, and the High School Activities Fund.

**E. OTHER ACCOUNTING POLICIES**

1. Inventories of custodial supplies are reflected on the balance sheet at cost on a first-in, first-out basis. The District records purchases of other supplies as expenditures. Supplies are used for almost all functions of activity, while food commodities received from the Texas Department of Human Services are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as expenditures and revenues when received.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. OTHER ACCOUNTING POLICIES (Continued)**

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.

3. The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the District beginning fiscal year 2014. This statement establishes standards for reclassifying certain assets and liabilities as deferred outflows of resources and deferred inflows of resources. (See Note R - *Prior Period Adjustment* for financial statement impact of implementing GASB 65).

4. The District has implemented GASB Statement No. 66, *Technical Corrections-2012*, an amendment of GASB Statements No. 10 and No. 62, effective for the District beginning fiscal year 2014. As per the title, this statement contains technical corrections for conflicting guidance that occurred due to the issuances of GASB Statements No. 54 and No. 62. This statement also amends GASB Statement No. 10 by removing the provision that requires an entity to account for its risk financing activity in the General Fund.

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	20
Portable Buildings	20
Buses	15
Other Vehicles	10
Office Equipment	5-7
Computer Equipment	5
Other Equipment	5-12

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. OTHER ACCOUNTING POLICIES (Continued)**

7. The District is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

8. The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The District classifies governmental fund balances in the governmental fund financial statements as follows:

*Non-spendable* - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

*Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

*Assigned* - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Trustees.

*Unassigned* - includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

At June 30, 2014, the District does not have any assigned fund balances.

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

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

11. Management of the District has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION (Continued)**

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 1,086,528	\$ -	\$ 1,086,528	
Buildings	41,867,040	11,993,793	29,873,247	
Furniture & Equipment	3,840,381	2,550,332	1,290,049	
Capital Leases	561,794	149,803	411,991	
Change in Net Assets				\$ 32,661,815
<u>Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 26,598,662	
Premium			1,884,468	
Loans Payable			2,500,000	
Capital Leases Payable			298,227	
Interest Payable			434,272	
Bond & Issuance Costs			-	
Change in Net Assets				<u>(31,715,629)</u>
Net Adjustment to Net Assets				<u>\$ 946,186</u>

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

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

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

	Amount	Adjustments to Changes in Fund Balance to Net Position	Adjustments from Fund Balance to Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -		
Building & Improvements	-		
Furniture & Equipment	187,492		
Construction in Progress	-		
Total Capital Outlay	187,492	\$ 187,492	\$ 187,492
<u>Debt Related Items</u>			
Bond Principal Payments	\$ 760,000		
Capital Lease Payments	69,433		
Bond Interest Appreciation	(236,882)		
Bond Premium	(857,199)		
Loss on Refunding	727,569		
Interest Payable Adjustment	23,638		
Total Debt Items	486,559	486,559	486,559
Total Adjustment to Net Position		\$ 674,051	\$ 674,051

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

	Amount	Adjustments to Changes in Fund Balance to Net Position	Adjustments from Fund Balance to Net Position
<u>Adjustments to Revenue and Deferred Revenue</u>			
Uncollected taxes (assumed collectible) from Current Year Levy	\$ 318,595	\$ 318,595	\$ 318,595
Uncollected taxes (assumed collectible) from Prior Year Levy	(178,893)	(178,893)	93,141
Total		\$ 139,702	\$ 411,736



ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget to Actual - General Fund report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the General Fund financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 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 be approved by the Board of Trustees. 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. Several amendments were recommended to the Board and adopted during the year.
4. Unexpended appropriations lapse at year-end. Deficit fund balances are prohibited by state law.

**B. DEFICIT FUND EQUITY**

The District had no funds with deficit equity at year end.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The 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 requirement of the Act and with local policies.



ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

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

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In order to reduce its exposure to credit risk, the District limits investments to: (1) accounts with its depository contract which are fully collateralized; (2) investment pools with the highest ratings; and (3) U. S. Government agencies.

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

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District invests in short-term maturities of less than a year.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting deposits in a foreign currency. The District is not currently exposed to foreign currency risk.

At June 30, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,695,645, and the bank balance was \$7,832,780. The District's cash deposits at June 30, 2014 and during the year ended June 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

1. Depository: Citizens National Bank
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$15,284,063.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$11,764,473 on February 13,
4. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

Investments held at year end consisted of the following:

Type	Book Value	Fair Value	Weighted Avg Maturity(days)	Standard & Poor's Rating
Investment Pools				
TexPool	\$ 10,247	\$ 10,247	46	AAAm
Lone Star	121,851	121,851	50	AAAm
U.S. Governmental Agencies	1,114,368	1,114,368	181	AA+
Total	<u>\$ 1,246,466</u>	<u>\$ 1,246,466</u>		

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**A. DEPOSITS AND INVESTMENTS (Continued)**

TexPool and Lone Star investments are included in cash and cash equivalents and U.S. Governmental Agencies investments are included in other assets in the accompanying financial statements.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed, unless a split-payment option is elected by the taxpayer. In such case, 1/2 of the taxes must be paid by December 1, with the balance due and payable on July 1 of the following year. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

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

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2014, consisted of the following amounts:

<b>Due to General Fund from:</b>	
Special Education - IDEA B	\$ 126,359
Nonmajor Governmental Funds	<u>107,704</u>
Total Due to General Fund From Other Funds	<u><u>\$ 234,063</u></u>

Interfund Transfers for the year ended June 30, 2014, consisted of the following amounts:

