

Sharyland

Independent School District



*Audited Annual Financial Report
&
Independent Auditor's Report*

August 31, 2012

**SHARYLAND INDEPENDENT
SCHOOL DISTRICT**

August 31, 2012

Board Of Trustees

Dr. Noe Oliveira	President
Fernando Ramirez	Vice President
Dr. Noel O. Garza	Secretary
Ricky Longoria, CPA	Assistant Secretary
Juan F. Zuniga	Member
Rolando Peña	Member
Eddie Montalvo	Member

Superintendent

Dr. Virginia Richter

Assistant Superintendent for Business and Finance

Jessie Muñiz

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SHARYLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2012

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CERTIFICATE OF BOARD

Sharyland Independent School District
Name of School District

Hidalgo
County

108-911
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 15 th of January, 2013.

Noe E. Olivares
Signature of Board President

Neil J...
Signature of Board Secretary

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

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Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
Sharyland Independent School District

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sharyland ISD (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sharyland ISD as of August 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the General Fund-Budgetary Comparison Schedule on pages 3 through 12 and 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Sharyland ISD's basic financial statements. The accompanying 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Reyna & Garza, PLLC
Certified Public Accountants

December 8, 2012

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

As management of the Sharyland Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2012. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent period by \$58,807,259 (*net assets*). Of this amount \$5,551,362 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, The District's governmental funds reported combined ending fund balances of \$71,885,018. Approximately 22.2 percent of this total amount, \$15,987,609 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$15,987,609 or 23 percent of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

statements can be found on pages 13-15 of this report.

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

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

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 16-19 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has one *business-type activity* or *enterprise fund*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

functions. The District uses the *internal service fund* to report activities for its self-funded insurance program and print shop. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

The Governmental Accounting Standard Board (GASB) Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification.

Previously, fund balance was classified as ‘reserved’ or ‘unreserved’. GASB 54 will change how fund balance is reported. The hierarchy of five possible classifications is as follows:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The five classifications of fund balance of the governmental types are defined as follows:

1. Nonspendable fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use (such as the self-funded reserves program).

Examples of nonspendable fund balance reserves for which fund balance shall not be available for financial general operating expenditures include:

- Inventories
 - Prepaid items
 - Deferred expenditures
 - Long-term receivables
 - Outstanding encumbrances
2. Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

Examples of restricted fund balances include:

- Child nutrition programs
- Technology programs
- Construction programs
- Resources from other granting agencies

3. Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Board.

Examples include:

- Potential litigation, claims and judgments
- Campus activity funds

4. Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board.

In current practice such plans or intent may change and may never be budgeted, or may result in expenditures in future periods of time.

Examples include:

- Insurance deductibles
- Program start-up costs
- Other legal uses

5. Unassigned fund balance shall include amounts available for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

The unassigned fund balance shall be the difference between the total fund balance and the total of the nonspendable fund balance, restricted fund balance, committed fund balance and assigned fund balance.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 47-52 of this report.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$58,807,259 as of August 31, 2012 and by \$55,637,036 as of August 31, 2011.

	Governmental Activities		Business- Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 81,481,869	\$ 29,724,897	\$ 91,998	\$ 105,809	\$ 81,573,867	\$ 29,830,706
Noncurrent assets	121,911,768	122,393,410	183,069	135,716	122,094,837	\$ 122,529,126
Total Assets	203,393,637	152,118,307	275,067	241,525	203,668,704	152,359,832
Current liabilities	5,362,995	12,721,253	4,778	4,004	5,367,773	12,725,257
Long-term liabilities:	139,493,672	83,997,540	-	-	139,493,672	83,997,540
Total Liabilities	144,856,667	96,718,793	4,778	4,004	144,861,445	96,722,797
Net Assets:						
Invested in capital assets	51,366,143	39,666,081	183,069	135,716	51,549,212	39,801,797
Restricted	1,706,685	2,132,945	-	-	1,706,685	2,132,945
Unrestricted	5,464,142	13,600,489	87,220	101,805	5,551,362	13,702,294
Total Net Assets	\$ 58,536,970	\$ 55,399,515	\$ 270,289	\$ 237,521	\$ 58,807,259	\$ 55,637,036

