

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2014

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Lubbock, Texas

ANNUAL FINANCIAL REPORT  
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## INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Lubbock-Cooper I.S.D.  
Name of School District

Lubbock  
County

152-906  
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and \_\_\_ approved \_\_\_ disapproved (check one) for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 20<sup>th</sup> day of November, 2014.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

(attach list as necessary):

## FINANCIAL SECTION

# Terry & King, CPAs, P.C.

4216 102<sup>nd</sup>  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report on Financial Statements

Board of Trustees  
Lubbock-Cooper Independent School District  
16302 Loop 493  
Lubbock, Texas 79423-7805

Members of the Board of Trustees:

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lubbock-Cooper Independent School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, identified as Required Supplementary Information in the table of contents, 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 Lubbock-Cooper Independent School District's financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

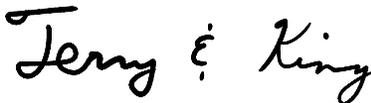
This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Fund Balance and Cash Flow Calculation Worksheet-General Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of the Lubbock-Cooper Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lubbock-Cooper Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
November 17, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lubbock-Cooper Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was (\$1,995,312) at June 30, 2014. This negative net position is comprised of net investment in capital assets (\$9,650,818), restricted for debt service \$2,465,462, and unrestricted net position \$5,190,044.
- During the year ended June 30, 2014, the District's expenses were \$5,738,941 more than the \$50,118,657 generated in taxes and other revenues for governmental activities.
- The total costs of the District's programs were \$4,530,669 more than the prior fiscal year.
- The general fund reported a fund balance this year of \$5,485,308.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

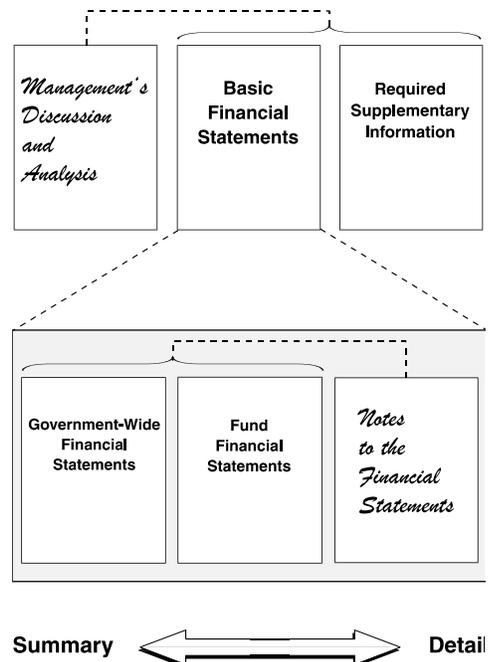


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

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

### Government-wide Statements

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

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

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

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

## Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net position. The District's combined net position was (\$1,995,312) at June 30, 2014. (See Table A-1).

Table A-1  
Lubbock-Cooper Independent School District's Net Position

	Governmental Activities		
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
<b>Current assets:</b>			
Cash and cash equivalents	11,382,374	15,873,841	-28%
Due from other governments	4,189,199	3,003,348	39%
Taxes Receivable, net	368,227	368,170	0%
Other Receivables	1,356	2,054	-34%
Inventories	28,049	47,824	-41%
Other Current Assets	-	-	0%
<b>Total current assets:</b>	<b>15,969,205</b>	<b>19,295,237</b>	<b>-17%</b>
<b>Noncurrent assets:</b>			
Land	2,171,156	2,166,232	0%
Construction in Progress	1,867,819	242,000	672%
Buildings & Improvements	128,449,592	127,299,373	1%
Less accumulated depreciation, buildings & improvements	(24,982,849)	(21,413,333)	17%
Vehicles	4,132,654	3,813,518	8%
Less accumulated depreciation, vehicles	(2,700,058)	(2,404,276)	12%
Furniture & Equipment	12,404,346	12,108,074	2%
Less accumulated depreciation, furniture & equipment	(7,805,521)	(6,041,176)	29%
<b>Total noncurrent assets</b>	<b>113,537,139</b>	<b>115,770,412</b>	<b>-2%</b>
<b>Total Assets</b>	<b>129,506,344</b>	<b>135,065,649</b>	<b>-4%</b>
<b>Deferred Outflow of Resources:</b>			
Deferred charge on bond defeasance	1,158,795	1,208,087	-4%
<b>Current liabilities:</b>			
Accounts Payable	617,324	284,835	117%
Bond Interest Payable	2,275,424	2,222,509	2%
Payroll Withholdings Payable	115,737	-	100%
Accrued Wages Payable	3,116,197	2,780,720	12%
Due to Other Governments	-	-	0%
Accrued Expenditures	-	199,615	-100%
Unavailable Revenue	2,189,017	1,249,725	75%
<b>Total current liabilities</b>	<b>8,313,699</b>	<b>6,737,404</b>	<b>23%</b>
<b>Long-term liabilities:</b>			
Due within one year	1,355,118	1,328,560	2%
Due in more than one year	119,634,260	120,800,410	-1%
Premium on bond issuance	3,357,374	3,663,733	-8%
<b>Total Liabilities</b>	<b>132,660,451</b>	<b>132,530,107</b>	<b>0%</b>
<b>Net Position:</b>			
Net investment in capital assets	(9,650,818)	(7,547,803)	28%
Restricted	2,465,462	2,027,054	22%
Unrestricted	5,190,044	9,264,378	-44%
<b>Total Net Position</b>	<b>(1,995,312)</b>	<b>3,743,629</b>	<b>-153%</b>

\$2,465,462 of the District's net position is restricted for the retirement of bonded debt. The \$5,190,044 of unrestricted net position represents resources available to fund the programs of the District next year.

**Changes in net position.** The District's total revenues for the year ended June 30, 2014 were \$50,118,657. A significant portion, 55 percent, of the District's revenue comes from taxes. (See Figure A-3.) 43 percent comes from state aid and federal program grants, while only 2 percent relates to charges for services.

The total cost of all programs and services was \$55,857,598; 48 percent of these costs are for instruction.