<b>Transfers to Debt Service Fund from:</b>	
General Fund	\$ 127,491
Total Transferred to Debt Service fund	<u><u>\$ 127,491</u></u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2014, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 415,193	\$ 203,583	\$ 234,063	\$ 73,055	\$ 925,894
Debt Service Fund	76,421	-	-	-	76,421
Special Education - IDEA B	-	272,440	-	-	272,440
Nonmajor Governmental Funds	-	230,182	-	4,850	235,032
<b>Total - Gov. Activities</b>	<b>\$ 491,614</b>	<b>\$ 706,205</b>	<b>\$ 234,063</b>	<b>\$ 77,905</b>	<b>\$ 1,509,787</b>

Payables at June 30, 2014, were as follows:

	Accounts Payable	Salaries and Benefits	Due To Other Funds	Due To Other Governments	Total Payables
<b>Governmental Activities:</b>					
General Fund	\$ 6,033	\$ 1,044,005	\$ -	\$ 1,793	\$ 1,051,831
Special Education - IDEA B	-	146,081	126,359	-	272,440
Nonmajor Gov. Act.	1,150	176,815	107,704	-	285,669
<b>Total Gov. Act.</b>	<b>\$ 7,183</b>	<b>\$ 1,366,901</b>	<b>\$ 234,063</b>	<b>\$ 1,793</b>	<b>\$ 1,609,940</b>

**F. CAPITAL ASSET ACTIVITY**

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

	Beginning Balance	Additions	Reclass/ Adjustments	Retirements	Ending Balance
<b>Governmental Activities:</b>					
Land	\$ 1,086,528	\$ -	\$ -	\$ -	\$ 1,086,528
Buildings and Improvements	41,867,040	-	-	-	41,867,040
Furniture and Equipment	3,840,381	187,492	-	-	4,027,873
Capital Leases	561,794	-	-	-	561,794
<b>Totals at Historic Cost</b>	<b>47,355,743</b>	<b>187,492</b>	<b>-</b>	<b>-</b>	<b>47,543,235</b>
<b>Less: Accumulated Depreciation for:</b>					
Buildings and Improvements	(11,993,793)	(1,264,471)	-	-	(13,258,264)
Furniture and Equipment	(2,550,332)	(471,745)	-	-	(3,022,077)
Capital Leases	(149,803)	(37,450)	-	-	(187,253)
<b>Total Accumulated Depreciation</b>	<b>(14,693,928)</b>	<b>(1,773,666)</b>	<b>-</b>	<b>-</b>	<b>(16,467,594)</b>
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 32,661,815</b>	<b>\$ (1,586,174)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,075,641</b>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**F. CAPITAL ASSET ACTIVITY (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,072,638
Instructional Resources and Media Services	12,313
Instructional Leadership	12,313
School Leadership	130,013
Guidance, Counseling and Evaluation Services	49,252
Health Services	12,313
Student (Pupil) Transportation	107,614
Food Services	120,138
Co-curricular/Extracurricular Activities	147,187
General Administration	34,707
Plant Maintenance and Operations	8,478
Security and Monitoring Service	37,033
Data Processing Services	17,354
Community Services	12,313
Total Depreciation Expense	<u>\$ 1,773,666</u>

**G. BONDS AND LONG-TERM NOTES PAYABLE**

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

A summary of changes in general long-term debt for the year ended June 30, 2014, is as follows:

DESCRIPTION	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
Maintenance Tax Notes							
Taxable Series 2005		\$ 2,500,000	\$ -	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Unlimited Tax School Building							
Series 2007	4.10-6.00%	28,800,000	927,068	18,440,000	-	9,580,000	8,860,000
Unlimited Tax Refunding Bonds							
Series 2013	2.00-3.50%	8,465,000	231,532	8,465,000	-	185,000	8,280,000
Series 2014	2.75-4.00%	8,215,000	-	-	8,215,000	-	8,215,000
Premium							
Series 2007		630,000	-	346,220	-	162,300	183,920
Series 2013		1,554,968	-	1,538,248	-	66,880	1,471,368
Series 2014		1,112,123	-	-	1,112,123	25,744	1,086,379
Loss on Issuance							
Series 2013		1,199,664	-	(1,186,764)	-	51,601	(1,135,163)
Series 2014		797,634	-	-	(797,634)	18,464	(779,170)
Capital Appreciation Bonds (CAB)							
Series 2013		134,998	-	134,998	-	-	134,998
Series 2014		789,998	-	-	789,998	-	789,998
Accreted Interest							
Series 2013, CAB Bonds			-	745,428	6,678	-	752,106
Series 2014, CAB Bonds			-	-	230,204	-	230,204
				<u>\$ 1,158,600</u>	<u>\$ 30,983,130</u>	<u>\$ 9,556,369</u>	<u>\$ 10,089,989</u>
							<u>\$ 30,589,640</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**G. BONDS AND LONG-TERM NOTES PAYABLE (Continued)**

Maintenance Tax Notes

The District issued \$2,500,000 of Rockdale Independent School District Maintenance Tax Notes, Taxable Series 2005, (the Notes) as authorized by Chapter 45 of the Texas Education Code. The proceeds were used for construction and renovation of several buildings and for equipment related to the renovation. The Notes were issued as "Qualified Zone Academy Bonds" and qualified holders receive an income tax credit from the Federal government intended to offset interest costs. The interest rate to the District is 0.0%. The District is required to deposit \$126,118 annually to a Sinking Fund Deposit Account. The total of the deposits plus interest earnings at 2.77% will be used to pay the principal of the Notes at maturity. The Sinking Fund Deposit Account is held in trust and can only be used to pay the Notes. The value of the Sinking Fund Deposit Account was \$1,114,368 as of June 30, 2014.