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$51,549,212 as of August 31, 2012 and \$39,801,797 as of August 31, 2011. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (less than 2.9% in 2012 and 3.8% in 2011) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,551,362 in 2012) and (\$13,702,294 in 2011) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net assets increased by \$3,137,455 in 2012 and increased by \$2,635,478 in 2011. The total cost of all *governmental activities* these years was \$87,330,449 in 2012 and \$87,028,984 in 2011. The amount that our taxpayers paid for these activities through property taxes was \$30,345,308 or 34.7% in 2012 and \$29,494,417 or 33.8% in 2011.

Business activities. The District's total net assets increased of \$32,768 in 2012 and \$11,385 in 2011. The total cost of all *business activities* these years was \$168,935 in 2012 and \$170,649 in 2011.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

	Changes in the District's Net Assets					
	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues						
Charges for services	\$ 2,060,276	\$ 2,334,020	\$ 201,703	\$ 207,034	\$ 2,261,979	\$ 2,541,054
Op.grants and contributions	15,316,130	11,297,199	-	-	15,316,130	11,297,199
General revenues						
Property Taxes	30,345,308	29,494,417	-	-	30,345,308	29,494,417
State grants	42,836,317	46,558,958	-	-	42,836,317	46,558,958
Other	(90,127)	(45,133)	-	-	(90,127)	(45,133)
Transfers in (out), net	-	25,000	-	(25,000)	-	-
Total Revenues	90,467,904	89,664,461	201,703	182,034	90,669,607	89,846,495
EXPENSES						
Instruction	47,128,855	47,834,226	46,840	43,576	47,175,695	47,877,802
Instr.Resources & Media Svcs.	1,049,792	1,457,949	-	-	1,049,792	1,457,949
Curriculum and Staff Dev.	712,841	741,259	-	-	712,841	741,259
Instructional Leadership	1,374,226	1,237,796	-	-	1,374,226	1,237,796
School Leadership	3,964,119	4,134,165	27,475	29,080	3,991,594	4,163,245
Guidance, Counseling & Eval.Svcs.	3,461,164	3,453,514	-	-	3,461,164	3,453,514
Social Work Services	48,334	46,645	-	-	48,334	46,645
Health Services	529,806	785,848	-	-	529,806	785,848
Student Transportation	2,989,084	2,955,114	-	-	2,989,084	2,955,114
Food Services	4,378,508	4,824,373	-	-	4,378,508	4,824,373
Extracurricular Activities	4,193,666	4,537,010	-	-	4,193,666	4,537,010
General Administration	2,236,197	2,034,648	-	-	2,236,197	2,034,648
Plant Maintenance and Operations	8,328,922	7,998,685	-	-	8,328,922	7,998,685
Security and Monitoring Services	820,117	699,781	-	-	820,117	699,781
Data Processing Services	718,771	607,759	-	-	718,771	607,759
Community Services	36,574	290,129	94,620	97,993	131,194	388,122
Interest on long-term	4,987,271	2,867,859	-	-	4,987,271	2,867,859
Amortization	46,687	193,703	-	-	46,687	193,703
Payments to JJAEP	-	13,114	-	-	-	13,114
Other Governmental Charges	325,515	315,406	-	-	325,515	315,406
Total Expenses	87,330,449	87,028,983	168,935	170,649	87,499,384	87,199,632
Total Increase in Net Assets	3,137,455	2,635,478	32,768	11,385	3,170,223	2,646,863
Beginning, Net Assets	55,399,515	52,764,037	237,521	226,136	55,637,036	52,990,173
Ending, Net Assets	\$ 58,536,970	\$ 55,399,515	\$ 270,289	\$ 237,521	\$ 58,807,259	\$ 55,637,036

