

CANYON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

Brown, Graham & Company, P.C.
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CERTIFICATE OF BOARD

CANYON INDEPENDENT SCHOOL DISTRICT

Name of School District

RANDALL

County

191-901

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 August 31, 2013, at a meeting of the board of trustees of such school district on the 13th day of January 2014.

ss:// Katharyn Wiegand

ss:// Linda Hinders

Signature of Board Secretary

Signature of Board President



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION INCLUDING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

**Board of Trustees
Canyon Independent School District
Canyon, Texas**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canyon Independent School District (the "District") as of August 31, 2013, and for the year then ended, 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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canyon Independent School District as of August 31, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Board of Trustees
Canyon Independent School District**

Other Matters

Required Supplementary Information

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The required Texas Education Agency ("TEA") schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 January 13, 2014 on our consideration of the District's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Brown Graham & Company, P.C.

Amarillo, Texas
January 13, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



Canyon Independent School District

Randy McDowell
Assistant Superintendent
Business & Operations

Michael L. Wartes
Superintendent

CANYON INDEPENDENT SCHOOL DISTRICT FISCAL YEAR ENDED AUGUST 31, 2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the administration of Canyon Independent School District discusses and analyzes the District's financial performance for the fiscal year ended August 31, 2013. This section should be read in conjunction with the auditors' report and the District's Basic Financial Statements.

ABOUT THE SCHOOL DISTRICT

Canyon Independent School District (the "District"), with a population near 60,000 citizens, encompasses over 720 square miles in Randall County, Texas. The District serves both the City of Canyon, Texas and the south portion of the City of Amarillo, Texas. In addition, the District serves a growing rural population living in the unincorporated area between the cities of Amarillo and Canyon. Canyon has a population of over 13,800 residents and is the seat of government for Randall County. In addition, Canyon is also the home of West Texas A&M University, which is part of the Texas A&M University System. Amarillo, with a population of over 195,500, serves as the retail, medical, and service center for a vast area of Texas, Oklahoma and New Mexico.

Enrollment in the District is currently 9,420 which is an increase of 196 students from what was reported in last year's annual report. This reflects an increase of slightly more than 2%. However, as in years past, most of the growth in the District has been concentrated in the portion of the District that lies within the incorporated limits of the City of Amarillo. It appears that the District will experience unprecedented growth as the City of Amarillo continues to expand to the south and southwest areas, which are located in the District. The District currently includes 16 TEA-registered campuses operating out of 17 educational facilities. The District maintains and operates over 1.4 million square feet of total building volume.

The District projects that enrollment will continue to increase and will reach 10,000 students by the school year 2016-2017. The District will continue to monitor this growth and will likely begin plans for an additional bond election within the next two to five years to construct additional intermediate and secondary campuses.

FINANCIAL HIGHLIGHTS FOR FYE 08/31/13

- The District's net position increased by \$3.08 million, or by 6.62% in fiscal year 2013. By comparison, as reported last year, net position increased by \$6.29 million, or approximately 15.63% in fiscal year 2012.
- For the year, the District's *total* expenses increased by \$4.53 million, while *net* expense for governmental activities was \$5.22 million, before transfers and special items, less than in the

previous year. Overall, when taking into account program revenues and general revenues, revenues for governmental activities exceeded expenditures by \$3.08 million. By comparison, last year's revenues exceeded expenses by \$6.29 million. The District's general revenues for the year were \$1.68 million higher than in the previous year, primarily due to an increase in property values and student enrollment.

- The General Fund ended the year with a fund balance of \$28,014,327, which is a decrease from the prior year of \$110,081.

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. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

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 by TEA. The sections labeled Required TEA Schedules and the Overall Compliance and Internal Controls Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations shows 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.

These two statements report the changes in and current value of the District's net position. The District's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) provide one measure of the District's financial health, or financial position. It is important to realize that the District, continues to undertake efforts to replace a significant amount of obsolete or irreparable equipment. Thus year-to-year changes in net position are impacted by both the timing of the issuance of debt and the timing of capital and other expenditures directly related to that debt. Further, the impact of accumulated depreciation and the outstanding balances of bonds and notes will reduce the overall balance in net position by directly offsetting or reducing the amount invested in capital assets, net of related debt. In general, however, over a longer horizon, 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 non-financial 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, most of the District's basic services are reported under Governmental Activities. These services include 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. The District has one Enterprise Fund, which is used to account for Business-type Activities where a fee is charged to "customers" to help cover all or most of the cost of services provided in certain programs. The District does not have any legally separate, non-fiduciary component units that it is financially accountable for, such as an Alumni Association or other type of activity similar in nature.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, but 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). The District's two kinds of funds – governmental and internal service – use different accounting approaches.

- 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.
- Internal Service funds – these types of funds are one category of proprietary funds, although the activities accounted for in them are usually more governmental in nature as opposed to the business-type activities that are reported in true proprietary funds. The internal service fund is used to report the financing of goods and services for the District's other programs and activities – such as the District's self-insurance programs. In this case, the District accounts for its Workers Compensation and Cafeteria Plan Program in an internal service fund, the results of which are included in Exhibits D-1, D-2 and D-3 of the financial report.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student groups for student activities. 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 of government-wide activities focuses on net position and the changes in net position resulting from the District's governmental activities. As noted earlier, net position of the District's governmental activities, which was \$49,573,021 at August 31, 2013, increased from the prior year by \$3,076,698. This compares to an increase reported for the prior fiscal year (2012) of \$6,285,913. The net position of governmental activities are affected by the net results of recording capital assets (net of depreciation) and long-term debt, as well as current year capital outlays and long-term debt principal payments.

The impact on net position from various types of governmental activities of the District is summarized in the following tables. Table I illustrates the net effect of the aforementioned capital expenditures during the past year. The fact that the amount invested in capital assets, net of related debt, for the current year is relatively small when compared to the gross balance of the underlying assets, illustrates the impact of both accumulated depreciation and outstanding debt balances. It does not mean that the District lacks the necessary economic resources to function effectively and efficiently. This is a reflection of the impact of continuing, steady growth in population and enrollment, and the expansion of services that is required in order to effectively serve a growing student base. Moreover, the healthy increase in unrestricted net position, previously noted, indicates a continuing improvement in the overall financial position of the District.

Table I
Canyon Independent
School District
NET POSITION

	Governmental Activities 2012	Governmental Activities 2013	Change from Prior Year
Current and other assets	\$ 38,839,511	\$ 36,719,004	\$ (2,120,507)
Capital assets	99,819,787	99,892,597	72,810
Total assets	138,659,298	136,611,601	(2,047,697)
Other liabilities	5,258,898	3,451,671	(1,807,227)
Long-term liabilities	86,904,077	83,586,909	(3,317,168)
Total liabilities	92,162,975	87,038,580	(5,124,395)
Net Position:			
Invested in capital assets net of related debt	13,276,307	16,305,688	3,029,381
Restricted	3,081,368	3,111,665	30,297
Unrestricted	30,138,648	30,155,668	17,020
Total net position	\$ 46,496,323	\$ 49,573,021	\$ 3,076,698

Table II illustrates the change in net position from the perspective of revenues and expenses attributed to the governmental activities of the District. The District receives revenues for its programs and services from fees it charges for services, grants and other contributions from organizations and agencies outside the District, and from taxes levied by the Board of Trustees. In addition, the District receives a substantial part of its total annual revenue from the Foundation School Fund of Texas. Overall, revenues to the District increased by 2.30% from the previous year. The majority of this overall increase in revenues is a result of increase in student enrollment and property values. There was an increase in Maintenance and Operations taxes of \$1.77 million due to increased property values and due to formula changes an increase of State Aid – formula grants.

Total expenses increased by \$4.53 million or 6.80% from the prior year, as shown in the accompanying table. Increased costs are associated with the significant capital projects, as well as a 4% raise given to all employees.

Table II is followed by a chart that depicts the change from the prior year in both total and net cost of services provided by the District. By way of explanation, net cost of a service is the total actual cost of that service less any revenues or proceeds received from charges or fees, or operating grants and other contributions. The District receives both state and federal grants in each year for a variety of programs and services, such as Title I, IDEA, and Child Nutrition Programs. Most of these funds are recorded in what is referred to as “special revenue” funds, but a small amount is also recorded in the District’s General Fund. In addition to state and federal grants, the District charges fees for some of its activities. These fees are primarily related to food service operations, as well as to athletic contests and events sponsored by the District during the year.