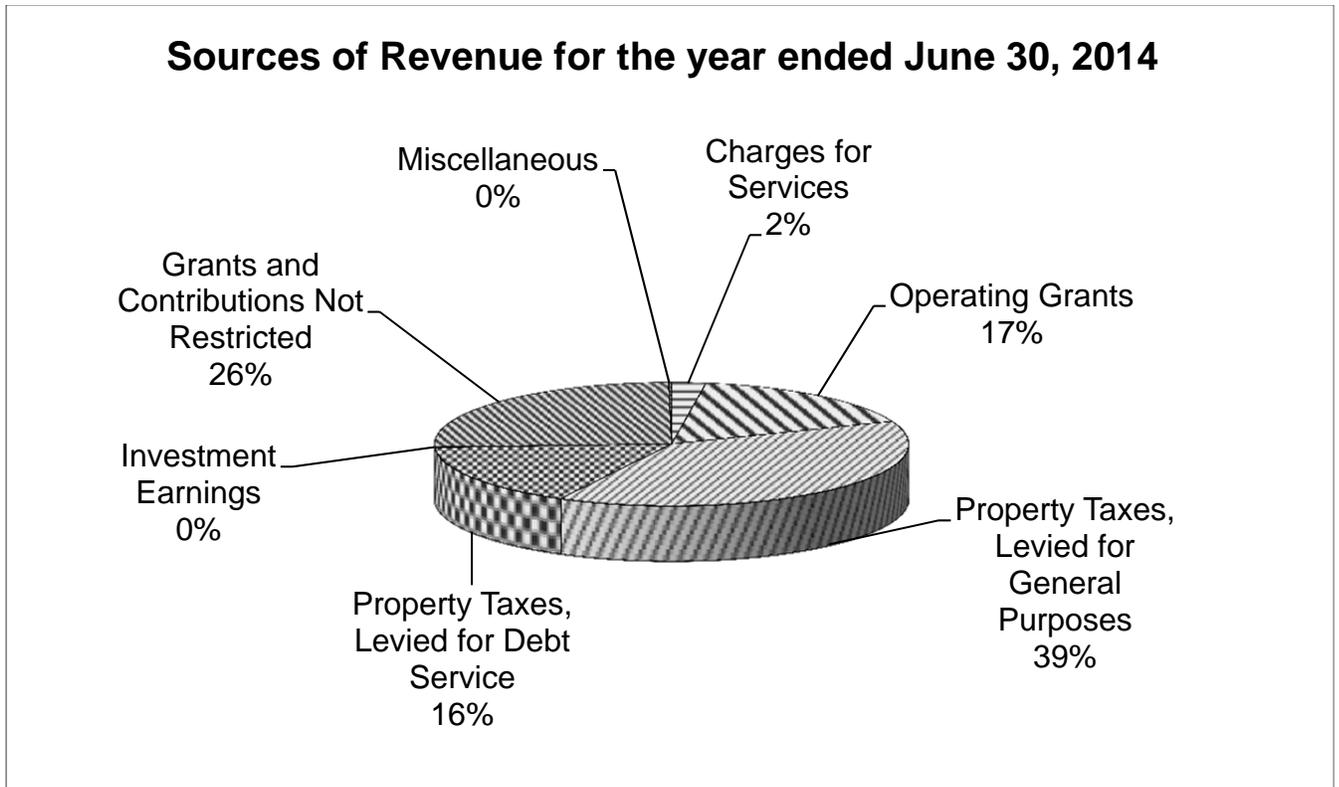


Figure A-3

**Governmental Activities**

- Property tax rates were reduced from \$1.499 per \$100 valuation to \$1.48 per \$100. Tax revenues collected during the year ended June 30, 2014 were \$27,423,777 compared to \$25,961,966 in the fiscal year ended June 30, 2013. Increasing property values resulted in the tax levy increasing 6% from \$26,048,753 in the prior period to \$27,501,673 in the current period.

Table A-2  
Changes in Lubbock-Cooper Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	
Program Revenues:			
Charges for Services	1,163,553	1,165,591	0%
Operating Grants and Contributions	8,368,462	7,430,280	13%
General Revenues:			
Property Taxes, Levied for General Purposes	19,397,605	18,182,719	7%
Property Taxes, Levied for Debt Service	8,194,792	8,011,081	2%
Grants and Contributions not restricted	12,798,842	11,784,920	9%
Investment Earnings	93,143	85,301	9%
Other	102,260	215,868	-53%
<b>Total Revenues</b>	<b>50,118,657</b>	<b>46,875,760</b>	<b>7%</b>
Instruction	26,537,152	24,215,849	10%
Instructional Resources and Media Services	568,255	576,736	-1%
Curriculum Development and Instructional Staff Development	843,615	628,342	34%
Instructional Leadership	671,336	811,938	-17%
School Leadership	2,044,050	1,949,933	5%
Guidance, Counseling and Evaluation Services	1,727,837	1,507,402	15%
Social Work Services	63,836	-	100%
Health Services	647,352	650,589	0%
Student (Pupil) Transportation	1,691,255	1,513,471	12%
Food Services	2,887,205	2,506,408	15%
Curricular/Extracurricular Activities	1,275,917	1,347,542	-5%
General Administration	1,684,317	2,037,985	-17%
Plant Maintenance & Operation	4,311,780	4,620,589	-7%
Security & Monitoring Services	657,614	533,273	23%
Data Processing Services	1,451,716	1,079,282	35%
Debt Service Interest	6,351,138	5,508,389	15%
Bond Issuance Costs and Fees	57,021	116,300	-51%
Payments to Member Districts of SSA	2,104,900	1,480,308	42%
Payments to Juvenile Justice Alternative Ed. Program	7,728	13,041	-41%
Other Intergovernmental Charges	273,574	229,552	19%
<b>Total Expenses</b>	<b>55,857,598</b>	<b>51,326,929</b>	<b>9%</b>
Excess (Deficiency) Before Other Resources, Uses & Transfers	(5,738,941)	(4,451,169)	29%
Other Resources (Uses)	-	-	0%
Transfers In (Out)	-	-	0%
<b>Increase (Decrease) in   Net Position</b>	<b>(5,738,941)</b>	<b>(4,451,169)</b>	<b>29%</b>
Net Position - Beginning	3,743,629	8,194,798	-54%
<b>Net Position - Ending</b>	<b>(1,995,312)</b>	<b>3,743,629</b>	<b>-153%</b>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities for the year ended June 30, 2014 was \$55,857,598.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$27,592,397.
- Some of the cost was paid by those who directly benefited from the programs \$1,163,553, or
- By grants and contributions \$21,167,304.

**Table A-3**  
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	June 30, <u>2014</u>	June 30, <u>2013</u>	% Change <u>2014-2013</u>	June 30, <u>2014</u>	June 30, <u>2013</u>	% Change <u>2014-2013</u>
Instruction	26,537,152	24,215,849	10%	22,543,365	20,651,428	9%
School administration	1,684,317	2,037,985	(17%)	1,590,031	1,929,044	(18%)
Plant Maintenance & Operations	4,311,780	4,620,589	(7%)	4,182,197	4,522,836	(8%)
Debt Service – Interest & Charges	6,351,138	5,508,389	15%	6,351,138	5,508,389	15%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$50,101,194 for the year ended June 30, 2014, an increase of 7% over the preceding fiscal year. Local revenues increased 5% or \$1,322,852 primarily as a result of the increased tax collections. State revenues increased 9% from \$13,353,212 in the prior period to \$14,611,170. Federal revenues increased 12% from \$5,861,988 to \$6,556,134.

**General Fund Budgetary Highlights**

- Over the course of the year, the District revised its budget 4 times. Due to these adjustments, the District was able to stay within its expense budget in all functional areas. Revenues were \$718,087 less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$149,025,567 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$3,396,370 or 2 percent over last year.