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$71,885,018, an increase of \$54,740,093. Approximately 22.2 percent of this total amount (\$15,987,609) constitutes *unassigned fund balance*. The remainder of fund balance is *reserved* or *committed* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$183,356), 2) to pay debt service (\$642,706), 3) for

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

prepaid items (\$267,286), and 4) for other miscellaneous restrictions and other committed (\$54,804,061).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,987,609 while the total fund balance was \$16,777,548. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 20 percent of the total general fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balance of the District's general fund increased by \$1,941,680 during the current fiscal year due primarily to the following:

- District and campus administrators' tighter controls on expenditures.
- Increase in property values which resulted in a higher tax levy and increase in tax collections
- With the increase in the student population, state supported program revenues also increased.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at August 31, 2012, amounted to \$1,305,178. During the year the funds had an increase in net assets of \$387,729.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved budget revisions on an operating basis. The major amendments fall into the following categories:

- Amendments to revise estimates for local and state revenue based on the latest information on student attendance numbers and favorable current and delinquent tax collection rates.
- Amendments throughout the year for in-house maintenance and security.
- Amendments during the year for unexpected occurrences.
- Amendments throughout the year for renovation/construction projects.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	\$ 862,122
State Program Revenues	6,200
Federal Progeam Revenues	78,738

Following is a summary of amendments made to increase (decrease) appropriations:

Instructional and Instructional Related Services	\$ (971,054)
Instructional and School Leadership	111,012
Support Services -Student (Pupil)	90,496
Administrative Support Services	50,000
Support Services - Non Student Based	262,022
Ancillary Services	(700)
Debt Services	5,000
Capital Outlay	1,400,284

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2012, amounts to \$122,529,126 (net of accumulated depreciation), an increase of 5% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

District's Capital Assets (net of depreciation)		
	<u>2012</u>	<u>2011</u>
Land	\$ 11,949,652	\$ 11,949,652
Buildings and improvements	100,945,258	104,257,152
Furniture and equipment	7,092,458	6,186,607
Construction in Progress	1,924,400	-
Total capital assets	<u>\$ 121,911,768</u>	<u>\$ 122,393,411</u>

Additional information on the District's capital assets can be found in Note 2-D on page 37 of this report.

Long-term debt. At the end of August 31, 2012, the District had total bonded debt outstanding of \$125,511,756, a net increase of \$49,121,763 from the prior year.

The District's bonds have received a rating of "Aaa" by Moody's by virtue of the guarantee of the Permanent School fund of the State of Texas. The presently outstanding tax supported debt of the District is rated "A2" by Moody's and "A" by Fitch Ratings. The District also has issues outstanding which are rated "Aaa" by Moody's and "A" by Fitch Ratings by virtue of the guarantee of the Permanent School Fund of the State of Texas.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$289,841,180, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 2-F on page 39 of this report.

Economic Factors and Next Year's Budgets and Rates

- Previously very rapid enrollment growth has subsided to a more sustainable pace, and anticipated future enrollment gains should position the district for additional state funding growth. The District's budget was prepared using a 1.5% growth assumption.
- Taxable assessed valuation continues to register gains due to primarily to ongoing residential and commercial development. Although taxable assessed valuation growth has slowed since the pre-recession double-digit rates, the community's existing infrastructure, attractive master planned communities, and strength of our school system position the District for continued growth. The District taxable value for 2013 experienced modest 2.95% growth when compared to 2012.
- The District has estimated revenues and appropriated expenditures in the 2012-13. General Fund officially adopted budget of \$77,272,231.

Independent Audit

The Texas Education Code, as well as our District policy, requires an annual audit of the District's financial statements by independent certified public accountants selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the financial audit was designed to also meet the requirements of the federal Single Audit Act Amendments of 1996 and the provisions of OMB Circular A-133, Audits of State, Local governments and Non-Profit Organizations. The independent auditors' report on the basic financial statements, required supplementary information, and other schedules are included in the financial sections of this report.