Table II
Canyon Independent School District

CHANGES IN NET POSITION

	Governmental Activities 2012	Governmental Activities 2013	Change from Prior Year
Revenues:			
Program Revenues:			
Charges for Services	\$ 2,266,845	\$ 2,596,331	\$ 329,486
Operating grants and contributions	9,023,135	7,997,195	(1,025,940)
General Revenues:			
Maintenance and operations taxes	32,897,358	34,668,070	1,770,712
Debt service taxes	7,907,563	7,511,501	(396,062)
State aid - formula grants	19,573,453	20,597,233	1,023,780
Investment Earnings	213,791	184,528	(29,263)
Miscellaneous	980,944	984,668	3,724
Total Revenue	\$ 72,863,089	\$ 74,539,526	\$ 1,676,437
Expenses:			
Instruction, curriculum, and media services	\$ 38,350,488	\$ 40,484,536	\$ 2,134,048
Instructional and school leadership	4,361,043	4,549,182	188,139
Student support services	2,586,464	2,771,284	184,820
Student transportation	1,888,217	2,051,802	163,585
Child nutrition	3,608,486	3,919,298	310,812
Co-curricular activities	2,305,955	2,361,705	55,750
General administration	1,693,347	1,850,303	156,956
Plant maintenance, security & data processing	7,398,986	8,333,620	934,634
Community services	88,769	26,816	(61,953)
Debt services	3,829,430	4,260,894	431,464
Facilities, acquisition and construction	465,991	492,791	26,800
Total Expenses	\$ 66,577,176	\$ 71,102,231	\$ 4,525,055
Increase/(decrease) in net position before transfers and special items	\$ 6,285,913	\$ 3,437,295	\$ (2,848,618)
Net position at Prior FYE	40,210,410	46,496,323	6,285,913
Prior Period Adjustments		(360,597)	(360,597)
Net position at Audit FYE	\$ 46,496,323	\$ 49,573,021	\$ 3,076,698

The table that follows depicts the annual change in total and net cost of services. As with the previous table, the full cost of providing these services is reflected. Thus depreciation expense is allocated to most of the functions shown, and interest on long-term debt is likewise included. The percentage changes illustrate the impact of rising cost of services in critical functional areas resulting from continued growth in student enrollment (see previous discussion). These costs include not only the cost associated with maintaining a current level of effort, but also the incremental cost associated with opening and operating new facilities.

Expenditure Function By Category	Total Cost Of Services		Pct. Chg.	Net Cost Of Services		Pct. Chg.
	Prior FYE	Audit FYE		Prior FYE	Audit FYE	
Instruction Related	\$38,350,488	\$40,484,536	5.56%	\$33,455,203	\$35,343,387	5.64%
Curriculum/School Leadership	4,361,043	4,549,182	4.31%	2,749,668	4,307,863	56.67%
Counseling/Health Services	2,586,464	2,771,284	7.15%	2,254,419	2,424,880	7.56%
Student Transportation	1,888,217	2,051,802	8.66%	1,816,873	1,976,606	8.79%
Food Services	3,608,486	3,919,298	8.61%	62,629	175,405	180.07%
Co-Curricular Activities	2,305,955	2,361,705	2.42%	1,831,950	1,796,596	-1.93%
General Administration	1,693,347	1,850,303	9.27%	1,599,195	1,750,572	9.47%
Plant Maintenance, Operations & Security	6,615,813	7,462,052	12.79%	6,406,041	7,112,465	11.03%
Data Processing	783,173	871,568	11.29%	768,630	856,239	11.40%
Community Services	88,769	26,816	-69.79%	47,167	11,007	-76.66%
Interest on Long Term Debt	3,829,430	4,260,894	11.27%	3,829,430	4,260,894	11.27%
Facilities Acquisition and Construction	465,991	492,791	5.75%	465,991	492,791	5.75%
Total	\$66,577,176	\$71,102,231	6.80%	\$55,287,195	\$60,508,704	9.44%

The Districts' local property values continue to grow at an annual pace greater than 3.9% per year. An unfortunate consequence of the Texas public school funding system is that a district such as the District is forced each year to assume a greater share of the burden of the cost of education in the District because as local values increase, then state funding decreases a proportional amount.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in the balance sheet contained in the auditors' report shows a combined fund balance of \$31.73 million, as compared to \$31.75 million reported in the prior year. Of the \$19 thousand decrease in combined fund balance, \$110 thousand was decreased in the general fund, \$37 thousand was increased in the debt service fund, and an increase of \$54 thousand was reported in other governmental funds. Based on current monthly cash flow levels in the 2014 budget, the District's General Fund balance of \$28,014,327 represents a reserve of about 6 months.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had a total of \$156.65 million, before accumulated depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Total capital assets increased by \$3.24 million, or 2.11%, from the prior fiscal year, due to equipment purchases and facility improvements.

The capitalization threshold for the District is \$5,000. Assets of the District are categorized in general categories of land, buildings, equipment, and construction in progress. A summary of the total Capital Assets of the District allocated to governmental activities is shown in the table below.

Asset Category	Capital Assets		Percentage Change
	Governmental Activities		
	Fiscal Year 2012	Fiscal Year 2013	2012 to 2013
Land	\$ 3,987,796	\$ 3,987,796	0.00%
Buildings and Improvements	138,949,383	141,668,359	1.96%
Equipment	10,473,019	10,960,760	4.66%
Construction In Progress	-	33,218	100.00%
Total	\$ 153,410,198	\$ 156,650,133	2.11%

The amounts shown in the above table include additions and retirements that occurred during the year under audit. The District's comprehensive financial management software system includes a module for tracking, calculating, and posting depreciation expense. More detailed information about the District's capital assets, including a detail of current and accumulated depreciation, is presented in Note II-G to the financial statements.

Debt

At year-end, the District had \$76.55 million in bonds and notes outstanding, compared to \$76.55 million at the end of last fiscal year, which is an decrease of \$3.6 million overall. The following table summarizes the District's long-term debt obligations at the end of the fiscal year:

Description of Debt	Outstanding Principal at		Change From	
	Fiscal Year End		Prior FYE	
	2012	2013	Amount	Percent
Series 2002-A ULT R&I – General Obligation	\$ 4,463,123	\$ 2,458,635	\$ (2,004,488)	-44.91%
Series 2007-R ULT Refunding Bonds	48,964,967	48,219,967	(745,000)	-1.52%
2007 Series School Building ULT Bonds	26,700,000	25,870,000	(830,000)	-3.11%
Total Outstanding Debt at FYE	\$ 80,128,090	\$ 76,548,602	\$ (3,579,488)	-49.54%

The District's total outstanding debt as of 08/31/13 is made up of \$76,548,602 of the principal amount of General Obligation bonds of the District. These bonds are payable from the interest and sinking ad valorem tax levied by the District and Existing Debt Allotment funding assistance from the State of Texas. The interest and sinking ad valorem tax rate for 2013 was \$.225. The District's bonds are rated "AAA" by both Standard & Poor's Ratings Services and Fitch Inc. This rating is obtained by virtue of the guarantee of the Permanent School Fund of the State of Texas. The underlying credit ratings for the District are "AA" by Standard & Poor's and "AA" by Fitch.

NEXT YEAR'S BUDGET

The Board of Trustees adopted a General Fund Budget for FY 2014 of \$61.32 million in expenditures. The current General Fund budget represents an increase of \$3.44 million over the FY 2013 original budget of \$57.88 million in expenditures, as a result of hiring additional instructional staff necessary for enrollment growth and also to fund a 4% salary increase for all staff. A summary of the District's total budget commitments for 2014 are shown in the following table:

	FYE 2013	FYE 2014	Chg. In \$	Chg. As %
<u>REVENUES</u>				
General Fund	\$ 57,922,412	\$ 61,320,046	\$ 3,397,634	5.87%
Food Services	3,692,091	3,820,205	128,114	3.47%
Debt Service Fund	7,535,700	6,432,475	(1,103,225)	-14.64%
TOTAL	69,150,203	71,572,726	2,422,523	-5.30%
<u>EXPENDITURES</u>				
General Fund	57,879,170	61,320,046	3,440,876	5.94%
Food Services	3,587,086	3,820,205	233,119	6.50%
Debt Service Fund	7,535,700	6,432,475	(1,103,225)	-14.64%
TOTAL	\$ 69,001,956	\$ 71,572,726	\$ 2,570,770	-2.20%
Surplus/(Deficit)	\$ 148,247	\$ -	\$ (148,247)	

The 2014 budget reflects no change in property tax rate for maintenance and operations, and a decrease of 3.7 cents for the interest and sinking tax rate. An unfortunate consequence of the complex funding system for public education in Texas is that an increase in local property value does not automatically increase the capacity for increased revenues; moreover, the opposite is usually true as local districts seeing annual increases in property values receive less and less state funding.

PROPERTY TAX RATES IN CANYON ISD					
	Tax Year 2010	Tax Year 2011	Tax Year 2012	Tax Year 2013	Tax Year 2014
M&O Rate	1.04	1.04	1.04	1.040	1.040
I & S Rate	.25	.25	.25	.225	.188
Total Rate	1.29	1.29	1.29	1.265	1.228

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance and Business Department at: Canyon Independent School District, 3301 N. 23rd St., Canyon, Texas, 79015. The telephone number for the District's financial offices is 806.677.2600. Also, please feel free to visit the District's website at www.canyonisd.net to learn more about the Canyon Independent School District and its programs and services.