The required sinking fund deposits to maturity are as follows:

Year Ending June 30	Deposit Amount
2015	\$ 126,118
2016	126,118
2017	126,118
2018	126,118
2019	126,118
2020-2021	252,236
Total	<u>\$ 882,826</u>

**H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES**

Series 2013 Refunding Bonds

On April 1, 2013, the District issued \$8,465,000 in Unlimited Tax Refunding Bonds and \$134,998 in Capital Appreciation Bonds, Series 2013. The bonds carry an interest rate of 2.00% - 3.50% with the final maturity date of February 15, 2036. The bonds were issued to refund a portion of the Unlimited Tax School Building Bonds, Series 2007. This advance refunding was undertaken to reduce total debt service payments over the next 28 years by \$1,203,454 and resulted in an economic gain of \$1,470,713.

Series 2014 Refunding Bonds

On February 1, 2014, the District issued \$8,215,000 in Unlimited Tax Refunding Bonds and \$789,998 in Capital Appreciation Bonds, Series 2014. The bonds carry an interest rate of 2.75% - 4.00% with the final maturity date of February 15, 2032. The bonds were issued to refund a portion of the Unlimited Tax School Building Bonds, Series 2007. This advance refunding was undertaken to reduce total debt service payments over the next 27 years by \$2,138,029 and resulted in an economic gain of \$1,001,904.

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES (Continued)**

The required general obligation bond payments to maturity are as follows:

Year Ended June 30,	General Obligations		Total Requirements
	Principal	Interest	
2015	\$ 830,000	\$ 1,023,276	\$ 1,853,276
2016	825,000	969,403	1,794,403
2017	470,511	1,302,252	1,772,763
2018	425,899	1,351,863	1,777,762
2019-2023	4,403,586	4,671,701	9,075,287
2024-2028	5,595,000	3,548,399	9,143,399
2029-2033	6,775,000	2,563,363	9,338,363
2034-2037	6,955,000	897,400	7,852,400
Total	<u>\$ 26,279,996</u>	<u>\$ 16,327,657</u>	<u>\$ 42,607,653</u>

Capital Lease Obligations

A summary of changes in capitalized lease obligations for the year ended June 30, 2014 is as follows:

DESCRIPTION	Interest Rate	Amounts Original Issue	Beginning Balances Outstanding	Issued	Retired	Ending Balances Outstanding
Classic Bank of Purchase of Buses	4.13%	\$ 570,324	\$ 298,227	\$ -	\$ 69,433	\$ 228,794
		<u>\$ 570,324</u>	<u>\$ 298,227</u>	<u>\$ -</u>	<u>\$ 69,433</u>	<u>\$ 228,794</u>

The required lease payments are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2015	\$ 72,788	\$ 9,396	\$ 82,184
2016	75,795	6,390	82,185
2017	80,211	3,260	83,471
Total Capital Lease Payments	<u>\$ 228,794</u>	<u>\$ 19,046</u>	<u>\$ 247,840</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**I. DEFINED BENEFIT PENSION PLAN**

*Plan Description* - Rockdale Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer deemed benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 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](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy* - State law provides for a member contribution rate of 6.40% for fiscal years 2012, 2013, and 2014 and a state contribution rate of 6.40% for years 2012 and 2013, and 6.80% for 2014. In certain instances the reporting district is required to make all or a portion of the state's 6.00% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.00% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 30 years, or, if the amortization period already exceeds 30 years, the period would be increased by such action.

**Contributions**

*Contributions* - Employees of the District are required to pay 6.40% of their eligible gross earnings to the TRS pension plan. The State of Texas contributed 6.40% in 2012 and 2013 and 6.80% in 2014 of all employees' eligible gross earnings, except for those employees subject to statutory minimum requirements and those employees being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedule adjusted based on local tax rates. For employees funded by federal programs, the federal programs are required to contribute.

For the Year Ended June 30	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	District Employee Contributions to TRS	Covered Payroll
2012	\$ 498,737	\$ 202,449	\$ 674,313	\$ 10,536,150
2013	389,962	210,155	632,924	9,889,431
2014	444,474	227,441	647,894	10,123,342

District and employee actual contributions were equal to the required contributions for each year. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**J. 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 TRS. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is the Texas Insurance Code, Chapter 1575. Section 1575 grants the TRS Board of Trustees the authority to "establish and amend basic and optional group insurance coverage for participants". TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing 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 website, under "Publications," [www.trs.state.tx.us](http://www.trs.state.tx.us).

*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 .65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at .55% for fiscal years 2014, 2013, and 2012. *Per Texas Insurance Code, Chapter 1575*, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For employees funded by federal programs, the federal programs are required to contribute 1.0%.

For the Year Ended June 30	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	District Employee Contributions to TRS	Covered Payroll
2012	\$ 43,104	\$ 80,890	\$ 68,485	\$ 10,536,150
2013	40,100	64,364	64,281	9,889,431
2014	97,626	73,016	65,803	10,123,342

District and employee actual contributions were equal to the required contributions for each year. The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

**K. HEALTH CARE COVERAGE**

During the period ended June 30, 2014, employees of the District were covered by TRS-ActiveCare. TRS-ActiveCare is a statewide health care benefits program for employees of school districts, charter schools, regional education service centers, and other educational districts. Participation in TRS-ActiveCare was mandatory for the District beginning on September 1, 2002.