Awards

The Financial Integrity Rating System of Texas (FIRST) program, a financial accountability system for Texas school districts was developed by the Texas Education Agency in response to Senate bill 875 of the 76th Texas Legislature in 1999. The primary goal of FIRST is to achieve quality performance in the management of school district financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school financial system. The District has been awarded the "Superior Achievement" rating under FIRST since the inception of the ratings. The "Superior Achievement" rating is the state's highest financial rating, demonstrating the quality of Sharyland ISD sound fiscal management.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2012**

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Sharyland Independent School District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Jesse Muniz
Assistant Superintendent for Business and Finance
Sharyland ISD
1106 N. Shary Road
Mission, Texas 78572

SHARYLAND ISD
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Data Control Codes	1	2	3
	Governmental Activities	Primary Government Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 9,437,978	\$ 95,941	\$ 9,533,919
1120 Current Investments	65,957,269	-	65,957,269
1220 Property Taxes Receivable (Delinquent)	2,739,622	-	2,739,622
1230 Allowance for Uncollectible Taxes	(1,675,624)	-	(1,675,624)
1240 Due from Other Governments	3,101,812	-	3,101,812
1260 Internal Balances	3,943	(3,943)	-
1267 Due from Fiduciary Funds	63,274	-	63,274
1290 Other Receivables, net	91,974	-	91,974
1300 Inventories	262,971	-	262,971
1410 Deferred Expenses	267,286	-	267,286
1420 Capitalized Bond and Other Debt Issuance Costs	1,231,364	-	1,231,364
Capital Assets:			
1510 Land	11,949,652	-	11,949,652
1520 Buildings, Net	100,945,258	-	100,945,258
1530 Furniture and Equipment, Net	7,092,458	183,069	7,275,527
1580 Construction in Progress	1,924,400	-	1,924,400
1000 Total Assets	<u>203,393,637</u>	<u>275,067</u>	<u>203,668,704</u>
LIABILITIES			
2110 Accounts Payable	1,839,364	-	1,839,364
2140 Interest Payable	165,088	-	165,088
2150 Payroll Deductions & Withholdings	151,367	-	151,367
2160 Accrued Wages Payable	1,931,817	4,778	1,936,595
2200 Accrued Expenses	577,208	-	577,208
2300 Deferred Revenues	698,151	-	698,151
Noncurrent Liabilities			
2501 Due Within One Year	3,176,197	-	3,176,197
2502 Due in More Than One Year	136,317,475	-	136,317,475
2000 Total Liabilities	<u>144,856,667</u>	<u>4,778</u>	<u>144,861,445</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	51,366,143	183,069	51,549,212
Restricted for:			
3820 Restricted for Federal and State Programs	378,281	-	378,281
3850 Restricted for Debt Service	642,706	-	642,706
3870 Restricted for Campus Activities	243,409	-	243,409
3890 Restricted for Other Purposes	442,289	-	442,289
3900 Unrestricted Net Assets	5,464,142	87,220	5,551,362
3000 Total Net Assets	<u>\$ 58,536,970</u>	<u>\$ 270,289</u>	<u>\$ 58,807,259</u>