Submitted to Canyon ISD Board of Trustees on January 13, 2014 in Canyon, Texas

ss:// Michael L. Wartes

ss:// Randy McDowell

Michael L. Wartes
Superintendent

Randy McDowell
Assistant Superintendent of Business and Operations

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes	1	2	3
	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 15,957,350	\$ -	\$ 15,957,350
1120 Current Investments	19,252,594	-	19,252,594
1210 Property Taxes - Current	800,445	-	800,445
1230 Allowance for Uncollectible Taxes	(322,120)	-	(322,120)
1240 Due from Other Governments	233,092	-	233,092
1250 Accrued Interest	92,376	-	92,376
1267 Due from Fiduciary Funds	46,657	-	46,657
1290 Other Receivables, net	200,732	-	200,732
1300 Inventories	344,911	-	344,911
1410 Prepayments	112,967	-	112,967
Capital Assets:			
1510 Land	3,987,796	-	3,987,796
1520 Buildings, Net	92,708,421	-	92,708,421
1530 Furniture and Equipment, Net	3,163,162	-	3,163,162
1580 Construction in Progress	33,218	-	33,218
1000 Total Assets	<u>136,611,601</u>	<u>-</u>	<u>136,611,601</u>
LIABILITIES			
2110 Accounts Payable	450,346	-	450,346
2140 Interest Payable	188,653	-	188,653
2150 Payroll Deductions & Withholdings	650,058	-	650,058
2160 Accrued Wages Payable	1,977,335	-	1,977,335
2177 Due to Fiduciary Funds	22	-	22
2180 Due to Other Governments	5,322	-	5,322
2300 Unearned Revenue	179,935	-	179,935
Noncurrent Liabilities			
2501 Due Within One Year	2,514,391	-	2,514,391
2502 Due in More Than One Year	81,072,518	-	81,072,518
2000 Total Liabilities	<u>87,038,580</u>	<u>-</u>	<u>87,038,580</u>
NET POSITION			
3200 Net Investment in Capital Assets	16,305,688	-	16,305,688
Restricted for:			
3820 Restricted for Federal and State Programs	803,892	-	803,892
3850 Restricted for Debt Service	2,307,773	-	2,307,773
3900 Unrestricted	30,155,668	-	30,155,668
3000 Total Net Position	<u>\$ 49,573,021</u>	<u>\$ -</u>	<u>\$ 49,573,021</u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 38,562,611	\$ 40,365	\$ 4,777,557
12 Instructional Resources and Media Services	1,222,245	-	64,409
13 Curriculum and Staff Development	699,680	-	258,818
21 Instructional Leadership	649,520	-	62,027
23 School Leadership	3,899,662	-	179,292
31 Guidance, Counseling and Evaluation Services	2,116,815	-	318,282
33 Health Services	654,469	-	28,122
34 Student (Pupil) Transportation	2,051,802	-	75,196
35 Food Services	3,919,298	2,003,655	1,740,238
36 Extracurricular Activities	2,361,705	379,595	185,514
41 General Administration	1,850,303	-	99,731
51 Facilities Maintenance and Operations	7,174,904	172,716	176,871
52 Security and Monitoring Services	287,148	-	-
53 Data Processing Services	871,568	-	15,329
61 Community Services	26,816	-	15,809
72 Debt Service - Interest on Long Term Debt	4,257,394	-	-
73 Debt Service - Bond Issuance Cost and Fees	3,500	-	-
99 Other Intergovernmental Charges	492,791	-	-
[TG] Total Governmental Activities:	<u>71,102,231</u>	<u>2,596,331</u>	<u>7,997,195</u>
BUSINESS-TYPE ACTIVITIES:			
01 Kimbrough Football Stadium Fund	21,554	21,554	-
[TB] Total Business-Type Activities:	<u>21,554</u>	<u>21,554</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 71,123,785</u>	<u>\$ 2,617,885</u>	<u>\$ 7,997,195</u>
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (33,744,689)	\$ -	\$ (33,744,689)
(1,157,836)	-	(1,157,836)
(440,862)	-	(440,862)
(587,493)	-	(587,493)
(3,720,370)	-	(3,720,370)
(1,798,533)	-	(1,798,533)
(626,347)	-	(626,347)
(1,976,606)	-	(1,976,606)
(175,405)	-	(175,405)
(1,796,596)	-	(1,796,596)
(1,750,572)	-	(1,750,572)
(6,825,317)	-	(6,825,317)
(287,148)	-	(287,148)
(856,239)	-	(856,239)
(11,007)	-	(11,007)
(4,257,394)	-	(4,257,394)
(3,500)	-	(3,500)
(492,791)	-	(492,791)
<u>(60,508,705)</u>	<u>-</u>	<u>(60,508,705)</u>
-	-	-
-	-	-
<u>(60,508,705)</u>	<u>-</u>	<u>(60,508,705)</u>
34,668,070	-	34,668,070
7,511,501	-	7,511,501
20,597,233	-	20,597,233
184,528	-	184,528
984,668	-	984,668
<u>63,946,000</u>	<u>-</u>	<u>63,946,000</u>
3,437,295	-	3,437,295
46,496,323	-	46,496,323
(360,597)	-	(360,597)
<u>\$ 49,573,021</u>	<u>\$ -</u>	<u>\$ 49,573,021</u>

FUND FINANCIAL STATEMENTS

CANYON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,297,329	\$ -	\$ 1,372,575	\$ 14,669,904
1120 Investments - Current	16,780,420	2,403,587	68,587	19,252,594
1210 Property Taxes - Current	658,238	142,207	-	800,445
1230 Allowance for Uncollectible Taxes (Credit)	(264,892)	(57,228)	-	(322,120)
1240 Receivables from Other Governments	84,365	11,040	137,687	233,092
1250 Accrued Interest	90,234	2,142	-	92,376
1260 Due from Other Funds	150,792	-	-	150,792
1290 Other Receivables	26,513	-	24,110	50,623
1300 Inventories	344,911	-	-	344,911
1410 Prepayments	112,856	-	111	112,967
1000 Total Assets	<u>\$ 31,280,766</u>	<u>\$ 2,501,748</u>	<u>\$ 1,603,070</u>	<u>\$ 35,385,584</u>
LIABILITIES				
2110 Accounts Payable	\$ 224,712	\$ -	\$ 44,205	\$ 268,917
2150 Payroll Deductions and Withholdings Payable	650,058	-	-	650,058
2160 Accrued Wages Payable	1,977,335	-	-	1,977,335
2170 Due to Other Funds	22	25,821	67,183	93,026
2180 Due to Other Governments	-	5,322	-	5,322
2300 Unearned Revenues	23,208	-	156,727	179,935
2000 Total Liabilities	<u>2,875,335</u>	<u>31,143</u>	<u>268,115</u>	<u>3,174,593</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	391,104	84,979	-	476,083
2600 Total Deferred Inflows of Resources	<u>391,104</u>	<u>84,979</u>	<u>-</u>	<u>476,083</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	344,911	-	-	344,911
3430 Prepaid Items	112,856	-	111	112,967
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	803,781	803,781
3480 Retirement of Long-Term Debt	-	2,385,626	-	2,385,626
Committed Fund Balance:				
3510 Construction	3,200,000	-	-	3,200,000
3530 Capital Expenditures for Equipment	1,076,000	-	-	1,076,000
3545 Other Committed Fund Balance	3,025,000	-	531,063	3,556,063
3600 Unassigned Fund Balance	20,255,560	-	-	20,255,560
3000 Total Fund Balances	<u>28,014,327</u>	<u>2,385,626</u>	<u>1,334,955</u>	<u>31,734,908</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 31,280,766</u>	<u>\$ 2,501,748</u>	<u>\$ 1,603,070</u>	<u>\$ 35,385,584</u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$	31,734,908
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,244,995
2 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 \$153,410,198 and the accumulated depreciation was \$53,590,411. In addition, long-term liabilities, including bonds payable in the amount of \$80,128,090, accreted interest on capital appreciation bonds in the amount of \$5,072,480, and unamortized premiums on the issuance of bonds in the amount of \$1,703,507, 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 net position.		12,915,710
3 Current year capital outlays in the amount of \$3,431,246 and long-term debt principal payments in the amount of \$3,579,488 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 2013 capital outlays and debt principal payments is to increase net position.		7,010,734
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,350,002)
5 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 and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		16,676
19 Net Position of Governmental Activities	\$	49,573,021