The District paid premiums of \$225 per month per participating employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

The District contributed \$30 per month per employee that could be used by employees towards the cost of TRS-ActiveCare or sheltered through the Section 125 Cafeteria Plan.



ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**K. HEALTH CARE COVERAGE**

*Medicare Part D.* – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2012, 2013, 2014, the subsidy payments received by TRS-Care on behalf of the District were \$29,017, \$26,669, and \$28,052, respectively. This information was provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**L. UNEARNED REVENUE**

Unearned revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Delinquent Property Taxes Receivable	\$ 344,597	\$ 67,140	\$ -	\$ 411,737
Lease Revenues	53,335	-	-	53,335
Foundation Allotment	112,963	-	-	112,963
Other Revenues	5,750	-	5,610	11,360
Total Unearned Revenue	<u>\$ 516,645</u>	<u>\$ 67,140</u>	<u>\$ 5,610</u>	<u>\$ 589,395</u>

**M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the year ended June 30, 2014, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Property Taxes	\$ 9,518,666	\$ 1,947,482	\$ -	\$ 11,466,148
Property Tax Payment Penalties	56,312	11,423	-	67,735
Interest Income	51,119	9,714	5,046	65,879
Donation & Local Grants	2,850	-	-	2,850
Food Sales	-	-	229,459	229,459
Shared Services Arrangement	5,000	-	481,310	486,310
Co-Curricular Student Activities	87,654	-	-	87,654
E-rate Revenues	66,473	-	-	66,473
Rental Fees	29,345	-	-	29,345
Other	76,780	-	13,000	89,780
Total	<u>\$ 9,894,199</u>	<u>\$ 1,968,619</u>	<u>\$ 728,815</u>	<u>\$ 12,591,633</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**N. LITIGATION**

The District was not involved in any litigation at year-end that the District's attorney feels would result in a negative outcome or present any material liability to the District.

**O. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

The District participates in the Burleson-Milam Special Services Cooperative, a shared services arrangement for special education resource services under IDEA, Part B (Formula and Preschool). This shared service arrangement includes nine participating independent school districts. The District is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the Burleson-Milam Special Service Cooperative. The District has a joint ownership interest in fixed assets purchased and the net equity of the Burleson-Milam Special Services Cooperative; however, as the fiscal agent, the District is not accumulating significant resources or obligations that would give rise to a future additional benefit or burden to the District. Member districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources. The District received \$481,309 from state and local funding sources related to this shared services arrangement. Member districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources; the District's share of reimbursements for the year ended June 30, 2014, was \$131,377.

The District participates in the Brazos Valley Regional Day School, a shared services arrangement for deaf education services. This shared service arrangement includes numerous participating independent school districts. Bryan ISD is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the Brazos Valley Regional Day School. The District has no material joint ownership interest in fixed assets purchased or the net equity of the Brazos Valley Regional Day School. Member Districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources; the District's share of reimbursements for the year ended June 30, 2014, was \$9,662.

The District participates in shared service arrangements to provide education funding from federal grant funds. The District does not have a joint ownership interest in any assets of net equity interest in these shared service arrangements as they exist only to administer federal grant funds. Funding received through these shared service arrangements included \$548,258 for Title IV, Part B – 21st Century Learning Centers and \$824 for Title III, Bilingual/ESI. The fiscal agents for these shared service arrangements are the Education Service Center, Region XIII.

The District operated its own DAEP services for 2013-14 and offered these services to Milano ISD and Buckholts ISD on a contractual basis. The agreement did not operate as a shared services arrangement and the District was solely responsible for decisions regarding the operation of the DAEP. The services were offered in a cooperative effort to assist area districts and to offset some of the costs of the operation of the DAEP. The participating districts each paid a set annual fee with additional fees payable if net enrollment exceeded a specified number. Neither participating district had a joint ownership interest in any assets or net equity interest of the DAEP. Buckholts ISD chose to participate and paid \$5,000 for the year ended June 30, 2014.

The District participates in a shared service arrangement with other districts in the state to purchase electricity from electrical providers. Deer Park ISD is the fiscal agent and a member district. The District does not have a joint ownership interest in any assets of net equity interests of the shared service arrangement. The District recognized \$391,068 for the year ended June 30, 2014, as its share of costs.

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**P. RISK MANAGEMENT**

During the year ended June 30, 2014, the District participated in the TASB Risk Management Fund's Property Casualty Program (the Fund), with coverage in auto liability and physical damage, property, general liability, crime and liability for misconduct. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The TASB Risk Management Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The TASB Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2014, the TASB Fund anticipates the District has no additional liability.

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

During the year ended June 30, 2014, the District met its statutory workers' compensation obligations through participation with other school districts in the Texas Educational Insurance Association (the "Association"), operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Association's workers compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Association execute Interlocal Agreements that define the responsibilities of the parties. The Association provides statutory workers' compensation benefits to its members and their injured employees.

The District pays for each year a fixed cost and is contingently liable for claims up to a maximum loss amount calculated by the Association's actuaries. For the period ended June 30, 2014, the District paid fixed costs of \$20,214, and was contingently liable up to \$55,756 for actual claim losses. Claims from any one employee or occurrence up to \$500,000 are paid with funds assessed to member districts up to the calculated maximum loss amount. Claims over \$500,000 are covered by stop-loss insurance obtained by the Association. Claims paid during the year ended June 30, 2014 totaled \$33,301. At June 30, 2014, estimated unpaid claims totaled \$51,563, including incurred but not reported claims of \$34,568.