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

**SHARYLAND ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 47,128,855	\$ 277,742	\$ 7,266,777
12 Instructional Resources and Media Services	1,049,792	-	86,943
13 Curriculum and Staff Development	712,841	-	115,870
21 Instructional Leadership	1,374,226	-	174,666
23 School Leadership	3,964,119	-	251,429
31 Guidance, Counseling and Evaluation Services	3,461,164	-	1,107,550
32 Social Work Services	48,334	-	2,826
33 Health Services	529,806	-	39,107
34 Student (Pupil) Transportation	2,989,084	-	108,515
35 Food Services	4,378,508	1,608,246	4,235,193
36 Extracurricular Activities	4,193,666	174,288	196,457
41 General Administration	2,236,197	-	91,762
51 Facilities Maintenance and Operations	8,328,922	-	417,589
52 Security and Monitoring Services	820,117	-	3,051
53 Data Processing Services	718,771	-	25,633
61 Community Services	36,574	-	41,181
72 Debt Service - Interest on Long Term Debt	4,987,271	-	-
73 Debt Service - Bond Issuance Cost and Fees	46,687	-	-
81 Capital Outlay	-	-	1,151,581
99 Other Intergovernmental Charges	325,515	-	-
[TG] Total Governmental Activities:	<u>87,330,449</u>	<u>2,060,276</u>	<u>15,316,130</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	64,139	74,857	-
02 Enterprise Funds - Locally Defined	31,738	18,861	-
03 Enterprise Funds - Locally Defined	34,532	49,387	-
04 Enterprise Funds - Locally Defined	38,526	58,598	-
[TB] Total Business-Type Activities:	<u>168,935</u>	<u>201,703</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 87,499,384</u>	<u>\$ 2,261,979</u>	<u>\$ 15,316,130</u>
Data Control Codes	General Revenues:		
MT	Taxes:		
DT	Property Taxes, Levied for General Purposes		
GC	Property Taxes, Levied for Debt Service		
IE	Grants and Contributions not Restricted		
MI	Investment Earnings		
TR	Miscellaneous Local and Intermediate Revenue		
	Total General Revenues		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
NE	Net Assets--Ending		

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (39,584,336)	\$ -	\$ (39,584,336)
(962,849)	-	(962,849)
(596,971)	-	(596,971)
(1,199,560)	-	(1,199,560)
(3,712,690)	-	(3,712,690)
(2,353,614)	-	(2,353,614)
(45,508)	-	(45,508)
(490,699)	-	(490,699)
(2,880,569)	-	(2,880,569)
1,464,931	-	1,464,931
(3,822,921)	-	(3,822,921)
(2,144,435)	-	(2,144,435)
(7,911,333)	-	(7,911,333)
(817,066)	-	(817,066)
(693,138)	-	(693,138)
4,607	-	4,607
(4,987,271)	-	(4,987,271)
(46,687)	-	(46,687)
1,151,581	-	1,151,581
(325,515)	-	(325,515)
<u>(69,954,043)</u>	<u>-</u>	<u>(69,954,043)</u>
-	10,718	10,718
-	(12,877)	(12,877)
-	14,855	14,855
-	20,072	20,072
<u>-</u>	<u>32,768</u>	<u>32,768</u>
<u>(69,954,043)</u>	<u>32,768</u>	<u>(69,921,275)</u>
26,304,193	-	26,304,193
4,041,115	-	4,041,115
42,836,317	-	42,836,317
118,652	-	118,652
(208,779)	-	(208,779)
<u>73,091,498</u>	<u>-</u>	<u>73,091,498</u>
3,137,455	32,768	3,170,223
55,399,515	237,521	55,637,036
<u>\$ 58,536,970</u>	<u>\$ 270,289</u>	<u>\$ 58,807,259</u>