**Table A-4**  
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>
Land	\$ 2,171,156	\$ 2,166,232	0%
Construction in progress	1,867,819	242,000	672%
Buildings and improvements	128,449,592	127,299,373	1%
Vehicles	4,132,654	3,813,518	8%
Equipment	12,404,346	12,108,074	2%
Other	-	-	--
Totals at historical cost	149,025,567	145,629,197	2%
Total accumulated depreciation	35,488,428	29,858,786	19%
Net capital assets	<u>\$ 113,537,139</u>	<u>\$ 115,770,411</u>	<u>(2%)</u>

The District issued bonds in the amount of \$42,210,000 in fiscal year 2015 which will be used for construction projects within the District. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Debt Administration

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

**Table A-5**  
District's Long-Term Debt

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 121,463,345	\$ -	\$ 1,328,560	\$ 120,134,785	\$ 1,355,119
Accum Accretion on CAB's	665,626	240,345	51,377	854,594	-
Premium on Bonds	<u>3,663,733</u>	-	<u>306,359</u>	<u>3,357,374</u>	-
Total governmental activities	<u>\$ 125,792,704</u>	<u>\$ 240,345</u>	<u>\$ 1,686,296</u>	<u>\$ 124,346,753</u>	<u>\$ 1,355,119</u>

In fiscal year 2015, the District issued Unlimited Tax Refunding Bonds in the amount of \$22,320,000 and Unlimited Tax School Building Bonds in the amount of \$42,210,000. More detailed information about the District's long-term obligations is presented in the notes to the financial statements.

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

- Appraised value used for the 2015 budget preparation is up from 2014.
- General operating fund spending increases in the 2015 budget.
- The District's 2015 refined average daily attendance is expected to increase.

These indicators were taken into account when adopting the general fund budget for 2015. Property taxes will increase due to the increasing values. State revenue will increase as the student population grows. The District will use these increases in revenues to finance programs we currently offer.

If these estimates are realized, the District's budgetary general fund fund balance is expected to increase by the close of 2015.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF NET POSITION  
June 30, 2014