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 36,361,872	\$ 7,571,391	\$ 2,333,651	\$ 46,266,914
5800	State Program Revenues	23,113,059	-	607,432	23,720,491
5900	Federal Program Revenues	393,682	-	4,218,235	4,611,917
5020	Total Revenues	<u>59,868,613</u>	<u>7,571,391</u>	<u>7,159,318</u>	<u>74,599,322</u>
EXPENDITURES:					
Current:					
0011	Instruction	34,028,878	-	2,719,796	36,748,674
0012	Instructional Resources and Media Services	1,077,886	-	66,562	1,144,448
0013	Curriculum and Instructional Staff Development	408,928	-	258,715	667,643
0021	Instructional Leadership	619,651	-	18,423	638,074
0023	School Leadership	3,581,379	-	159,362	3,740,741
0031	Guidance, Counseling and Evaluation Services	1,803,728	-	225,343	2,029,071
0033	Health Services	627,982	-	-	627,982
0034	Student (Pupil) Transportation	2,183,579	-	-	2,183,579
0035	Food Services	57,738	-	3,631,395	3,689,133
0036	Extracurricular Activities	2,153,920	-	5,144	2,159,064
0041	General Administration	1,760,857	-	8,992	1,769,849
0051	Facilities Maintenance and Operations	7,259,220	-	223	7,259,443
0052	Security and Monitoring Services	286,728	-	420	287,148
0053	Data Processing Services	867,670	-	-	867,670
0061	Community Services	15,565	-	11,279	26,844
Debt Service:					
0071	Principal on Long Term Debt	-	3,579,488	-	3,579,488
0072	Interest on Long Term Debt	-	3,951,210	-	3,951,210
0073	Bond Issuance Cost and Fees	-	3,500	-	3,500
Capital Outlay:					
0081	Facilities Acquisition and Construction	2,752,194	-	-	2,752,194
Intergovernmental:					
0099	Other Intergovernmental Charges	492,791	-	-	492,791
6030	Total Expenditures	<u>59,978,694</u>	<u>7,534,198</u>	<u>7,105,654</u>	<u>74,618,546</u>
1200	Net Change in Fund Balances	(110,081)	37,193	53,664	(19,224)
0100	Fund Balance - September 1 (Beginning)	<u>28,124,408</u>	<u>2,348,433</u>	<u>1,281,291</u>	<u>31,754,132</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 28,014,327</u>	<u>\$ 2,385,626</u>	<u>\$ 1,334,955</u>	<u>\$ 31,734,908</u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	(19,224)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		161,811
Current year capital outlays in the amount of \$3,431,246 and long-term debt principal payments in the amount of \$3,579,488 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 2013 capital outlays and debt principal payments is to increase net position.		7,010,734
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.		(3,350,002)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(366,024)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>3,437,295</u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 1,287,446
Other Receivables	-	150,109
Total Assets	-	1,437,555
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	181,429
Due to Other Funds	-	11,131
Total Liabilities	-	192,560
NET POSITION		
Unrestricted Net Position	-	1,244,995
Total Net Position	\$ -	\$ 1,244,995

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 21,554	\$ 534,808
Total Operating Revenues	<u>21,554</u>	<u>534,808</u>
OPERATING EXPENSES:		
Professional and Contracted Services	-	373,041
Other Operating Costs	21,554	-
Total Operating Expenses	<u>21,554</u>	<u>373,041</u>
Operating Income	<u>-</u>	<u>161,767</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	44
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>44</u>
Change in Net Position	-	161,811
Total Net Position -September 1 (Beginning)	<u>-</u>	<u>1,083,184</u>
Total Net Position -August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ 1,244,995</u></u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 21,554	\$ 84,371
Cash Received from Assessments - Other Funds	-	447,795
Cash Payments for Insurance Claims	-	(368,487)
Cash Payments for Other Operating Expenses	(21,554)	-
Net Cash Provided by Operating Activities	-	163,679
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	-	44
Net Increase in Cash and Cash Equivalents	-	163,723
Cash and Cash Equivalents at Beginning of Year	-	1,123,723
Cash and Cash Equivalents at End of Year	\$ -	\$ 1,287,446
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income (Loss):	\$ -	\$ 161,767
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	(2,642)
Increase (decrease) in Accounts Payable	-	8,423
Increase (decrease) in Due to Other Funds	-	(3,869)
Net Cash Provided by Operating Activities	\$ -	\$ 163,679

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 1,000	\$ 149,436
Investments - Current	-	390,881
Due from Other Funds	-	22
Other Receivables	-	8,862
Total Assets	1,000	\$ 549,201
LIABILITIES		
Accounts Payable	-	\$ 15,617
Due to Other Funds	-	46,657
Due to Other Governments	-	88,233
Due to Student Groups	-	398,694
Total Liabilities	-	\$ 549,201
NET POSITION		
Restricted for Scholarships	1,000	
Total Net Position	\$ 1,000	

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

CANYON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 1,000
Total Additions	<u>1,000</u>
Change in Net Position	1,000
Total Net Position - September 1 (Beginning)	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 1,000</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies:

Canyon Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources codified in *Statement on Auditing Standards No. 122* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's ("TEA") *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

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 61, *The Financial Reporting Entity - Omnibus- An Amendment of GASB Statements Number 14 and 34*. There are no component units included within the reporting entity.

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

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 non-fiduciary activities with the applicable inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type Activities* 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 "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.

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

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

B. Government-Wide and Fund Financial Statements (continued)

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 non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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. 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. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

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

The Proprietary Funds and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. Fund Accounting

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

Governmental Funds:

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

Proprietary Fund:

- 1. Enterprise Fund** - Revenues and expenses related to services provided to organizations outside the District. The District's Enterprise Fund is the Kimbrough Football Stadium Fund.
- 2. Internal Service Fund** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in internal service funds. The District's Internal Service Funds are the Employee Benefit Fund and Self-Insured Worker's Compensation Fund.

Additionally, the District reports the following fund types (continued):

Fiduciary Funds:

- 1. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Fund, the Textbook Waiver Refunds Fund, and the Central Office Agency Fund. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

D. Fund Accounting (continued)

2. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that the principal be expended for a specific purpose in private purpose trust funds. The District's private purpose trust funds are for a District baseball field and other donor stipulated purposes.

E. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Child Nutrition Program (which is included in the Special Revenue Funds), and the Debt Service Fund. At a minimum, the District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these three funds. These comparisons are on Exhibits G-1, J-3 and J-4, respectively.

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

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

F. Other Accounting Policies

1. The Data Control Codes refer to the account code structure prescribed by the TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a state-wide data base for policy development and funding plans.
2. The District records purchases of supplies as expenditures. If a material amount of supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reported as nonspendable for the same amount. At August 31, 2013, the amount of supplies on hand is \$344,911.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

3. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
4. The amounts on the statements have been rounded individually, consequently, some columns may not total and some schedules may not agree because of this rounding.
5. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
6. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
7. In addition to assets, the statement of net position includes a separate section for deferred outflows of resources, if present. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have anything that qualifies for reporting in this category for the year ended August 31, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

9. The District's fund balances for its governmental funds are presented in accordance with GASB 54, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in the following categories:

- Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.
- Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board. Formal action consists of a board resolution by a majority vote of the District's Board in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (board resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Board may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a publicly scheduled meeting. The Board has delegated the authority to make assignments of fund balance amounts to the District's Superintendent or the Assistant Superintendent of Business and Operations. There are no assigned fund balances as of year end.
- Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

**CANYON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

10. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.
11. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District’s policy is to recognize the costs of compensated absences when actually paid to employees.
12. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-65
Building improvements	20
Infrastructure	50
Vehicles, office equipment and computer equipment	5-10

13. 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 position. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as an expense in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups:

A. Cash and Investments

Legal and Contractual Provisions Governing 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 requirements of the Act and with local policies.

Policies Governing Deposits and Investments

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

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and pledged securities.
- b. Interest-rate Risk - Interest rate risk arises from investments in debt instruments and is defined as "the risk that changes in interest rates will adversely affect the fair value of an investment." The District has a policy of investing in short term investments.
- c. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District invests in Lone Star and TexPool investment pools that are on demand investments or in certificate of deposits that are insured by FDIC. TexPool and Lone Star investments are considered cash and cash equivalents in the financial statements.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

A. Cash and Investments (continued)

Investments in Lone Star and TexPool are included in cash and cash equivalents in the financial statements due to their short term nature. The District's investments were as follows as of August 31, 2013:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Ratings</u>
Lone Star Investment Pool:			
Corporate Overnight Plus Fund	\$ 265,565	\$ 265,593	AAAf
Government Overnight Fund	92,812	92,832	AAAm
TexPool:			
Prime Fund	2,281,183	2,281,183	AAAm
Certificate of Deposit - Happy State Bank	2,003,915	2,003,915	N/A
CDARS (certificates of deposit)	15,000,000	15,000,000	N/A
	<u>\$ 19,643,475</u>	<u>\$ 19,643,523</u>	

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (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. Unearned Revenues

Unearned revenues at year-end in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Athletic activities	\$ 9,775	\$ -	\$ 9,775
Food sales	-	110,593	110,593
Advanced placement initiative	-	19,078	19,078
Instructional materials allotment	-	11,775	11,775
Other	-	15,281	15,281
Student Fees	13,433	-	13,433
Totals	<u>\$ 23,208</u>	<u>\$ 156,727</u>	<u>\$ 179,935</u>

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

D. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes receivable within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, as required by statutory authority from the Texas Legislature.

E. Receivables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives grants from the State through the School Foundation and Per Capita Programs. Amounts due from (to) other governments as of August 31, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the fund financial statements as Receivables from Other Governments. The amounts shown below as due from local governments are amounts due from the Randall County Tax Assessor/Collector for August, 2013 tax collections not remitted to the District until September, 2013.