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

**Q. ARBITRAGE**

In accordance with the provisions of Section 148(1) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District does not have a liability for arbitrage as of June 30, 2014.

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**R. PRIOR PERIOD ADJUSTMENTS**

At June 30, 2014, prior period adjustments consisted of the following:

This adjustment was the result of the District implementing GASB 65 in which bond and debt issuance costs are expensed when incurred. This change in accounting policy requires a retrospective change and as such a prior period adjustment is necessary.

Government-Wide Financial Statements

	Governmental Activities
Capitalized bond and other debt issuance costs	\$ (294,191)

Other statement of activities effects of prior period adjustments related to the correction:

Prior year ending net assets as reported	\$ 10,664,544
Capitalized bond and other debt issuance costs	(294,191)
Prior year ending net assets as adjusted	\$ 10,370,353

**REQUIRED SUPPLEMENTARY  
INFORMATION**



ROCKDALE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 9,977,553	\$ 9,977,553	\$ 9,894,199	\$ (83,354)
5800	State Program Revenues	1,597,597	1,597,597	1,750,310	152,713
5900	Federal Program Revenues	15,000	15,000	22,664	7,664
5020	Total Revenues	11,590,150	11,590,150	11,667,173	77,023
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	7,718,769	7,737,042	6,888,969	848,073
0012	Instructional Resources and Media Services	140,908	140,908	121,669	19,239
0013	Curriculum and Instructional Staff	45,799	45,799	16,572	29,227
0021	Instructional Leadership	195,414	195,414	154,290	41,124
0023	School Leadership	934,156	934,156	894,786	39,370
0031	Guidance, Counseling and Evaluation Services	310,752	310,752	295,126	15,626
0032	Social Work Services	42,000	42,000	35,708	6,292
0033	Health Services	128,489	145,969	137,153	8,816
0034	Student (Pupil) Transportation	480,663	480,663	376,986	103,677
0036	Extracurricular Activities	732,560	734,753	704,784	29,969
0041	General Administration	642,873	767,477	657,534	109,943
0051	Facilities Maintenance and Operations	1,376,524	1,376,524	1,278,325	98,199
0052	Security and Monitoring Services	22,700	127,290	127,288	2
0053	Data Processing Services	250,557	250,557	222,478	28,079
0061	Community Services	42,585	22,897	4,760	18,137
Debt Service:					
0071	Principal on Long Term Debt	65,500	65,500	69,433	(3,933)
0072	Interest on Long Term Debt	17,002	17,002	12,752	4,250
0073	Bond Issuance Cost and Fees	127,618	-	-	-
Intergovernmental:					
0091	Contracted Instructional Services Between	-	308	308	-
0093	Payments to Fiscal Agent/Member Districts of	656,650	656,650	532,107	124,543
0099	Other Intergovernmental Charges	290,000	290,000	264,166	25,834
6030	Total Expenditures	14,221,519	14,341,661	12,795,194	1,546,467
1100	Excess (Deficiency) of Revenues Over Expenditures	(2,631,369)	(2,751,511)	(1,128,021)	1,623,490
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	-	(127,618)	(127,491)	127
1200	Net Change in Fund Balances	(2,631,369)	(2,879,129)	(1,255,512)	1,623,617
0100	Fund Balance - July 1 (Beginning)	5,833,173	5,833,173	5,833,173	-
3000	Fund Balance - June 30 (Ending)	\$ 3,201,804	\$ 2,954,044	\$ 4,577,661	\$ 1,623,617

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## **COMBINING AND OTHER STATEMENTS**



**COMBINING STATEMENT OF  
REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS**

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 56,455	\$ -	\$ -
1240	Receivables from Other Governments	84,612	9,780	2,739	22,196
1290	Other Receivables	-	4,212	-	-
1300	Inventories	-	21,279	-	-
1000	<b>Total Assets</b>	<u>\$ 84,612</u>	<u>\$ 91,726</u>	<u>\$ 2,739</u>	<u>\$ 22,196</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 1,200	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	3,234	7,334	-	699
2160	Accrued Wages Payable	44,900	39,903	-	8,276
2170	Due to Other Funds	36,478	-	2,739	13,221
2300	Unearned Revenues	-	5,610	-	-
2000	<b>Total Liabilities</b>	<u>84,612</u>	<u>54,047</u>	<u>2,739</u>	<u>22,196</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	21,279	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	16,400	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>37,679</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 84,612</u>	<u>\$ 91,726</u>	<u>\$ 2,739</u>	<u>\$ 22,196</u>

263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	314 SSA IDEA, Part B Preschool	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ 1,113	\$ -	\$ -	\$ 1,534	\$ 1,816
-	101,623	6,234	-	2,998	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 101,623</u>	<u>\$ 6,234</u>	<u>\$ 1,113</u>	<u>\$ 2,998</u>	<u>\$ -</u>	<u>\$ 1,534</u>	<u>\$ 1,816</u>
\$ -	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ 450	\$ -
-	1,788	57	-	-	-	-	-
-	50,474	3,020	-	-	-	-	-
-	49,111	3,157	-	2,998	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>101,623</u>	<u>6,234</u>	<u>-</u>	<u>2,998</u>	<u>-</u>	<u>450</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	1,113	-	-	1,084	1,816
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,113</u>	<u>-</u>	<u>-</u>	<u>1,084</u>	<u>1,816</u>
<u>\$ -</u>	<u>\$ 101,623</u>	<u>\$ 6,234</u>	<u>\$ 1,113</u>	<u>\$ 2,998</u>	<u>\$ -</u>	<u>\$ 1,534</u>	<u>\$ 1,816</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