Data Control Codes		1
		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 11,382,374
1225	Taxes Receivable, Net	368,227
1240	Due from Other Governments	4,189,199
1290	Other Receivables	1,356
1300	Inventories	28,049
	Capital Assets:	
1510	Land	2,171,156
1520	Buildings & Improvements, net	105,334,562
1530	Furniture & Equipment, net	6,031,421
1580	Construction in Progress	-
1000	<u>TOTAL ASSETS</u>	<u>\$ 129,506,344</u>
	DEFERRED OUTLOWS OF RESOURCES:	
2511	Deferred Charge on Bond Defeasance	<u>\$ 1,158,795</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 617,324
2140	Bond Interest Payable	2,275,424
2150	Payroll Deductions & Withholding	115,737
2160	Accrued Wages Payable	3,116,197
2200	Accrued Expenditures	-
2300	Unavailable Revenue	2,189,017
	Noncurrent Liabilities:	
2501	Due within one year	1,355,118
2502	Due in more than one year	119,634,260
2590	Premium on bond issuance	<u>3,357,374</u>
2000	<u>Total Liabilities</u>	<u>132,660,451</u>
	NET POSITION:	
3200	Net investment in capital assets	(9,650,818)
	Restricted for:	
3850	Debt Service	2,465,462
3900	Unrestricted	<u>5,190,044</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$ (1,995,312)</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Data Control		1	3	4	Net (Expense)
			Program Revenues		
Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 26,537,152	\$ 17,283	\$ 3,976,504	\$(22,543,365)
12	Instructional Resources and Media Services	568,255	-	25,302	(542,953)
13	Curriculum Development and Instructional Staff Development	843,615	-	139,247	(704,368)
21	Instructional Leadership	671,336	-	231,747	(439,589)
23	School Leadership	2,044,050	-	104,715	(1,939,335)
31	Guidance, Counseling, & Evaluation Services	1,727,837	-	189,973	(1,537,864)
32	Social Work Services	63,836	-	1,191	(62,645)
33	Health Services	647,352	-	38,276	(609,076)
34	Student (Pupil) Transportation	1,691,255	-	139,527	(1,551,728)
35	Food Services	2,887,205	1,060,065	1,027,814	(799,326)
36	Extracurricular Activities	1,275,917	78,135	31,234	(1,166,548)
41	General Administration	1,684,317	-	94,286	(1,590,031)
51	Plant Maintenance and Operations	4,311,780	8,070	121,513	(4,182,197)
52	Security and Monitoring Services	657,614	-	50,415	(607,199)
53	Data Processing	1,451,716	-	91,818	(1,359,898)
72	Interest on Long-Term Debt	6,351,138	-	-	(6,351,138)
73	Bond Issuance Costs and Fees	57,021	-	-	(57,021)
93	Payments to Member Districts of SSA	2,104,900	-	2,104,900	-
95	Payments to Juvenile Justice Alternative Ed. Programs	7,728	-	-	(7,728)
99	Other Intergovernmental Charges	273,574	-	-	(273,574)
TG	<u>Total Government Activities</u>	<u>55,857,598</u>	<u>1,163,553</u>	<u>8,368,462</u>	<u>(46,325,583)</u>
TP	Total Primary Government	<u>55,857,598</u>	<u>1,163,553</u>	<u>8,368,462</u>	<u>(46,325,583)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				19,397,605
DT	Property Taxes, Levied for Debt Service				8,194,792
IE	Investment Earnings				93,143
GC	Grants and Contributions Not Restricted to Specific Programs				12,798,842
MI	Miscellaneous				<u>102,260</u>
TR	Total General Revenue				<u>40,586,642</u>
CN	Change in Net Position				(5,738,941)
NB	Net Position - Beginning				<u>3,743,629</u>
NE	Net Position - Ending				<u>\$ (1,995,312)</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>						
1110	Cash and Cash Equivalents	\$ 5,150,568	\$ 4,743,866	\$ 27,725	\$ 21,940	\$ 9,944,099
1225	Taxes Receivable, Net	258,472	109,755	-	-	368,227
1240	Due from Other Governments	3,535,256	-	-	653,943	4,189,199
1260	Due from Other Funds	2,245,441	-	-	13,430	2,258,871
1290	Other Receivables	197	-	-	1,159	1,356
1300	Inventories	11,908	-	-	16,141	28,049
1000	<u>TOTAL ASSETS</u>	<u>\$ 11,201,842</u>	<u>\$ 4,853,621</u>	<u>\$ 27,725</u>	<u>\$ 706,613</u>	<u>\$ 16,789,801</u>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
2110	Accounts Payable	\$ 220,071	\$ -	\$ 384,157	\$ 9,202	\$ 613,430
2150	Payroll Deductions & Withholdings	105,018	-	-	10,719	115,737
2160	Accrued Wages Payable	2,943,956	-	-	172,241	3,116,197
2170	Due to Other Funds	-	-	1,536,799	514,451	2,051,250
2200	Accrued Expenditures	-	-	-	-	-
2300	Unavailable Revenue	2,447,489	109,755	-	-	2,557,244
2000	<u>Total Liabilities</u>	<u>5,716,534</u>	<u>109,755</u>	<u>1,920,956</u>	<u>706,613</u>	<u>8,453,858</u>
<b>FUND BALANCES:</b>						
<b>Nonspendable Fund Balances:</b>						
3410	Investments in Inventory	11,908	-	-	-	11,908
<b>Restricted Fund Balances:</b>						
3470	Capital Acquisition Program	-	-	(1,893,231)	-	(1,893,231)
3480	Debt Service	-	4,743,866	-	-	4,743,866
<b>Committed Fund Balances:</b>						
3510	Construction and Land Purchase	-	-	-	-	-
3530	Capital Expenditures for Equipment	525,000	-	-	-	525,000
3600	Unassigned	4,948,400	-	-	-	4,948,400
3000	<u>Total Fund Balance</u>	<u>5,485,308</u>	<u>4,743,866</u>	<u>(1,893,231)</u>	<u>-</u>	<u>8,335,943</u>
4000	<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 11,201,842</u>	<u>\$ 4,853,621</u>	<u>\$ 27,725</u>	<u>\$ 706,613</u>	<u>\$ 16,789,801</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 8,335,943
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	113,537,139
2 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	368,227
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(120,989,378)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(3,357,374)
5 The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position.	1,158,795
6 The amount of bond interest payable is recognized in the statement of net position, but not in the funds.	(2,275,424)
7 Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The ending equity is reported in the Unrestricted Net Position of governmental activities	<u>1,226,760</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ (1,995,312)</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>					
5700 Local and Intermediate Sources	\$ 19,561,335	\$ 8,246,206	\$ 65,380	\$ 1,060,969	\$ 28,933,890
5800 State Program Revenues	14,243,027	-	-	368,143	14,611,170
5900 Federal Program Revenues	346,400	-	-	6,209,734	6,556,134
5020 <u>Total Revenues</u>	<u>34,150,762</u>	<u>8,246,206</u>	<u>65,380</u>	<u>7,638,846</u>	<u>50,101,194</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011 Instruction and Instruction-Related Services	20,537,642	-	12,429	2,834,300	23,384,371
0012 Instructional Resources and Media Services	497,598	-	-	27	497,625
0013 Curriculum Development and Instructional Staff Development	625,955	-	-	112,690	738,645
0021 Instructional Leadership	376,358	-	-	211,300	587,658
0023 School Leadership	1,790,137	-	-	-	1,790,137
0031 Guidance, Counseling, & Evaluation Services	1,391,650	-	-	121,060	1,512,710
0032 Social Work Services	63,836	-	-	-	63,836
0033 Health Services	602,558	-	-	-	602,558
0034 Student (Pupil) Transportation	1,385,033	-	295,359	95,683	1,776,075
0035 Food Services	770	-	-	2,526,230	2,527,000
0036 Cocurricular/Extracurricular Activities	1,115,933	-	960	-	1,116,893
0041 General Administration	1,449,971	-	-	37,542	1,487,513
0051 Plant Maintenance and Operations	3,743,273	-	23,563	-	3,766,836
0052 Security and Monitoring Services	674,381	-	-	7,011	681,392
0053 Data Processing Services	1,426,166	-	-	25,550	1,451,716
0071 Principal on Long-Term Debt	-	1,328,560	-	-	1,328,560
0072 Interest on Long-Term Debt	-	6,415,613	-	-	6,415,613
0073 Bond Issuance Costs and Fees	-	7,730	-	-	7,730
0081 Capital Outlay	7,500	-	2,892,701	-	2,900,201
0093 Payments to Member Districts of SSA	-	-	-	2,104,900	2,104,900
0095 Payments to Juvenile Justice Alternative	7,728	-	-	-	7,728
0099 Other Intergovernmental Charges	273,574	-	-	-	273,574
6030 <u>Total Expenditures</u>	<u>35,970,063</u>	<u>7,751,903</u>	<u>3,225,012</u>	<u>8,076,293</u>	<u>55,023,271</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,819,301)	494,303	(3,159,632)	(437,447)	(4,922,077)
<b>Other Financing Sources and (Uses):</b>					
7911 Capital-Related Debt Issued (Regular Bonds)	-	-	-	-	-
7915 Operating Transfers In	-	-	-	437,447	437,447
7916 Premium or Discount on Issuance of Bonds	-	-	-	-	-
8911 Operating Transfers Out	(437,447)	-	-	-	(437,447)
8949 Other Uses	-	-	-	-	-
Total Other Financing Sources and (Uses)	<u>(437,447)</u>	<u>-</u>	<u>-</u>	<u>437,447</u>	<u>-</u>
1200 Net Change in Fund Balances	(2,256,748)	494,303	(3,159,632)	-	(4,922,077)
0100 Fund Balances -- Beginning	7,742,056	4,249,563	1,266,401	-	13,258,020
3000 <u>Fund Balances -- Ending</u>	<u>\$ 5,485,308</u>	<u>\$ 4,743,866</u>	<u>\$ (1,893,231)</u>	<u>\$ -</u>	<u>\$ 8,335,943</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

Net Change in Fund Balances -- Total Governmental Funds	\$ (4,922,077)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	3,396,369
In the statement of activities, only the gain on the sale of assets sold is reported. whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of assets sold.	-
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(5,629,642)
Certain property tax revenues are deferred in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	57
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness.	1,328,560
The accretion of interest on capital appreciation bonds is not reported in the funds. This is the amount of increase in accrued interest expense for the year.	(188,968)
Premiums received from the issuance of bonds is recorded in the governmental fund as an other source of current resources. For the statement of net position, these premiums are amortized and a portion recognized as revenue over the life of the bonds.	306,359
Bond interest payable is not reported in the funds. This is the change in bond interest payable during the current fiscal year.	(52,915)
The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position, and amortized over the life of the bonds. This is the amount of change in deferred charge on bond defeasance.	(49,292)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>72,608</u>
Changes in Net Position of Governmental Activities -- Statement of Activities	<u>\$ (5,738,941)</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
June 30, 2014

<u>Data Control Codes</u>		<u>Nonmajor Internal Service Fund</u>
	ASSETS:	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 1,438,275
1260	Due from Other Funds	<u>-</u>
	Total Assets	<u>\$ 1,438,275</u>
	LIABILITIES:	
2110	Accounts Payable	\$ 3,894
2170	Due to Other Funds	<u>207,621</u>
2000	Total Liabilities	<u>211,515</u>
	NET POSITION:	
3900	Unrestricted Net Position	<u>1,226,760</u>
3000	Total Net Position	<u>\$ 1,226,760</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - INTERNAL SERVICE FUND  
For the Year Ended June 30, 2014