	State and Federal Grants	Local	Total
General Fund	\$ 33,344	\$ 51,021	\$ 84,365
Debt Service Fund	-	11,040	11,040
Other Funds	137,687	-	137,687
Total	\$ 171,031	\$ 62,061	\$ 233,092

F. Disaggregation of Receivables and Payables

Receivables in the fund financial statements at August 31, 2013, were as follows:

	Property Taxes	Receivables from Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Funds:					
General Fund	\$ 658,238	\$ 84,365	\$ 150,792	\$ 26,513	\$ 919,908
Debt Service Fund	142,207	11,040	-	-	153,247
Other Funds	-	137,687	-	24,110	161,797
Total - Governmental Funds	\$ 800,445	\$ 233,092	\$ 150,792	\$ 50,623	\$ 1,234,952

Amounts not scheduled for collection during the subsequent year	\$ 322,120	-	-	-	\$ 322,120
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**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

F. Disaggregation of Receivables and Payables (continued)

Payables in the fund financial statements at August 31, 2013, were as follows:

	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Due to Other Funds</u>	<u>Salaries and Benefits</u>	<u>Total Payables</u>
Governmental Funds:					
General Fund	\$ 224,712	\$ -	\$ 22	\$ 2,627,393	\$ 2,852,127
Debt Service	-	5,322	25,821	-	31,143
Other Funds	44,205	-	67,183	-	111,388
	<u>268,917</u>	<u>5,322</u>	<u>93,026</u>	<u>2,627,393</u>	<u>2,994,658</u>
Total - Governmental Funds	<u>\$ 268,917</u>	<u>\$ 5,322</u>	<u>\$ 93,026</u>	<u>\$ 2,627,393</u>	<u>\$ 2,994,658</u>

G. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	<u>Balance 9/1/12</u>	<u>Additions</u>	<u>Adjustment/ Retirement</u>	<u>Balance 8/31/13</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,987,796	\$ -	\$ -	\$ 3,987,796
Construction in progress	-	33,218	-	33,218
	<u>3,987,796</u>	<u>33,218</u>	<u>-</u>	<u>4,021,014</u>
Total capital assets not being depreciated	<u>3,987,796</u>	<u>33,218</u>	<u>-</u>	<u>4,021,014</u>
Capital assets, being depreciated				
Buildings and improvements	138,949,383	2,718,976	-	141,668,359
Furniture and equipment	10,473,019	679,052	(191,311)	10,960,760
	<u>149,422,402</u>	<u>3,398,028</u>	<u>(191,311)</u>	<u>152,629,119</u>
Total capital assets being depreciated	<u>149,422,402</u>	<u>3,398,028</u>	<u>(191,311)</u>	<u>152,629,119</u>
Less: Accumulated depreciation for:				
Buildings and improvements	46,386,314	2,573,624	-	48,959,938
Furniture and equipment	7,204,097	776,378	(182,877)	7,797,598
	<u>53,590,411</u>	<u>3,350,002</u>	<u>(182,877)</u>	<u>56,757,536</u>
Total accumulated depreciation	<u>53,590,411</u>	<u>3,350,002</u>	<u>(182,877)</u>	<u>56,757,536</u>
Total capital assets, being depreciated, net	<u>95,831,991</u>	<u>48,026</u>	<u>(8,434)</u>	<u>95,871,583</u>
Governmental activities capital assets, net	<u>\$ 99,819,787</u>	<u>\$ 48,026</u>	<u>\$ (8,434)</u>	<u>\$ 99,859,379</u>

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

G. Capital Asset Activity (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	1,884,197
Instructional Resources and Media Services		79,375
Curriculum and Instruction Staff Development		32,851
Instructional Leadership		12,359
School Leadership		165,096
Guidance, Counseling and Evaluation Services		91,501
Health Services		27,561
Student (Pupil) Transportation		250,375
Food Services		255,308
Extracurricular Activities		230,955
General Administration		97,006
Facilities Maintenance and Operations		84,908
Data Processing Services		<u>138,510</u>
 Total Depreciation Expense	 \$	 <u><u>3,350,002</u></u>

H. Cafeteria Plan

During the year ended August 31, 2013, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, child and dependent care costs, term life insurance costs, health insurance costs, cancer insurance cost and dental expenses. By contributing to the cafeteria plan, employees can receive certain income tax benefits. The results of the cafeteria plan are being reported in the Internal Service Fund.

I. Deferred Inflows of Resources

Unavailable revenues at year end in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Unavailable property taxes	\$ <u>391,104</u>	\$ <u>84,979</u>	\$ <u>476,083</u>

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

J. Bonds and Notes Payable

A summary of changes in bonds payable for the year ended August 31, 2013, is as follows:

	<u>Interest Rate Payable</u>	<u>Original Amount</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/12</u>	<u>New Issuance & Accrued Interest</u>	<u>Retired</u>	<u>Payable Amounts Outstanding 8/31/13</u>	<u>Due Within One Year</u>
General Obligation								
Bonds 2002-A Series (CIB)	3.0% to 5.50%	\$ 45,155,000	\$ 64,300	\$ 1,085,000	\$ -	\$ 1,085,000	\$ -	\$ -
Bonds 2002-A Series (CAB)	3.0% to 5.50%	13,283,921	476,847	3,378,123	-	919,488	2,458,635	869,391
General Obligation Unlimited Tax								
Refunding Bonds								
Series 2007 CAB	4.0% to 4.50%	549,967	-	549,967	-	-	549,967	-
Series 2007 CIB	4.0% to 4.50%	49,985,000	2,146,138	48,415,000	-	745,000	47,670,000	775,000
School Building Unlimited Tax	4.25%							
Bonds Series 2007	to 5.25%	30,365,000	1,309,093	26,700,000	-	830,000	25,870,000	870,000
 Total			<u>\$ 3,996,378</u>	<u>\$ 80,128,090</u>	<u>\$ -</u>	<u>\$ 3,579,488</u>	<u>\$ 76,548,602</u>	<u>\$ 2,514,391</u>
Accreted interest				<u>\$ 5,072,480</u>	<u>\$ 385,227</u>	<u>\$ -</u>	<u>\$ 5,457,707</u>	
Premium on issuance of debt				<u>\$ 1,703,507</u>	<u>\$ -</u>	<u>\$ 122,907</u>	<u>\$ 1,580,600</u>	
Debt issuance cost - beginning of year				\$ 360,597				
Prior period adjustment due to the implementation of GASB 65				<u>(360,597) *</u>				
Debt issuance cost - beginning of year as adjusted				<u>\$ -</u>				

* During the year, the District implemented GASB 65. As a result, the unamortized bond issuance costs were removed and taken against the beginning of year net position.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

K. Debt Service Requirements

Debt service requirements for bonds and notes payable are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2014	\$ 2,514,391	\$ 3,913,083	\$ 6,427,474
2015	2,533,496	3,893,428	6,426,924
2016	2,565,747	3,866,339	6,432,086
2017	1,292,772	5,133,764	6,426,536
2018	1,282,196	5,150,072	6,432,268
2019-2023	18,915,000	13,272,025	32,187,025
2024-2028	23,835,000	8,461,373	32,296,373
2029-2031	23,610,000	2,306,250	25,916,250
Total	\$ 76,548,602	\$ 45,996,334	\$ 122,544,936

There are a number of limitations and restrictions contained in the bonds payable. Management believes that the District is in compliance with all significant limitations and restrictions at August 31, 2013.

L. Commitments Under Operating Leases

As of August 31, 2013, the District does not have any operating lease agreements with terms in excess of one year. Rental expenditures for the year ended August 31, 2013, were \$217,478.

M. Interfund Balances and Transfers

Interfund balances at August 31, 2013, consisted of the following amounts:

Due to General Fund from:

Debt Service Fund	\$ 25,821
Nonmajor Special Revenue Funds	67,183
Internal Service Funds	11,131
Agency Funds	46,657
Total	<u>\$ 150,792</u>

Due to Agency Fund from:

General Fund	<u>\$ 22</u>
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The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

There were no interfund transfers between funds for the year ended August 31, 2013.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

N. Fund Balance

Fund balance for the District's governmental funds as of August 31, 2013 was as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Nonspendable:				
Inventories	\$ 344,911	\$ -	\$ -	\$ 344,911
Prepaid expenses	112,856	-	111	112,967
Restricted:				
Federal & State grant restrictions:				
National school breakfast & lunch program	-	-	637,528	637,528
Medicaid administrative claims program	-	-	17,195	17,195
High school allotment	-	-	149,058	149,058
Retirement of long-term debt	-	2,385,626	-	2,385,626
Committed:				
Construction	3,200,000	-	-	3,200,000
Capital expenditures	1,076,000	-	-	1,076,000
Other purposes	3,025,000	-	-	3,025,000
Campus activity funds	-	-	340,496	340,496
Drug prevention program	-	-	50,419	50,419
Vending contracts	-	-	140,148	140,148
Assigned:				
None	-	-	-	-
Unassigned	20,255,560	-	-	20,255,560
Total fund balances	<u>\$ 28,014,327</u>	<u>\$ 2,385,626</u>	<u>\$ 1,334,955</u>	<u>\$ 31,734,908</u>

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

O. Defined Benefit Pension Plan

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy – Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or , if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the District is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum:

Contribution Rates and Amounts						
Fiscal Year	Member		State		Statutory Minimum Amount	
	Rate	Amount	Rate	Amount		
2013	6.4%	\$ 2,618,218	6.400%	\$ 2,515,826	\$ 463,752	
2012	6.4%	2,546,021	6.000%	2,386,931	315,100	
2011	6.4%	2,683,732	6.644%	2,516,034	415,631	

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

P. Health Care Coverage

The District elected to participate in the TRS Active Care Plan that is administered by the Teacher Retirement System of Texas, effective September 1, 2006. The TRS Active Care Plan is a fully funded plan; therefore, the District has no liabilities or claims payable for health insurance as of August 31, 2013. During the year ended August 31, 2013, the District provided medical benefits coverage (the "Plan") to its employees through the Teacher Retirement System (the "TRS"). The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Texas Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as the TRS-ActiveCare, as of September 1, 2002. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing to TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan.