Data Control Codes	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	499 Other Local Special Revenue Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 110	\$ 702,004	\$ 27,507	\$ 23,673
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	138	500
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 110</u>	<u>\$ 702,004</u>	<u>\$ 27,645</u>	<u>\$ 24,173</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	-	952	-	-
2160	Accrued Wages Payable	-	16,178	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>17,130</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	110	684,874	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	27,645	24,173
3000	Total Fund Balances	<u>110</u>	<u>684,874</u>	<u>27,645</u>	<u>24,173</u>
4000	Total Liabilities and Fund Balances	<u>\$ 110</u>	<u>\$ 702,004</u>	<u>\$ 27,645</u>	<u>\$ 24,173</u>

Total Nonmajor Special Revenue Funds	698 Capital Project Fund	699 Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 814,212	\$ 146,113	\$ 66,277	\$ 212,390	\$ 1,026,602
230,182	-	-	-	230,182
4,850	-	-	-	4,850
21,279	-	-	-	21,279
<u>\$ 1,070,523</u>	<u>\$ 146,113</u>	<u>\$ 66,277</u>	<u>\$ 212,390</u>	<u>\$ 1,282,913</u>
\$ 1,900	\$ -	\$ (750)	\$ (750)	\$ 1,150
14,064	-	-	-	14,064
162,751	-	-	-	162,751
107,704	-	-	-	107,704
5,610	-	-	-	5,610
<u>292,029</u>	<u>-</u>	<u>(750)</u>	<u>(750)</u>	<u>291,279</u>
21,279	-	-	-	21,279
705,397	-	-	-	705,397
-	146,113	67,027	213,140	213,140
51,818	-	-	-	51,818
<u>778,494</u>	<u>146,113</u>	<u>67,027</u>	<u>213,140</u>	<u>991,634</u>
<u>\$ 1,070,523</u>	<u>\$ 146,113</u>	<u>\$ 66,277</u>	<u>\$ 212,390</u>	<u>\$ 1,282,913</u>

ROCKDALE 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	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting
<b>REVENUES:</b>				
570 Total Local and Intermediate Sources	\$ -	\$ 229,724	\$ -	\$ -
580 State Program Revenues	-	7,736	-	-
590 Federal Program Revenues	487,376	697,146	25,486	81,478
5020 Total Revenues	<u>487,376</u>	<u>934,606</u>	<u>25,486</u>	<u>81,478</u>
<b>EXPENDITURES:</b>				
Current:				
001 Instruction	397,446	-	14,929	70,979
001 Instructional Resources and Media Services	-	-	-	-
001 Curriculum and Instructional Staff Development	88,123	-	5,641	6,038
002 Instructional Leadership	1,285	-	-	1,382
002 School Leadership	-	-	-	3,079
003 Guidance, Counseling and Evaluation Services	-	-	867	-
003 Food Services	-	942,736	-	-
003 Extracurricular Activities	-	-	4,049	-
004 General Administration	-	-	-	-
005 Facilities Maintenance and Operations	-	-	-	-
005 Security and Monitoring Services	-	-	-	-
005 Data Processing Services	-	-	-	-
006 Community Services	522	-	-	-
Debt Service:				
007 Principal on Long Term Debt	-	-	-	-
007 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>487,376</u>	<u>942,736</u>	<u>25,486</u>	<u>81,478</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(8,130)</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
791 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
791 Premium or Discount on Issuance of Bonds	-	-	-	-
791 Prepaid Interest	-	-	-	-
894 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	(8,130)	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>45,809</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ 37,679</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	314 SSA IDEA, Part B Preschool	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	2,835	1,800	70,602
824	548,258	33,182	1,113	26,735	-	-	-
824	548,258	33,182	1,113	26,735	2,835	1,800	70,602
824	533,769	179	-	26,735	2,835	-	70,602
-	-	-	-	-	-	-	-
-	14,489	450	-	-	-	925	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	32,553	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
824	548,258	33,182	-	26,735	2,835	925	70,602
-	-	-	1,113	-	-	875	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,113	-	-	875	-
-	-	-	-	-	-	209	1,816
\$ -	\$ -	\$ -	\$ 1,113	\$ -	\$ -	\$ 1,084	\$ 1,816

ROCKDALE 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	429 Other State Special Revenue Funds	437 SSA Special Education	461 Campus Activity Funds	499 Other Local Special Revenue Funds
<b>REVENUES:</b>				
570 Total Local and Intermediate Sources	\$ -	\$ 486,038	\$ -	\$ 13,000
580 State Program Revenues	-	12,942	-	-
590 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>498,980</u>	<u>-</u>	<u>13,000</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
001 Instruction	-	83,602	(858)	10,911
001 Instructional Resources and Media Services	-	-	212	1,952
001 Curriculum and Instructional Staff Development	-	3,299	-	-
002 Instructional Leadership	-	-	-	-
002 School Leadership	-	-	-	257
003 Guidance, Counseling and Evaluation Services	-	68,735	-	-
003 Food Services	-	-	-	-
003 Extracurricular Activities	-	-	9,035	1,643
004 General Administration	-	244,024	-	-
005 Facilities Maintenance and Operations	-	52,943	-	-
005 Security and Monitoring Services	-	60	45	-
005 Data Processing Services	-	9,077	-	-
006 Community Services	-	-	-	(4)
<b>Debt Service:</b>				
007 Principal on Long Term Debt	-	-	-	-
007 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>461,740</u>	<u>8,434</u>	<u>14,759</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>37,240</u>	<u>(8,434)</u>	<u>(1,759)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
791 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
791 Premium or Discount on Issuance of Bonds	-	-	-	-
791 Prepaid Interest	-	-	-	-
894 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	37,240	(8,434)	(1,759)
0100 Fund Balance - July 1 (Beginning)	<u>110</u>	<u>647,634</u>	<u>36,079</u>	<u>25,932</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 110</u>	<u>\$ 684,874</u>	<u>\$ 27,645</u>	<u>\$ 24,173</u>