<u>Data Control Codes</u>		<u>Nonmajor Internal Service Fund</u>
	OPERATING REVENUES:	
5700	Local and Intermediate Sources	<u>\$ 359,683</u>
5020	Total Revenues	<u>359,683</u>
	OPERATING EXPENSES:	
6200	Professional and Contracted Services	227,234
6400	Other Operating Costs	<u>77,248</u>
6030	Total Expenses	<u>304,482</u>
	Operating Income (Loss)	55,201
	Investment Income	<u>17,407</u>
1300	Change in Net Position	72,608
0100	Total Net Position - Beginning	<u>1,154,152</u>
3300	Total Net Position - Ending	<u>\$ 1,226,760</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2014

	Nonmajor Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ 359,683
Cash Payments to Other Suppliers for Goods and Services	(300,588)
Net Cash Provided (Used) by Operating Activities:	<u>59,095</u>
<u>Cash Flows from Investing Activities:</u>	
Repayment of Interfund Borrowing	(160,036)
Interest Earned on Investment:	17,407
Net Cash Provided (Used) by Investing Activities:	<u>(142,629)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(83,534)
Cash and Cash Equivalents at Beginning of Year	<u>1,521,809</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,438,275</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income (Loss)	\$ 55,201
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	-
Increase (Decrease) in Liabilities:	3,894
Net Cash Provided by (Used for) Operating Activities:	<u>\$ 59,095</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

<u>Data Control Codes</u>		<u>Agency Funds</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 272,111
1250	Accrued Interest	-
		<hr/>
1000	TOTAL ASSETS	<u>\$ 272,111</u>
	LIABILITIES:	
2190	Due to Student Groups	\$ 272,111
		<hr/>
2000	TOTAL LIABILITIES	<u>\$ 272,111</u>

The accompanying notes are an integral part of this statement.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. The District uses an internal service fund to account for the operation of its partially self-funded insurance plan on a cost-reimbursement basis.

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support the District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned 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.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

Unassigned: This classification includes the residual fund balance for the General Fund.

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

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

3. Financial Statement Amounts

a. Deposits and Investments

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

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported value of the pools are the same as the fair value of the pool shares.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property 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<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of June 30, 2014, the amount deemed uncollectible by this estimate was \$556,157. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. Receivable and Payable Balances

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

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

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

e. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

f. Interfund Activity

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

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8  
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies (Continued)

g. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9  
Year Ended June 30, 2014

B. Stewardship, Compliance and Accountability (continued)

2. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, Capital Projects Fund, and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

C. Deposits and Investments

Under Texas state law, the District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect the District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

Cash Deposits

At June 30, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$6,879,137 and the bank balance was \$7,531,528. The District's cash deposits at June 30, 2014 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10  
Year Ended June 30, 2014

C. Deposits and Investments (Continued)

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principle and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
 Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11  
 Year Ended June 30, 2014

C. Deposits and Investments (Continued)

The District's investments at June 30, 2014 included certificates of deposit in the amount of \$80,000 and Investment Pool accounts of \$4,775,347.

The District's investment pools at June 30, 2014 are shown below:

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard &amp; Poor's)</u>	<u>Maturity</u>	<u>Amount</u>
Lone Star-COP	General Fund	AAAf	Wtd Avg Maturity 61 days	\$ 1,493,389
Lone Star-COF	General Fund	AAAm	Wtd Avg Maturity 49 days	1,559,275
Lone Star-GOF	General Fund	AAAm	Wtd Avg Maturity 56 days	28
TexPool	General Fund	AAAm	Wtd Avg Maturity 46 days	1,308,507
TexStar	General Fund	AAAm	Wtd Avg Maturity 50 days	<u>414,148</u>
Total Investment Pools				<u>\$ 4,775,347</u>

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12  
Year Ended June 30, 2014

C. Deposits and Investments (Continued)

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13  
Year Ended June 30, 2014

C. Deposits and Investments (Continued)

e. Foreign Currency Risk

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

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

<u>Government Activities</u>	<u>Balance 07/01/13</u>	<u>Additions</u>	<u>Deletions/ Reclass</u>	<u>Balance 06/30/14</u>
Land	\$ 2,166,232	\$ 4,924	\$ -	\$ 2,171,156
Construction in Progress	242,000	1,803,960	(178,141)	1,867,819
Buildings & Improvements	127,299,373	972,078	178,141	128,449,592
Vehicles	3,813,518	319,136	-	4,132,654
Furniture & Equipment	<u>12,108,074</u>	<u>296,272</u>	-	<u>12,404,346</u>
Total Capital Assets	145,629,197	3,396,370	-	149,025,567
<u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	21,413,333	3,569,516	-	24,982,849
Vehicles	2,404,276	295,782	-	2,700,058
Furniture & Equipment	<u>6,041,177</u>	<u>1,764,344</u>	-	<u>7,805,521</u>
Total Accum. Depreciation	<u>29,858,786</u>	<u>5,629,642</u>	-	<u>35,488,428</u>
Net Capital Assets	<u>\$ 115,770,411</u>	<u>\$(2,233,272)</u>	<u>\$ -</u>	<u>\$ 113,537,139</u>

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14  
Year Ended June 30, 2014

D. Capital Assets (continued)

Depreciation was charges to functions as follows:

11-Instructions	\$ 3,319,813
12-Instructional Resources & Media Services	70,629
13-Curriculum Development	104,969
21-Instructional Leadership	83,678
23-School Leadership	253,913
31-Guidance, Counseling & Evaluation Services	215,128
33-Health Services	85,447
34-Student (Pupil) Transportation	210,539
35-Food Service	360,205
36-Cocurricular/Extracurricular Activities	159,024
41-General Administration	211,353
51-Plant Maintenance & Operations	554,944
	<u>\$ 5,629,642</u>

E. Interfund Balances and Activities

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

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	\$ 514,451	\$ -
Capital Projects Fund	1,536,799	-
Internal Service Funds	<u>194,191</u>	<u>-</u>
<u>Total General Fund</u>	<u>\$ 2,245,441</u>	<u>\$ -</u>
<u>Special Revenue Funds:</u>		
General Fund	-	514,451
Internal Service Fund	<u>13,430</u>	<u>-</u>
<u>Capital Projects Fund:</u>		
General Fund	<u>-</u>	<u>1,536,799</u>
<u>Internal Service Funds:</u>		
General Fund	-	194,191
Special Revenue Fund	<u>-</u>	<u>13,430</u>
<u>Total Internal Service Funds</u>	<u>-</u>	<u>207,621</u>
<u>Total</u>	<u>\$ 2,258,871</u>	<u>\$ 2,258,871</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of special revenue funds and to record interfund balances not paid as of year-end. All amounts due are scheduled to be repaid within one year.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
 Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15  
 Year Ended June 30, 2014

F. Interfund Transfers

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

<u>Fund</u>	<u>Transfers In From Other Funds</u>	<u>Transfers Out To Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	-	437,447
<u>Total General Fund</u>	-	437,447
<u>Special Revenue Funds:</u>		
General Fund	437,447	-
<u>Total</u>	<u>\$ 437,447</u>	<u>\$ 437,447</u>

The District transferred \$437,447 from the General Fund to the Food Service Fund to cover the deficit from food service activities.