Each member district is billed monthly based upon the number of employees participating in the Plan. For the year ended August 31, 2013, total payments to the Plan by the District were \$4,176,872, of which \$2,268,845 was paid by the District's employees, resulting in a net cost to the District for health benefit coverage of \$1,908,027.

According to the Plan's administrator, plan participants retain the risk associated with the Plan, with no risks being transferred or assumed by the TRS, member districts, or by the State of Texas. Additional information pertaining to the Plan can be obtained by contacting the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by calling the TRS at 1-800-223-8778, or by downloading information from the TRS' website at www.trs.state.tx.us.

Q. Litigation and Contingencies

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

As of August 31, 2013, the District had no known or threatened pending litigation which would materially affect the District's financial condition.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

R. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Property taxes	\$ 34,715,174	\$ 7,515,803	\$ -	\$ 42,230,977
Tuition and fees	40,365	-	-	40,365
Food sales	-	-	2,003,655	2,003,655
Investment income	172,773	10,623	1,088	184,484
Rent	172,716	-	-	172,716
Gifts and bequests	262,020	-	-	262,020
Penalties, interest, and other tax related income	476,865	44,965	-	521,830
Co-curricular student activities	379,595	-	-	379,595
Other	142,364	-	328,908	471,272
Totals	<u>\$ 36,361,872</u>	<u>\$ 7,571,391</u>	<u>\$ 2,333,651</u>	<u>\$ 46,266,914</u>

S. General Fund Federal Source Revenue

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect and other costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended August 31, 2013, from various federal sources as follows:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>	<u>Total Grant</u>
Indirect costs:			
ESEA Title I, Part A, Improving Basic Programs	84.010A	\$ 12,819	\$ 780,774
ESEA Title I, Part D	84.010A	2,248	134,983
IDEA Part B, Formula	84.027	25,845	1,746,581
Carl D Perkins - Basic Grant	84.048	956	71,655
IDEA Part B, Preschool	84.173	451	30,022
ESEA Title II, Part A, Teacher and Principal Training and Recruiting	84.367A	4,394	289,069
Total indirect costs		<u>46,713</u>	
School Health and Related Services	N/A	346,969	N/A
Total General Fund Federal Revenues		<u>\$ 393,682</u>	

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

T. Risk Management - Workers' Compensation Insurance

On April 1, 2004, the District joined Workers Compensation Solutions (WCS). WCS is a modified self-funded workers' compensation program created in accordance with Article 8309h, Section 2.4 of Vernon's Annotated Texas Statutes. It is a member-owned and controlled program for Texas public entities and is governed by a board of trustees made up of members of the program. The program itself is administered and claims are paid and processed by Edwards Risk Management of Marble Falls, Texas.

Under the program, each entity pays into the pool an amount for fixed costs, which covers the cost of program and claims administration, specific and aggregate stop loss insurance, financial audits, actuarial studies, and loss control programs. The amount of total fixed costs paid by a district is based, in part, on the estimated total payroll of the district for the coverage period. The District paid fixed costs of \$164,448 for the fiscal year ended August 31, 2013. In addition, a maximum loss fund is established for each district. This is an estimate of claims based on the experience of the district. Each district must fund 10% of the maximum loss fund at the beginning of the year. Claims incurred by employees of the district are funded from the maximum loss fund. The maximum loss fund for the District for year ended August 31, 2013 was \$220,165. As of August 31, 2013, the District had actual paid claims of \$65,504 and has an additional \$91,987 set aside as an estimate for claims incurred during that period.

Below is a summary of the changes in the estimated claims payable for the year ended August 31, 2013:

Fiscal Year Ending	Estimated Claims Payable as of 9/1/12	Current year claims and claims incurred but not reported	Changes in estimated claims liability from the claims actuary	Claims payments during fiscal year	Estimated Claims Payable as of 8/31/13
8/31/2003	\$ 200	\$ -	\$ (67)	\$ -	\$ 133
8/31/2004	3,395	-	(849)	-	2,546
8/31/2005	1,758	-	(351)	-	1,407
8/31/2006	2,381	-	(397)	-	1,984
8/31/2007	4,394	-	(1,099)	-	3,295
8/31/2008	3,352	-	(670)	-	2,682
8/31/2009	8,695	-	(2,572)	1	6,124
8/31/2010	19,575	-	(8,456)	-	11,119
8/31/2011	40,584	-	(27,366)	(3,890)	9,328
8/31/2012	88,302	-	6,410	(43,888)	50,824
8/31/2013	-	157,491	-	(65,504)	91,987
Totals	\$ 172,636	\$ 157,491	\$ (35,417)	\$ (113,281)	\$ 181,429

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

U. Retiree Health Plan

Plan Description – The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the TRS. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the TRS at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013-2011:

Fiscal Year	Contribution Rates and Amounts					
	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	0.65%	\$ 271,529	0.50%	\$ 209,639	0.55%	\$ 230,603
2012	0.65%	258,578	1.00%	397,813	0.55%	218,797
2011	0.65%	272,565	1.00%	419,331	0.55%	230,631

V. Medicare Part D – On-Behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2013, 2012, and 2011 were \$111,913, \$102,555 and \$96,857 respectively.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013**

II. Detailed Notes on All Funds and Account Groups (continued):

W. Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”). GASB 63 standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It also alleviated uncertainty about reporting those financial statement elements by providing guidance where none previously existed. GASB 63 became effective for the District’s fiscal year ended August 31, 2013. The most significant impact GASB 63 had on the District’s financial statements was to change the titles of the government-wide, proprietary fund, and trust and agency fund financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”). GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, with early implementation encouraged. Management decided to implement GASB 65 for the District’s fiscal year ending August 31, 2013. The most significant impact on the District’s financial statements was to restate the beginning net position by decreasing it \$360,597 for the remaining balance of unamortized bond issuance costs. GASB 65 requires bond issuance costs to be expensed in the year incurred. Cost incurred in prior periods should be taken to beginning net position in the year that GASB 65 is implemented. In addition, the District has reported unearned tax revenues as deferred inflows of resources on the fund financial statements. These were previously reported by the District as deferred revenue on prior fund financial statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement 25* (“GASB 67”). GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27* (“GASB 68”). GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 34,873,728	\$ 35,262,807	\$ 36,361,872	\$ 1,099,065
5800	State Program Revenues	22,988,684	22,988,684	23,113,059	124,375
5900	Federal Program Revenues	60,000	184,052	393,682	209,630
5020	Total Revenues	57,922,412	58,435,543	59,868,613	1,433,070
EXPENDITURES:					
Current:					
0011	Instruction	34,445,804	34,718,133	34,028,878	689,255
0012	Instructional Resources and Media Services	1,078,129	1,111,588	1,077,886	33,702
0013	Curriculum and Instructional Staff Development	438,924	444,361	408,928	35,433
0021	Instructional Leadership	668,722	668,637	619,651	48,986
0023	School Leadership	3,592,685	3,591,781	3,581,379	10,402
0031	Guidance, Counseling and Evaluation Services	1,804,966	1,812,013	1,803,728	8,285
0033	Health Services	655,674	658,592	627,982	30,610
0034	Student (Pupil) Transportation	2,410,298	2,410,298	2,183,579	226,719
0035	Food Services	60,220	60,220	57,738	2,482
0036	Extracurricular Activities	2,030,106	2,277,907	2,153,920	123,987
0041	General Administration	1,811,213	1,814,670	1,760,857	53,813
0051	Facilities Maintenance and Operations	7,142,953	7,929,367	7,259,220	670,147
0052	Security and Monitoring Services	134,750	326,250	286,728	39,522
0053	Data Processing Services	878,476	878,976	867,670	11,306
0061	Community Services	74,883	32,883	15,565	17,318
Capital Outlay:					
0081	Facilities Acquisition and Construction	150,000	2,758,450	2,752,194	6,256
Intergovernmental:					
0099	Other Intergovernmental Charges	501,367	501,367	492,791	8,576
6030	Total Expenditures	57,879,170	61,995,493	59,978,694	2,016,799
1200	Net Change in Fund Balances	43,242	(3,559,950)	(110,081)	3,449,869
0100	Fund Balance - September 1 (Beginning)	28,124,408	28,124,408	28,124,408	-
3000	Fund Balance - August 31 (Ending)	\$ 28,167,650	\$ 24,564,458	\$ 28,014,327	\$ 3,449,869