SHARYLAND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 6,464,250	\$ 11,382	\$ 1,192,262	\$ 7,667,894
1120 Investments - Current	11,869,237	53,696,566	391,466	65,957,269
1220 Property Taxes - Delinquent	2,389,695	-	349,927	2,739,622
1230 Allowance for Uncollectible Taxes (Credit)	(1,476,248)	-	(199,376)	(1,675,624)
1240 Receivables from Other Governments	1,630,224	-	1,471,588	3,101,812
1260 Due from Other Funds	2,471,739	-	191,900	2,663,639
1290 Other Receivables	207	-	22	229
1300 Inventories	105,490	-	157,481	262,971
1410 Deferred Expenditures	267,286	-	-	267,286
1000 Total Assets	<u>\$ 23,721,880</u>	<u>\$ 53,707,948</u>	<u>\$ 3,555,270</u>	<u>\$ 80,985,098</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 1,527,183	\$ -	\$ 304,152	\$ 1,831,335
2150 Payroll Deductions and Withholdings Payable	151,367	-	-	151,367
2160 Accrued Wages Payable	1,858,140	-	73,677	1,931,817
2170 Due to Other Funds	1,558,128	-	979,660	2,537,788
2300 Deferred Revenues	1,849,514	-	798,259	2,647,773
2000 Total Liabilities	<u>6,944,332</u>	<u>-</u>	<u>2,155,748</u>	<u>9,100,080</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	105,490	-	77,866	183,356
3425 Endowment Principal	-	-	110,000	110,000
3430 Prepaid Items	267,286	-	-	267,286
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	642,706	642,706
3490 Other Restricted Fund Balance	417,163	53,707,948	325,541	54,450,652
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	243,409	243,409
3600 Unassigned Fund Balance	15,987,609	-	-	15,987,609
3000 Total Fund Balances	<u>16,777,548</u>	<u>53,707,948</u>	<u>1,399,522</u>	<u>71,885,018</u>
4000 Total Liabilities and Fund Balances	<u>\$ 23,721,880</u>	<u>\$ 53,707,948</u>	<u>\$ 3,555,270</u>	<u>\$ 80,985,098</u>

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

SHARYLAND ISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012

Total Fund Balances - Governmental Funds	\$ 71,885,018
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.	1,217,958
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$ 159,461,183 and the accumulated depreciation was \$37,549,415.	121,911,768
3 Long-term debt including bond premiums , gains and losses on bonds, bond accretions and bond discounts at the end of the year.	(139,493,672)
4 Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds	1,949,622
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue as revenue, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	1,066,276
19 Net Assets of Governmental Activities	\$ 58,536,970

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

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 27,382,464	\$ 60,329	\$ 5,986,484	\$ 33,429,277
5800 State Program Revenues	43,207,573	-	2,683,230	45,890,803
5900 Federal Program Revenues	708,167	-	9,906,774	10,614,941
5020 Total Revenues	<u>71,298,204</u>	<u>60,329</u>	<u>18,576,488</u>	<u>89,935,021</u>
EXPENDITURES:				
Current:				
0011 Instruction	39,424,862	-	5,539,303	44,964,165
0012 Instructional Resources and Media Services	953,899	-	47,302	1,001,201
0013 Curriculum and Instructional Staff Development	598,815	-	114,026	712,841
0021 Instructional Leadership	1,251,638	-	121,164	1,372,802
0023 School Leadership	3,828,235	-	74,319	3,902,554
0031 Guidance, Counseling and Evaluation Services	2,464,678	-	995,772	3,460,450
0032 Social Work Services	47,587	-	747	48,334
0033 Health Services	517,844	-	11,962	529,806
0034 Student (Pupil) Transportation	2,627,514	-	413	2,627,927
0035 Food Services	-	-	4,235,193	4,235,193
0036 Extracurricular Activities	3,662,727	-	109,264	3,771,991
0041 General Administration	2,145,527	-	22,318	2,167,845
0051 Facilities Maintenance and Operations	7,853,616	6,895	420,247	8,280,758
0052 Security and Monitoring Services	809,370	-	3,051	812,421
0053 Data Processing Services	647,620	-	4,290	651,910
0061 Community Services	253	-	36,321	36,574
Debt Service:				
0071 Principal on Long Term Debt	899,000	-	2,058,237	2,957,237
0072 Interest on Long Term Debt	158,632	-	4,609,195	4,767,827
0073 Bond Issuance Cost and Fees	1,100	244,830	115,845	361,775
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,078,956	1,346,821	1,154,246	3,580,023
Intergovernmental:				
0099 Other Intergovernmental Charges	325,515	-	-	325,515
6030 Total Expenditures	<u>69,297,388</u>	<u>1,598,546</u>	<u>19,673,215</u>	<u>90,569,149</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,000,816</u>	<u>(1,538,217)</u>	<u>(1,096,727)</u>	<u>(634,128)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	51,185,000	7,790,000	58,975,000
7912 Sale of Real and Personal Property	960	-	-	960
7915 Transfers In	3,579,418	-	191,900	3,771,318
7916 Premium or Discount on Issuance of Bonds	-	4,061,165	509,351	4,570,516
8911 Transfers Out (Use)	(3,645,880)	-	(127,438)	(3,773,318)
7956 Insurance Recovery	6,366	-	-	6,366
8949 Other (Uses)	-	-	(8,176,621)	(8,176,621)
7080 Total Other Financing Sources (Uses)	<u>(59,136)</u>	<u>55,246,165</u>	<u>187,192</u>	<u>55,374,221</u>
1200 Net Change in Fund Balances	1,941,680	53,707,948	(909,535)	54,740,093
0100 Fund Balance - September 1 (Beginning)	14,835,868	-	2,309,057	17,144,925
3000 Fund Balance - August 31 (Ending)	<u>\$ 16,777,548</u>	<u>\$ 53,707,948</u>	<u>\$ 1,399,522</u>	<u>\$ 71,885,018</u>