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
 Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16  
 Year Ended June 30, 2014

H. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended June 30, 2014, are as follows:

<u>Governmental</u> <u>Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General obligation bonds	\$ 121,463,345	\$ -	\$ 1,328,560	\$ 120,134,785	\$ 1,355,119
Accum Accretion on CAB's	665,626	240,345	51,377	854,594	-
Premium on Bonds	3,663,733	-	306,359	3,357,374	-
Total governmental activities	<u>\$ 125,792,704</u>	<u>\$ 240,345</u>	<u>\$ 1,686,296</u>	<u>\$ 124,346,753</u>	<u>\$ 1,355,119</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u> <u>Of Original</u> <u>Issue</u>	<u>Amount</u> <u>Outstanding</u> <u>6/30/2014</u>
Unlimited Tax School Building Bonds-Series 2006	4.00% to 5.125%	2-15-2032	\$ 28,609,999	\$ 24,485,000
Unlimited Tax School Building Bonds-Series 2009*	5.00% to 6.00%	2-15-2049	78,499,958	78,259,789
Unlimited Tax School Building Bonds-Series 2010	2.00% to 4.00%	2-15-2030	1,500,000	1,370,000
Unlimited Tax Refunding Bonds-Series 2010	2.00% to 4.00%	2-15-2027	8,440,000	7,400,000
Unlimited Tax Refunding Bonds-Series 2013*	2.00% to 4.00%	2-15-2035	8,699,996	8,619,996
				<u>\$ 120,134,785</u>

\* indicates capital appreciation bonds

<u>Capital Appreciation Bonds</u>		
<u>Series</u>	<u>Original</u> <u>Amount</u>	<u>Accreted</u> <u>6/30/2014</u>
2009	\$ 79,789	\$ 907,125
2013	14,996	42,253
		<u>\$ 949,378</u>

2. Debt service requirements on general obligation bonds at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,355,119	\$ 6,447,679	\$ 7,802,798
2016	1,403,907	6,411,115	7,815,022
2017	1,451,728	6,361,915	7,813,643
2018	1,507,275	6,307,628	7,814,903
2019	1,564,511	6,249,181	7,813,692
2020-2024	8,881,627	30,229,123	39,110,750
2025-2029	11,105,601	28,184,693	39,290,294
2030-2034	13,535,017	25,531,896	39,066,913
2035-2039	19,670,000	19,767,850	39,437,850
2040-2044	25,775,000	13,969,850	39,744,850
2045-2049	33,885,000	6,118,863	40,003,863
	<u>\$ 120,134,785</u>	<u>\$ 155,579,793</u>	<u>\$ 275,714,578</u>

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17  
Year Ended June 30, 2014

I. Pension Plan

1. 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 downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. 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 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting 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 exceed the statutory minimum.

<b>Contribution Rates and Contribution Amounts</b>						
<u>Year</u>	<u>Member</u>		<u>State</u>		<u>Statutory Minimum &amp; Federal Grant Amounts</u>	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>		
2014	6.4%	\$ 1,658,051	6.8%	\$ 1,720,855	\$ 262,211	
2013	6.4%	\$ 1,515,292	6.4%	\$ 1,409,857	\$ 191,888	
2012	6.4%	\$ 1,419,333	6.0%	\$ 1,328,828	\$ 187,831	

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS, Page 18  
Year Ended June 30, 2014

J. Health Care Coverage

During the year ended June 30, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$85 per month per employee participating in the plan. Employees, at their option, authorized payroll deductions to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

K. Property/Casualty Insurance

During the year ended June 30, 2014, Lubbock-Cooper ISD participated in the TASB Risk Management Fund's (the Fund's) Auto, Liability, and Property Programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2014, the Fund anticipates that Lubbock-Cooper ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19  
Year Ended June 30, 2014

L. Unemployment Compensation Pool

During the year ended June 30, 2014, Lubbock-Cooper ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool. For the year ended June 30, 2014, the Fund anticipates that Lubbock-Cooper ISD has no additional liability beyond the contractual obligation for payment of contribution.

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

M. Workers' Compensation Pool

During the year ended June 30, 2014, Lubbock-Cooper ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2013, the Fund carries a discounted reserve of \$57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20  
Year Ended June 30, 2014

M. Workers' Compensation Pool (continued)

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

N. School District Retiree Health Plan

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

*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 free 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 0.25% or greater than 0.75% 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 2014-2012.

**Contribution Rates and Contribution Amounts**

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 168,371	1.0%	\$ 258,854	0.55%	\$ 142,468
2013	0.65%	\$ 153,896	0.5%	\$ 118,382	0.55%	\$ 130,227
2012	0.65%	\$ 144,148	1.0%	\$ 221,770	0.55%	\$ 121,975

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
Year Ended June 30, 2014

O. Medicare Part D

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 expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended June 30, 2014, 2013, and 2012 were \$69,731, \$65,093, and \$58,033, respectively.

P. Litigation

There was no litigation pending or in progress against the District at June 30, 2014.

Q. Vacation and Sick Leave Benefits

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

R. Commitments and Contingencies

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

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22  
Year Ended June 30, 2014

S. Shared Service Arrangements

The District participates in a shared services arrangement for the Texas 21<sup>st</sup> Century Learning Grant with the following school districts as the fiscal agent:

Slaton Independent School District  
O'Donnell Independent School District  
Lamesa Independent School District

The District as fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the member districts. The fiscal agent is responsible for all financial activities of the SSA.

T. Subsequent Event

The District issued Unlimited Tax Refunding Bonds-Series 2014, dated August 5, 2014, in the amount of \$22,320,000 which will be used to refund a portion of the Unlimited Tax Building Bonds-Series 2006. The Bonds were delivered September 18, 2014. The first payment will be due February 15, 2015.

The District also issued Unlimited Tax School Building Bonds-Series 2014, dated August 19, 2014, in the amount of \$42,210,000 which will be used for construction projects across the District. The Bonds were delivered September 18, 2014. The first payment will be due February 15, 2015.

U. Deficit Fund Balance – Capital Projects Fund

As of June 30, 2014, the District had proceeded with capital projects which are covered under a subsequent bond issuance. The Bonds were approved by the voters of the District prior to the fiscal year end. However, the bonds were not delivered until after the June 30 year end. This is further discussed in Note T – Subsequent Events.

The Board of Trustees had formally resolved to proceed with this construction using local funds until the receipt of the bond proceeds.