Total Nonmajor Special Revenue Funds	698 Capital Project Fund	699 Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 728,762	\$ -	\$ 53	\$ 53	\$ 728,815
95,915	-	-	-	95,915
1,901,598	-	-	-	1,901,598
<u>2,726,275</u>	<u>-</u>	<u>53</u>	<u>53</u>	<u>2,726,328</u>
1,211,953	-	-	-	1,211,953
2,164	-	-	-	2,164
118,965	-	-	-	118,965
2,667	-	-	-	2,667
3,336	-	-	-	3,336
69,602	-	-	-	69,602
942,736	-	-	-	942,736
14,727	-	-	-	14,727
244,024	-	-	-	244,024
52,943	-	-	-	52,943
105	-	-	-	105
9,077	-	-	-	9,077
33,071	-	-	-	33,071
-	-	17,311	17,311	17,311
-	-	160,424	160,424	160,424
<u>2,705,370</u>	<u>-</u>	<u>177,735</u>	<u>177,735</u>	<u>2,883,105</u>
<u>20,905</u>	<u>-</u>	<u>(177,682)</u>	<u>(177,682)</u>	<u>(156,777)</u>
-	-	9,004,998	9,004,998	9,004,998
-	-	961,631	961,631	961,631
-	-	13,738	13,738	13,738
-	-	(9,802,632)	(9,802,632)	(9,802,632)
<u>-</u>	<u>-</u>	<u>177,735</u>	<u>177,735</u>	<u>177,735</u>
20,905	-	53	53	20,958
<u>757,589</u>	<u>146,113</u>	<u>66,974</u>	<u>213,087</u>	<u>970,676</u>
<u>\$ 778,494</u>	<u>\$ 146,113</u>	<u>\$ 67,027</u>	<u>\$ 213,140</u>	<u>\$ 991,634</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 JUNE 30, 2014

	BALANCE JULY 1 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2014
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 57,441	\$ 196,402	\$ 191,554	\$ 62,289
Liabilities:				
Accounts Payable	\$ 291	\$ -	\$ 291	\$ -
Payroll Deductions & Withholdings	-	5,348	-	5,348
Due to Student Groups	57,150	191,415	191,624	56,941
Total Liabilities	\$ 57,441	\$ 196,763	\$ 191,915	\$ 62,289
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 57,441	\$ 196,402	\$ 191,554	\$ 62,289
Liabilities:				
Accounts Payable	\$ 291	\$ -	\$ 291	\$ -
Payroll Deductions & Withholdings	-	5,348	-	5,348
Due to Student Groups	57,150	191,415	191,624	56,941
Total Liabilities	\$ 57,441	\$ 196,763	\$ 191,915	\$ 62,289

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2014

	828 Dustin Pickle Scholarship	829 Blue Gold Scholarship	836 New Salem Scholarship	Total Private Purpose Trust Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 1,109	\$ -	\$ 1,109
Restricted Assets	-	-	58,260	58,260
Total Assets	-	1,109	58,260	59,369
<b>NET POSITION</b>				
Restricted for Other Purposes	-	1,109	58,260	59,369
Total Net Position	\$ -	\$ 1,109	\$ 58,260	\$ 59,369

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	828 Dustin Pickle Scholarship	829 Blue Gold Scholarship	836 New Salem Scholarship	Total Private Purpose Trust Funds
<b>ADDITIONS:</b>				
Local and Intermediate Sources	\$ 1,500	\$ 3,749	\$ 20	\$ 5,269
Total Additions	<u>1,500</u>	<u>3,749</u>	<u>20</u>	<u>5,269</u>
<b>DEDUCTIONS:</b>				
Professional and Contracted Services	1,500	8,000	2,000	11,500
Total Deductions	<u>1,500</u>	<u>8,000</u>	<u>2,000</u>	<u>11,500</u>
Change in Net Position	-	(4,251)	(1,980)	(6,231)
Total Net Position July 1 (Beginning)	<u>-</u>	<u>5,360</u>	<u>60,240</u>	<u>65,600</u>
Total Net Position June 30 (Ending)	<u>\$ -</u>	<u>\$ 1,109</u>	<u>\$ 58,260</u>	<u>\$ 59,369</u>

## **T.E.A. REQUIRED SCHEDULES**

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2014

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.500000	0.000000	582,171,206
2007	1.370000	0.000000	628,047,909
2008	1.040000	0.187500	704,920,278
2009	1.040000	0.187500	830,995,917
2010	1.040000	0.173500	927,425,997
2011	1.040000	0.173500	1,149,037,826
2012	1.040000	0.185000	1,592,251,667
2013	1.040000	0.198400	1,576,624,661
2014 (School year under audit)	1.040000	0.213400	886,908,094
100 TOTALS			