OTHER SUPPLEMENTARY INFORMATION

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	215 ESEA I, D Delinquent Program	224 IDEA - Part B Formula
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1120	-	-	-	-
1240	-	5,584	33,374	4,868
1290	-	-	-	-
1410	-	-	-	-
1000	<u>\$ -</u>	<u>\$ 5,584</u>	<u>\$ 33,374</u>	<u>\$ 4,868</u>
LIABILITIES				
2110	\$ -	\$ 590	\$ -	\$ -
2170	-	4,994	33,374	4,868
2300	-	-	-	-
2000	<u>-</u>	<u>5,584</u>	<u>33,374</u>	<u>4,868</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
Committed Fund Balance:				
3545	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ -</u>	<u>\$ 5,584</u>	<u>\$ 33,374</u>	<u>\$ 4,868</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	272 Medicaid Admin. Claim MAC	397 Advanced Placement Incentives	404 Student Success Initiative	410 Instructional Materials Allotment
\$ -	\$ 647,582	\$ -	\$ -	\$ 17,195	\$ 19,078	\$ -	\$ (6,757)
-	68,587	-	-	-	-	-	-
104	39,979	-	30,257	-	-	2,774	20,747
-	19,480	-	4,165	-	-	-	-
-	111	-	-	-	-	-	-
<u>\$ 104</u>	<u>\$ 775,739</u>	<u>\$ -</u>	<u>\$ 34,422</u>	<u>\$ 17,195</u>	<u>\$ 19,078</u>	<u>\$ 2,774</u>	<u>\$ 13,990</u>
\$ -	\$ 25,201	\$ -	\$ 15,659	\$ -	\$ -	\$ -	\$ 2,215
104	2,306	-	18,763	-	-	2,774	-
-	110,593	-	-	-	19,078	-	11,775
<u>104</u>	<u>138,100</u>	<u>-</u>	<u>34,422</u>	<u>-</u>	<u>19,078</u>	<u>2,774</u>	<u>13,990</u>
-	111	-	-	-	-	-	-
-	637,528	-	-	17,195	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>637,639</u>	<u>-</u>	<u>-</u>	<u>17,195</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 104</u>	<u>\$ 775,739</u>	<u>\$ -</u>	<u>\$ 34,422</u>	<u>\$ 17,195</u>	<u>\$ 19,078</u>	<u>\$ 2,774</u>	<u>\$ 13,990</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Drug Prevention Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ 149,058	\$ 155	\$ 355,697	\$ 50,419
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	465	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 149,058</u>	<u>\$ 155</u>	<u>\$ 356,162</u>	<u>\$ 50,419</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 540	\$ -
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	-	155	15,126	-
2000	Total Liabilities	<u>-</u>	<u>155</u>	<u>15,666</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	149,058	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	340,496	50,419
3000	Total Fund Balances	<u>149,058</u>	<u>-</u>	<u>340,496</u>	<u>50,419</u>
4000	Total Liabilities and Fund Balances	<u>\$ 149,058</u>	<u>\$ 155</u>	<u>\$ 356,162</u>	<u>\$ 50,419</u>

<u>490</u> <u>Vending</u> <u>Contracts</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 140,148	\$ 1,372,575
-	68,587
-	137,687
-	24,110
-	111
<u>\$ 140,148</u>	<u>\$ 1,603,070</u>
\$ -	\$ 44,205
-	67,183
-	156,727
<u>-</u>	<u>268,115</u>
-	111
-	803,781
<u>140,148</u>	<u>531,063</u>
<u>140,148</u>	<u>1,334,955</u>
<u>\$ 140,148</u>	<u>\$ 1,603,070</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	215 ESEA I, D Delinquent Program	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	60,144	680,389	118,604	1,365,363
5020 Total Revenues	<u>60,144</u>	<u>680,389</u>	<u>118,604</u>	<u>1,365,363</u>
EXPENDITURES:				
Current:				
0011 Instruction	60,144	594,336	47,250	1,203,032
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	61,825	7,085	-
0021 Instructional Leadership	-	12,949	-	-
0023 School Leadership	-	-	1,257	-
0031 Guidance, Counseling and Evaluation Services	-	-	63,012	162,331
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	11,279	-	-
6030 Total Expenditures	<u>60,144</u>	<u>680,389</u>	<u>118,604</u>	<u>1,365,363</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	272 Medicaid Admin. Claim MAC	397 Advanced Placement Incentives	404 Student Success Initiative	410 Instructional Materials Allotment
\$ -	\$ 2,004,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	18,409	-	-	-	11,442	27,736	549,713
23,867	1,664,091	65,041	235,150	5,586	-	-	-
23,867	3,687,243	65,041	235,150	5,586	11,442	27,736	549,713
23,867	-	65,041	36,286	33,834	7,061	27,736	549,713
-	-	-	-	-	-	-	-
-	-	-	183,649	-	4,381	-	-
-	-	-	5,474	-	-	-	-
-	-	-	9,741	-	-	-	-
-	-	-	-	-	-	-	-
-	3,631,395	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,867	3,631,395	65,041	235,150	33,834	11,442	27,736	549,713
-	55,848	-	-	(28,248)	-	-	-
-	581,791	-	-	45,443	-	-	-
\$ -	\$ 637,639	\$ -	\$ -	\$ 17,195	\$ -	\$ -	\$ -

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Drug Prevention Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 328,082	\$ -
5800 State Program Revenues	-	132	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>132</u>	<u>328,082</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	25,589	13	42,535	3,359
0012 Instructional Resources and Media Services	-	119	66,443	-
0013 Curriculum and Instructional Staff Development	-	-	1,775	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	148,364	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	5,144	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	223	-
0052 Security and Monitoring Services	-	-	420	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>25,589</u>	<u>132</u>	<u>264,904</u>	<u>3,359</u>
1200 Net Change in Fund Balance	(25,589)	-	63,178	(3,359)
0100 Fund Balance - September 1 (Beginning)	<u>174,647</u>	<u>-</u>	<u>277,318</u>	<u>53,778</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 149,058</u>	<u>\$ -</u>	<u>\$ 340,496</u>	<u>\$ 50,419</u>

490 Vending Contracts	Total Nonmajor Governmental Funds
\$ 826	\$ 2,333,651
-	607,432
-	4,218,235
<u>826</u>	<u>7,159,318</u>
-	2,719,796
-	66,562
-	258,715
-	18,423
-	159,362
-	225,343
-	3,631,395
-	5,144
8,992	8,992
-	223
-	420
-	11,279
<u>8,992</u>	<u>7,105,654</u>
(8,166)	53,664
<u>148,314</u>	<u>1,281,291</u>
<u>\$ 140,148</u>	<u>\$ 1,334,955</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2013

	753 Employee Benefit Fund	755 Self-Insured Worker's Compensation	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 29,115	\$ 1,258,331	\$ 1,287,446
Other Receivables	-	150,109	150,109
Total Assets	<u>29,115</u>	<u>1,408,440</u>	<u>1,437,555</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	181,429	181,429
Due to Other Funds	11,131	-	11,131
Total Liabilities	<u>11,131</u>	<u>181,429</u>	<u>192,560</u>
NET POSITION			
Unrestricted Net Position	<u>17,984</u>	<u>1,227,011</u>	<u>1,244,995</u>
Total Net Position	<u>\$ 17,984</u>	<u>\$ 1,227,011</u>	<u>\$ 1,244,995</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

	753 Employee Benefit Fund	755 Self-Insured Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 70,524	\$ 464,284	\$ 534,808
Total Operating Revenues	<u>70,524</u>	<u>464,284</u>	<u>534,808</u>
OPERATING EXPENSES:			
Professional and Contracted Services	68,197	304,844	373,041
Total Operating Expenses	<u>68,197</u>	<u>304,844</u>	<u>373,041</u>
Operating Income	<u>2,327</u>	<u>159,440</u>	<u>161,767</u>
NONOPERATING REVENUES (EXPENSES):			
Earnings from Temporary Deposits & Investments	44	-	44
Total Nonoperating Revenues (Expenses)	<u>44</u>	<u>-</u>	<u>44</u>
Change in Net Position	2,371	159,440	161,811
Total Net Position - September 1 (Beginning)	<u>15,613</u>	<u>1,067,571</u>	<u>1,083,184</u>
Total Net Position August 31 (Ending)	<u><u>\$ 17,984</u></u>	<u><u>\$ 1,227,011</u></u>	<u><u>\$ 1,244,995</u></u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