REQUIRED SUPPLEMENTARY INFORMATION

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 18,736,577	\$ 19,391,604	\$ 19,561,335	\$ 169,731
5800	State Program Revenues	15,782,735	15,227,245	14,243,027	(984,218)
5900	Federal Program Revenues	250,000	250,000	346,400	96,400
5020	Total Revenues	<u>34,769,312</u>	<u>34,868,849</u>	<u>34,150,762</u>	<u>(718,087)</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	21,044,876	20,548,436	20,537,642	10,794
0012	Instructional Resources and Media Services	542,217	531,670	497,598	34,072
0013	Curriculum Dev. & Instructional Staff Dev.	750,472	638,732	625,955	12,777
0021	Instructional Leadership	405,409	405,214	376,358	28,856
0023	School Leadership	1,773,663	1,790,311	1,790,137	174
0031	Guidance, Counseling & Evaluation Services	1,193,899	1,395,740	1,391,650	4,090
0032	Social Work Services	79,172	79,172	63,836	15,336
0033	Health Services	615,282	610,910	602,558	8,352
0034	Student (Pupil) Transportation	999,289	1,389,289	1,385,033	4,256
0035	Food Services	-	1,200	770	430
0036	Curricular/Extracurricular Activities	1,127,475	1,122,535	1,115,933	6,602
0041	General Administration	1,406,821	1,452,421	1,449,971	2,450
0051	Plant Maintenance and Operations	3,655,535	3,744,535	3,743,273	1,262
0052	Security and Monitoring Services	582,339	675,508	674,381	1,127
0053	Data Processing Services	1,431,271	1,430,271	1,426,166	4,105
0081	Capital Outlay	512,995	7,500	7,500	-
0095	Payments to Juvenile Justice Alternative	20,000	8,000	7,728	272
0099	Other Intergovernmental Charges	272,622	273,872	273,574	298
6030	Total Expenditures	<u>36,413,337</u>	<u>36,105,316</u>	<u>35,970,063</u>	<u>135,253</u>
	Other Financing Sources (Uses):				
8911	Operating Transfers Out	-	(440,000)	(437,447)	2,553
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>(440,000)</u>	<u>(437,447)</u>	<u>2,553</u>
1200	Net Change in Fund Balance	(1,644,025)	(1,676,467)	(2,256,748)	(580,281)
0100	Fund Balance - Beginning	<u>7,742,056</u>	<u>7,742,056</u>	<u>7,742,056</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 6,098,031</u>	<u>\$ 6,065,589</u>	<u>\$ 5,485,308</u>	<u>\$ (580,281)</u>

## OTHER SUPPLEMENTARY INFORMATION

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended June 30, 2014

Last Ten Years Ended	1	2	3			10	20	31	32	40	50
	Tax Rates			Assessed/Appraised Value for School	Beginning Balance	Current Year's Total Levy	Maintenance Total	Debt Service Total	Entire Year's Adjustments	Ending Balance	
	Maintenance	Debt Service	Total	Tax Purposes	07/01/13		Collections	Collections			
August 31*											
2005 and Prior Years	Various	Various	Various	--	\$ 95,195	\$ -	\$ 1,570	\$ 135	\$ (10,896)	\$ 82,594	
2006	1.39700	0.12000	1.5170	604,106,550	31,370	-	963	83	(1,437)	28,887	
2007	1.27870	0.29000	1.5687	800,703,579	38,679	-	1,899	431	(1,392)	34,957	
2008	1.04000	0.24500	1.2850	874,781,340	32,475	-	1,334	314	(1,391)	29,436	
2009	1.04000	0.24500	1.2850	1,075,560,481	34,551	-	1,834	432	(2,202)	30,083	
2010	1.04000	0.45900	1.4990	1,518,196,058	67,459	-	5,293	2,336	(1,551)	58,279	
2011	1.04000	0.45900	1.4990	1,988,488,846	80,126	-	5,681	2,508	(2,124)	69,813	
2012	1.04000	0.45900	1.4990	2,355,561,538	104,146	-	19,177	8,464	(7,636)	68,869	
2013	1.04000	0.45900	1.4990	1,737,742,028	429,956	-	193,089	85,219	(42,016)	109,632	
2014-School Year Under Audit	1.04000	0.44000	1.4800	1,858,221,149	-	27,501,673	19,038,335	8,054,680	3,176	411,834	
1000	TOTALS				\$ 913,957	\$ 27,501,673	\$ 19,269,175	\$ 8,154,602	\$ (67,469)	\$ 924,384	

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:  
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:  
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:  
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 6/30/14

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION ON INDIRECT COST FOR 2015-2016  
GENERAL AND SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2014

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscellaneous	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 249,741	\$ 787,010	\$ -	\$ 7,897	\$ 1,044,648
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				-			-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)				-			-
6211	Legal Services	-	-	100,266	-	-	-	100,266
6212	Audit Services				26,350			26,350
6213	Tax Appraisal and Collection		295,072					295,072
621X	Other Prof. Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	15,050	9,863	-	-	24,913
6240	Contr. Maint. And Repair							-
6250	Utilities					5,183		5,183
6260	Rentals	-	-	-	3,630	-	-	3,630
6290	Miscellaneous Contr.	12,438	-	949	71,738	-	-	85,125
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	13,469	-	3,573	21,564	-	-	38,606
6410	Travel, Subsistence, Stipends	7,955	-	6,247	-	-	26,018	40,220
6420	Ins. and Bonding Costs	-	-	-	12,833	-	-	12,833
6430	Election Costs	25,776						25,776
6490	Miscellaneous Operating	450	-	5,436	52,578	-	-	58,464
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 60,088	\$ 295,072	\$ 381,262	\$ 985,566	\$ 5,183	\$ 33,915	\$ 1,761,086

Total expenditures for General and Special Revenue Funds (9) 44,046,356

LESS: Deductions of Unallowable Costs:

FISCAL YEAR

Total Capital Outlay (6600)	(10)	208,310	
Total Debt & Lease (6500)	(11)	-	
Plant Maintenance (Function 51, 6100-6400)	(12)	3,733,273	
Food (Function 35, 6341 and 6499)	(13)	974,315	
Stipends (6413)	(14)	5,555	
Column 4 (above) - Total Indirect Cost		<u>985,566</u>	
			<u>5,907,019</u>

Net Allowed Direct Cost \$ 38,139,337

CUMULATIVE

Total Cost of Buildings Before Depreciation	(15)	128,449,592
Historical Cost of Buildings over 50 Years Old	(16)	-
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	16,537,000
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	928,089
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) Note A - No Function 53 expenditures and \$273,574 of Function 99 expenditures are included in this report for administrative costs.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF JUNE 30, 2014

Data Control Code	Explanation	Amount
1	Total General Fund Balance 6/30/14 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 5,485,308</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund Only)	<u>11,908</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1- total of object 345X-349X for the General Fund only)	<u>-</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1- total of object 351X-354X for the General Fund only)	<u>525,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1- total of object 355X-359X for the General Fund only)	<u>-</u>
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	<u>4,995,842</u>
7	Estimate of two month's average cash disbursements during the fiscal year	<u>5,995,011</u>
8	Estimate of delayed payments from state sources (58XX)	<u>-</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>-</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>650,000</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-</u>
12	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)	<u>\$ 12,177,761</u>
13	Excess/(Deficit) Unassigned General Fund Fund Balance (1 - 12)	<u>\$ (6,692,453)</u>