(10) Beginning Balance 7/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2014
\$ 22,510	\$ -	\$ 334	\$ -	\$ (6,017)	\$ 16,159
10,930	-	3,199	-	-	7,731
18,022	-	10,472	-	-	7,550
15,013	-	5,012	904	(24)	9,073
14,934	-	3,260	588	(90)	10,996
18,341	-	3,955	660	(142)	13,584
17,972	-	3,751	626	(142)	13,453
42,070	-	12,998	2,312	(144)	26,616
193,499	-	134,885	25,732	(425)	32,457
-	11,461,123	9,340,800	1,916,660	150,332	353,995
<u>\$ 353,291</u>	<u>\$ 11,461,123</u>	<u>\$ 9,518,666</u>	<u>\$ 1,947,482</u>	<u>\$ 143,348</u>	<u>\$ 491,614</u>

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 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			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 265,769	\$ 265,769	\$ 229,724	\$ (36,045)
5800	State Program Revenues	4,013	4,013	7,736	3,723
5900	Federal Program Revenues	662,770	662,770	697,146	34,376
5020	Total Revenues	932,552	932,552	934,606	2,054
EXPENDITURES:					
0035	Food Services	922,612	922,612	942,736	(20,124)
6030	Total Expenditures	922,612	922,612	942,736	(20,124)
1200	Net Change in Fund Balances	9,940	9,940	(8,130)	(18,070)
0100	Fund Balance - July 1 (Beginning)	45,809	45,809	45,809	-
3000	Fund Balance - June 30 (Ending)	\$ 55,749	\$ 55,749	\$ 37,679	\$ (18,070)

ROCKDALE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,960,880	\$ 1,960,880	\$ 1,968,619	\$ 7,739
5020	Total Revenues	1,960,880	1,960,880	1,968,619	7,739
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	760,000	760,000	742,688	17,312
0072	Interest on Long Term Debt	1,173,084	1,173,084	1,158,600	14,484
0073	Bond Issuance Cost and Fees	-	-	1,000	(1,000)
6030	Total Expenditures	1,933,084	1,933,084	1,902,288	30,796
1100	Excess of Revenues Over Expenditures	27,796	27,796	66,331	38,535
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	127,618	127,618	127,491	(127)
1200	Net Change in Fund Balances	155,414	155,414	193,822	38,408
0100	Fund Balance - July 1 (Beginning)	2,348,284	2,348,284	2,348,284	-
3000	Fund Balance - June 30 (Ending)	\$ 2,503,698	\$ 2,503,698	\$ 2,542,106	\$ 38,408

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





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

Board of Trustees  
Rockdale Independent School District  
520 Davilla  
Rockdale, Texas 76567

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 Rockdale Independent School District ("the District") which collectively comprise the District's basic financial statements as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting 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 over financial reporting. 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 the 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 result 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.

*Atehly & Associates, LLP*

Austin, Texas

November 17, 2014





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Rockdale Independent School District  
520 Davilla  
Rockdale, Texas 76567

**Report on Compliance for Each Major Federal Program**

We have audited Rockdale Independent School District's ("the District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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.

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

*Atehley & Associates, LLP*

Austin, Texas  
November 17, 2014

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

**I. Summary of Auditors' Results**

1. The type of report issued on the financial statements of the Rockdale Independent School District was an unqualified opinion.
2. Internal control over financial reporting:
  - There were no material weaknesses identified.
  - There were no significant deficiencies reported that are not considered to be material weaknesses.
3. The audit disclosed no noncompliance which is material to the financial statements.
4. Internal control over major programs:
  - There were no material weaknesses identified.
  - There were no significant deficiencies reported that are not considered to be material weaknesses.
5. The type of report issued on compliance for major programs was an unqualified opinion.
6. The audit did not disclose any audit findings which the auditor is required to report under Section 510(a).
7. The major programs were:
  - CFDA 84.287 Title IV, Twenty-First Century Community Learning Center
  - Special Education Cluster
    - CFDA 84.027 SSA - IDEA - Part B, Formula
    - CFDA 84.173 SSA - IDEA - Part B, Preschool
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

**II. Findings Relating to Financial Statements Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*:**

None

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings:**

None

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101166904	\$ 17,456
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101166904	469,920
Total CFDA Number 84.010A			487,376
Total Title I, Part A Cluster			487,376
*SSA - IDEA - Part B, Formula	84.027	136600011669046000	10,484
*SSA - IDEA - Part B, Formula	84.027	146600011669046600	1,377,990
Total CFDA Number 84.027			1,388,474
*SSA - IDEA - Part B, Preschool	84.173	146610011669046610	26,735
Total Special Education Cluster (IDEA)			1,415,209
Career and Technical - Basic Grant	84.048	14420006166904	25,486
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	136950167110016	5,548
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	146950167110016	542,710
Total CFDA Number 84.287			548,258
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	13696001166904	629
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	14696001166904	32,553
Total CFDA Number 84.358B			33,182
Title III, Part A - English Language Acquisition	84.365A	14691001327950	824
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501166904	538
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501166904	80,940
Total CFDA Number 84.367A			81,478
Total Passed Through State Department of Education			\$ 2,591,813
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 2,591,813</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	166904	\$ 163,922
*National School Lunch Program - Cash Assistance	10.555	166904	488,256
*National School Lunch Prog. - Non-Cash Assistance	10.555	166904	44,968
Total CFDA Number 10.555			533,224
Total Child Nutrition Cluster			697,146
Total Passed Through the State Department of Agriculture			\$ 697,146
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 697,146</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,288,959</b>

\*Clustered Programs

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

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resource measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balances 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 the revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

SCHOOLS FIRST QUESTIONNAIRE

Rockdale Independent School District

Fiscal Year 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	982,310