	753	755	
	Employee	Self-Insured	Total
	Benefit	Worker's	Internal
	Fund	Compensation	Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 84,371	\$ -	\$ 84,371
Cash Received from Assessments - Other Funds	-	447,795	447,795
Cash Payments for Insurance Claims	(72,066)	(296,421)	(368,487)
Net Cash Provided by Operating Activities	<u>12,305</u>	<u>151,374</u>	<u>163,679</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	44	-	44
Net Increase in Cash and Cash Equivalents	12,349	151,374	163,723
Cash and Cash Equivalents at Beginning of Year	16,766	1,106,957	1,123,723
Cash and Cash Equivalents at End of Year	<u>\$ 29,115</u>	<u>\$ 1,258,331</u>	<u>\$ 1,287,446</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income:	\$ 2,327	\$ 159,440	\$ 161,767
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	13,847	(16,489)	(2,642)
Increase (decrease) in Accounts Payable	-	8,423	8,423
Increase (decrease) in Due to Other Funds	(3,869)	-	(3,869)
Net Cash Provided by Operating Activities	<u>\$ 12,305</u>	<u>\$ 151,374</u>	<u>\$ 163,679</u>

REQUIRED TEA SCHEDULES

CANYON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.462460	0.276730	1,975,818,555
2006	1.497500	0.193910	2,119,618,679
2007	1.327800	0.182020	2,311,478,467
2008	1.040000	0.250000	2,612,961,002
2009	1.040000	0.250000	2,877,537,140
2010	1.040000	0.250000	3,065,468,149
2011	1.040000	0.250000	3,177,983,825
2012	1.040000	0.250000	3,294,368,444
2013 (School year under audit)	1.040000	0.225000	3,465,347,173
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 155,183	\$ -	\$ 545	\$ 83	\$ (56,053)	\$ 98,502
23,693	-	187	35	(1)	23,470
36,596	-	1,086	141	-	35,369
35,791	-	2,401	329	(11)	33,050
34,337	-	2,201	529	(895)	30,712
41,985	-	4,836	1,162	(2,028)	33,959
66,059	-	9,788	2,353	(2,864)	51,054
110,487	-	30,466	7,324	(2,552)	70,145
353,817	-	177,731	42,724	(15,552)	117,810
-	42,359,222	34,485,933	7,461,123	(105,792)	306,374
<u>\$ 857,948</u>	<u>\$ 42,359,222</u>	<u>\$ 34,715,174</u>	<u>\$ 7,515,803</u>	<u>\$ (185,748)</u>	<u>\$ 800,445</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 264,635	\$ 718,542	\$ -	\$ -	\$ 983,177
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	57,736	-	57,736
6212	Audit Services	-	-	-	45,000	-	-	45,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	509,361	-	-	-	-	509,361
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	9,545	110,523	1,951	-	122,019
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	10,820	-	-	10,820
6240	Contr. Maint. and Repair	-	-	-	-	67,633	-	67,633
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	18,553	-	18,553
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	629	534	-	-	1,163
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	113	-	692	47,687	51,455	-	99,947
6410	Travel, Subsistence, Stipends	2,916	-	7,722	13,332	-	-	23,970
6420	Ins. and Bonding Costs	-	-	-	66,378	-	-	66,378
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	20,354	-	34,111	25,271	13,719	-	93,455
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	14,640	14,640
6000	TOTAL	\$ 23,383	\$ 509,361	\$ 317,334	\$ 1,038,087	\$ 211,047	\$ 14,640	\$ 2,113,852

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 67,084,348

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 3,431,246
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	7,132,264
Food (Function 35, 6341 and 6499)	(13)	9,177
Stipends (6413)	(14)	80,949
Column 4 (above) - Total Indirect Cost		1,038,087

SubTotal: 11,691,723

Net Allowed Direct Cost \$ 55,392,625

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 141,668,359
Historical Cost of Building over 50 years old	(16)	\$ 12,276,155
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 10,960,760
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 970,858
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 406,392

(8) NOTE A: \$79,887 in Function 53 expenditures are included in this report on administrative costs.
 \$492,791 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CANYON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 2,079,789	\$ 2,079,789	\$ 2,004,743	\$ (75,046)
5800	State Program Revenues	18,841	18,841	18,409	(432)
5900	Federal Program Revenues	1,593,461	1,593,461	1,664,091	70,630
5020	Total Revenues	3,692,091	3,692,091	3,687,243	(4,848)
EXPENDITURES:					
0035	Food Services	3,587,086	3,657,086	3,631,395	25,691
6030	Total Expenditures	3,587,086	3,657,086	3,631,395	25,691
1200	Net Change in Fund Balances	105,005	35,005	55,848	20,843
0100	Fund Balance - September 1 (Beginning)	581,791	581,791	581,791	-
3000	Fund Balance - August 31 (Ending)	\$ 686,796	\$ 616,796	\$ 637,639	\$ 20,843

CANYON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 7,535,700	\$ 7,535,700	\$ 7,571,391	\$ 35,691
5020	Total Revenues	7,535,700	7,535,700	7,571,391	35,691
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,579,489	3,579,489	3,579,488	1
0072	Interest on Long Term Debt	3,951,211	3,951,211	3,951,210	1
0073	Bond Issuance Cost and Fees	5,000	5,000	3,500	1,500
6030	Total Expenditures	7,535,700	7,535,700	7,534,198	1,502
1200	Net Change in Fund Balances	-	-	37,193	37,193
0100	Fund Balance - September 1 (Beginning)	2,348,433	2,348,433	2,348,433	-
3000	Fund Balance - August 31 (Ending)	\$ 2,348,433	\$ 2,348,433	\$ 2,385,626	\$ 37,193

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Canyon Independent School District
Canyon, Texas**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canyon Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. 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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Brown Graham & Company, P.C.

Amarillo, Texas
January 13, 2014



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Canyon Independent School District
Canyon, Texas**

Report on Compliance for Each Major Federal Program

We have audited the compliance of Canyon Independent School District (the District) 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 its major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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 fiscal year ended August 31, 2013.

Report on Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Brown Graham & Company, P.C.

Amarillo, Texas
January 13, 2014

**CANYON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

I. Summary of the Auditor's Results:

- a. The type of report issued on the basic financial statements: Unqualified.
- b. No control deficiencies, significant deficiencies, or material weaknesses in internal control were disclosed by the audit of the basic financial statements.
- c. The audit did not disclose any noncompliance which is material to the basic financial statements.
- d. No control deficiencies, significant deficiencies, or material weaknesses in internal control over major programs were disclosed by the audit.
- e. Type of auditor's report on compliance for major programs: Unqualified
- f. Did the audit disclose findings which are required to be reported under Sec. 510(a): No.
- g. Major programs include:
 - 84.010a – ESEA Title I, Part A – Improving Basic Programs
 - 84.010a – ESEA Title I, Part D – Delinquent Program
 - 84.027 – IDEA Part B - Formula
 - 84.173 – IDEA Part B - Preschool
- h. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- i. Low risk auditee: Yes.

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

The audit disclosed no findings required to be reported.

II. Findings Relating to the Federal Awards Required to be Reported in Accordance with *OMB Circular A-133*

The audit disclosed no findings required to be reported.

**CANYON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013**

There were no control deficiencies, significant deficiencies, material weaknesses, findings or questioned costs in the prior year. Therefore, there is nothing to report on this schedule.

**CANYON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013**

There were no control deficiencies, significant deficiencies, material weaknesses, findings or questioned costs reported in the current year; therefore, no corrective action plan is required.

CANYON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13 - 61010119190100	\$ 680,389
*ESEA, Title I, Part D - Delinquent Program	84.010A	13 - 61010319190100	118,604
Total CFDA Number 84.010A			798,993
Total Title I, Part A Cluster			798,993
*IDEA - Part B, Formula	84.027	13 - 660001191901600	1,365,363
*IDEA - Part B, Preschool	84.173	13 - 661001191901600	23,867
Total Special Education Cluster (IDEA)			1,389,230
Career and Technical - Basic Grant	84.048	13 - 42000619190100	65,041
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13 - 69450119190100	235,150
Total Passed Through State Department of Education			\$ 2,488,414
TOTAL DEPARTMENT OF EDUCATION			\$ 2,488,414
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	191901	\$ 5,586
Total Passed Through Texas Dept of Human Services			\$ 5,586
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH0219/29	\$ 60,144
Total Passed Through State Department of Education			\$ 60,144
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 65,730
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	7140130100	\$ 378,319
*National School Lunch Program - Cash Assistance	10.555	7130130100	1,137,637
*National School Lunch Prog. - Non-Cash Assistance	10.555	7130130100	148,135
Total CFDA Number 10.555			1,285,772
Total Child Nutrition Cluster			1,664,091
Total Passed Through the State Department of Agriculture			\$ 1,664,091
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,664,091
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,218,235

*Clustered Programs

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
4. \$46,713 of indirect costs are not considered to be federal financial assistance for inclusion in the Schedule of Expenditures of Federal Awards (SEFA). These revenues are reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds in the General Fund column.
5. According to the Resource Guide, funds received from the School Health and Related Services (SHARS) program represent reimbursements to the District for school health based services which are not already provided to special education students enrolled in the Medicaid Program, and consequently these revenues in the amount of \$346,969 are not to be considered federal financial assistance for inclusion in the SEFA. These revenues are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds in the General Fund column.