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

SHARYLAND ISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	54,740,093
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		354,961
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		8,326,811
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(4,952,216)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		256,145
 Two series 2012 bond issues, net of in-substance defeasance refunding to pay for 2003 bond issue.		(51,185,000)
 Unamortized bond premiums, gains and losses on bonds, and bond discounts.		(4,403,339)
 Change in Net Assets of Governmental Activities	\$	<u>3,137,455</u>

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

SHARYLAND ISD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 95,941	\$ 1,770,084
Other Receivables	-	91,746
Total Current Assets	<u>95,941</u>	<u>1,861,830</u>
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	209,691	-
Depreciation on Furniture and Equipment	(26,622)	-
Total Noncurrent Assets	<u>183,069</u>	<u>-</u>
Total Assets	<u>279,010</u>	<u>1,861,830</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	8,029
Accrued Wages Payable	4,778	-
Due to Other Funds	3,943	58,635
Accrued Expenses	-	577,208
Total Liabilities	<u>8,721</u>	<u>643,872</u>
NET ASSETS		
Investments in Capital Assets, Net of Debt	183,069	-
Unrestricted Net Assets	<u>87,220</u>	<u>1,217,958</u>
Total Net Assets	<u>\$ 270,289</u>	<u>\$ 1,217,958</u>

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

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 194,449	\$ 6,789,007
State Program Revenues	7,254	-
Total Operating Revenues	<u>201,703</u>	<u>6,789,007</u>
OPERATING EXPENSES:		
Payroll Costs	140,590	2,835
Professional and Contracted Services	-	1,343,768
Supplies and Materials	17,155	5,213
Other Operating Costs	2,869	5,085,520
Depreciation Expense	8,321	-
Total Operating Expenses	<u>168,935</u>	<u>6,437,336</u>
Operating Income	<u>32,768</u>	<u>351,671</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	3,290
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>3,290</u>
Change in Net Assets	32,768	354,961
Total Net Assets - September 1 (Beginning)	<u>237,521</u>	<u>862,997</u>
Total Net Assets - August 31 (Ending)	<u>\$ 270,289</u>	<u>\$ 1,217,958</u>

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

SHARYLAND ISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$ 201,703	\$ 6,702,779
Cash Payments for Professional & Contracted Service	(139,816)	(1,346,603)
Cash Payments for Other Operating Expenses	(16,081)	(4,951,542)
Net Cash Provided by Operating Activities	<u>45,806</u>	<u>404,634</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	<u>(55,674)</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	<u>-</u>	<u>3,290</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,868)	407,924
Cash and Cash Equivalents at Beginning of Year	105,809	1,362,160
Cash and Cash Equivalents at End of Year	<u>\$ 95,941</u>	<u>\$ 1,770,084</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 32,768	\$ 351,671
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	8,321	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	(86,228)
Increase (decrease) in Accounts Payable	-	(76,627)
Increase (decrease) in Accrued Expenses	-	193,999
Increase (decrease) in Accrued Wages Payable	774	-
Increase (decrease) in Interfund Liability	3,943	(41,365)
Increase (decrease) in Deferred Revenues	-	63,184
Net Cash Provided by Operating Activities	<u>\$ 45,806</u>	<u>\$ 404,634</u>