**If item 13 is a positive number**

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

(UNAUDITED)

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

EXHIBIT J-4

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2014

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:			
5700	\$ 7,772,505	\$ 8,246,206	\$ 473,701
5020	<u>7,772,505</u>	<u>8,246,206</u>	<u>473,701</u>
EXPENDITURES:			
Current:			
Debt Service			
0071	1,328,560	1,328,560	-
0072	6,415,613	6,415,613	-
0073	8,000	7,730	270
	<u>7,752,173</u>	<u>7,751,903</u>	<u>270</u>
6030	<u>7,752,173</u>	<u>7,751,903</u>	<u>270</u>
Other Financing Sources (Uses):			
7915	-	-	-
7917	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
1200	20,332	494,303	473,971
0100	<u>4,249,563</u>	<u>4,249,563</u>	<u>-</u>
3000	<u>\$ 4,269,895</u>	<u>\$ 4,743,866</u>	<u>\$ 473,971</u>

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

EXHIBIT J-5

CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2014

Data Control Codes	1	2	3 Variance with Final Budget Positive (Negative)	
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	
REVENUES:				
5700	Local and Intermediate Sources	\$ 60,000	\$ 65,380	\$ 5,380
5020	Total Revenues	<u>60,000</u>	<u>65,380</u>	<u>5,380</u>
EXPENDITURES:				
Current:				
0011	Instruction & Instructional Related Services	12,750	12,429	321
0012	Instructional Resources and Media Services	-	-	-
0034	Student (Pupil) Transportation	300,000	295,359	4,641
0036	Cocurricular/Extracurricular Activities	1,000	960	40
0041	General Administration	-	-	-
0051	Plant Maintenance and Operations	25,000	23,563	1,437
Capital Outlay:				
0081	Capital Outlay:	<u>2,950,000</u>	<u>2,892,701</u>	<u>57,299</u>
6030	Total Expenditures	<u>3,288,750</u>	<u>3,225,012</u>	<u>63,738</u>
1200	Net Change in Fund Balance	(3,228,750)	(3,159,632)	69,118
0100	Fund Balance - Beginning	<u>1,266,401</u>	<u>1,266,401</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ (1,962,349)</u>	<u>\$ (1,893,231)</u>	<u>\$ 69,118</u>

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

EXHIBIT J-6

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2014

Data Control Codes	1	2	3
	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 1,060,770	\$ 1,060,969	\$ 199
5800 State Program Revenues	12,600	11,751	(849)
5900 Federal Program Revenues	1,017,046	1,016,063	(983)
5020 Total Revenues	<u>2,090,416</u>	<u>2,088,783</u>	<u>(1,633)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services-Student (Pupil):			
0035 Food Services	<u>2,530,416</u>	<u>2,526,230</u>	<u>4,186</u>
Total Support Services - Student (Pupil)	<u>2,530,416</u>	<u>2,526,230</u>	<u>4,186</u>
6030 Total Expenditures	<u>2,530,416</u>	<u>2,526,230</u>	<u>4,186</u>
Other Financing Sources (Uses):			
7915 Operating Transfers In	<u>440,000</u>	<u>437,447</u>	<u>(2,553)</u>
Total Other Financing Sources and (Uses)	<u>440,000</u>	<u>437,447</u>	<u>(2,553)</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - Beginning	-	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Terry & King, CPAs, P.C.

4216 102<sup>nd</sup>  
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## Independent Auditors' Report

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

Board of Trustees  
Lubbock-Cooper Independent School District  
16302 Loop 493  
Lubbock, Texas 79423-7805

Members of the Board of Trustees:

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, each major fund, and the aggregate remaining fund information of the Lubbock-Cooper Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lubbock-Cooper Independent School District's basic financial statements, and have issued our report thereon dated November 17, 2014.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Lubbock-Cooper Independent School 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 Lubbock-Cooper Independent School District's internal control.

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

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



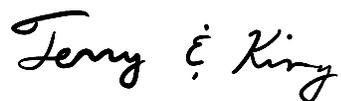
***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Lubbock-Cooper Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
November 17, 2014

# Terry & King, CPAs, P.C.

4216 102<sup>nd</sup>  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report

### REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees  
Lubbock-Cooper Independent School District  
16302 Loop 493  
Lubbock, Texas 79423-7805

Members of the Board of Trustees:

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

We have audited the Lubbock-Cooper Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. Lubbock-Cooper Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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



**Opinion on Each Major Federal Program**

In our opinion, Lubbock-Cooper Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

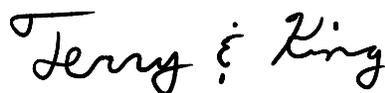
Management of Lubbock-Cooper Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control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

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

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

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

Respectfully submitted,



Terry & King, CPAs, P.C.  
Lubbock, Texas  
November 17, 2014

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2014

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified that  
are not considered to be material  
weaknesses?      Yes   X   None Reported

Noncompliance material to financial  
Statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:  
Material weakness(es) identified?      Yes   X   No

Significant deficiencies identified that  
are not considered to be material  
weaknesses?      Yes   X   None Reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
To be reported in accordance with section  
510(a) of Circular A-133?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool
93.778	Medicare/Medicaid Reimbursement
10.555	National School Lunch Program
10.553	School Breakfast Program
10.565	Commodity Supplemental Food Program

Dollar threshold used to distinguish between  
type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

SUMMARY OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2014

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2014

Not Applicable – None Required

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title 1, Part A - Improving Basic Programs	84.010A	14610101152906	\$ 277,883
IDEA-B Formula*	84.027A	146600011529066	552,163
Carl D. Perkins - Basic Grant	84.048A	14420006152906	30,266
Education for Homeless Children & Youth	84.196A	1467100271210	23,401
IDEA-B, Preschool*	84.173A	146610011529066	9,386
Title IV, Part B - 21st Century Community Learning Centers	84.287C	146950167110027	4,185,187
English Language Acquisition	84.365	14671001152950	8,550
Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	14694501152906	73,539
Medicare/Medicaid Reimbursemen	93.778	--	346,400
Total U.S. Department of Education			<u>5,506,775</u>
<u>U.S. Department of Commerce</u>			
Measurement & Engineering Research & Standard	11.609	--	4,000
Total U.S. Department of Commerce			<u>4,000</u>
<u>U.S. Department of Justice</u>			
Public Safety Partnership & Community Policing Grant	16.710	--	29,296
Total U.S. Department of Justice			<u>29,296</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71301401	695,944
School Breakfast Program*	10.553	71401401	189,049
Commodity Supplemental Food Program*	10.565	--	131,070
Total U.S. Department of Agriculture			<u>1,016,063</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 6,556,134</u>

\* - Indicates a cluster program under OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lubbock-Cooper Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LUBBOCK-COOPER INDEPENDENT SCHOOL DISTRICT  
Lubbock, Texas

SCHOOLS FIRST QUESTIONNAIRE  
For the Year Ended June 30, 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unqualified opinion on the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 854,594