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

SHARYLAND ISD
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 85,386	\$ 268,489
Investments - Current	-	253,684
Total Assets	<u>85,386</u>	<u>\$ 522,173</u>
LIABILITIES		
Due to Other Funds	100	\$ 63,174
Due to Student Groups	-	458,999
Total Liabilities	<u>100</u>	<u>\$ 522,173</u>
NET ASSETS		
Restricted for Scholarships	<u>85,286</u>	
Total Net Assets	<u>\$ 85,286</u>	

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

SHARYLAND ISD
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 9,302
Transfer In	2,000
Total Additions	<u>11,302</u>
DEDUCTIONS:	
Other Operating Costs	13,900
Total Deductions	<u>13,900</u>
Change in Net Assets	(2,598)
 Total Net Assets - September 1 (Beginning)	 <u>87,884</u>
 Total Net Assets - August 31 (Ending)	 <u><u>\$ 85,286</u></u>

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

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sharyland Independent School District's (District) is a public educational agency operating under the applicable laws and regulation of the State of Texas. A seven-member Board of Trustees governs the District that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Educational Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees ("Board"), a seven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Sharyland Independent School District. The governing Board derives its powers from the statutes of the State of Texas and the rules and regulations of the Texas State Department of Education. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No.14. *"The Reporting Entity."* The District has no component units.

B. Government-Wide and Fund Financial Statements

The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated by type and reported as non-major funds.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to longevity pay, claims and judgments are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The District reports the following major governmental funds:

The General Fund 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. Major revenue sources include local property taxes; state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, and debt service.

The Capital Projects Fund accounts for proceeds from long-term debt financing (including the sale of bonds) and other revenue to be used for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund types:

The Internal Service Fund accounts for the District's self-funded medical insurance plan provided for the benefit of eligible employees. The plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees.

The Enterprise Fund accounts for After-School Day Care Programs.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Private-Purpose Trust Fund is used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.

The Agency Funds are used to account for resources held in a custodial capacity by the District, and consist of funds that are the property of student groups or others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund and after school care funds is charges for services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Investment Accounting Policy

The District is required by government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar 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 deposits.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

1. Investment Accounting Policy (Continued)

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. The District's general policy is to report money market investment and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost basis 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 factor, it is reported at fair value. All other investment are reported at fair value unless a legal contract exists which guarantees a high 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 the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The Act determines the type of investments, which are allowable for the District. These include, with certain restrictions, (1) obligation of, or guaranteed by, governmental entities, (2) certificates of deposit and share certificates, (3) fully collateralized repurchase agreements, (4) a securities lending program, (5) banker's acceptances, (6) commercial paper, (7) no-load money market mutual funds and no-load mutual funds, (8) guaranteed investment contracts, and (9) public funds investment pools. The district policy authorizes all the State allowable investments.

2. Receivable and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Accrued liabilities include amounts accrued for salaries and for self-insurance health claims.

3. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable custodial, maintenance, transportation supplies. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Prepaid items are payments made for services that benefit periods beyond the current year.

4. Capital Assets

Capital assets, which include land, building, furniture and equipment, are reported in the applicable governmental or business type activity columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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 asset or materially extend the lives of the assets are not capitalized. A capitalization threshold of \$5,000 is used.

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

Assets	Years
Land improvements	20
Buildings	50
Building improvements	7-25
Vehicles	8
Furniture	5-20
Equipment	5-20
Computer equipment	5

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using effective interest methods. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Long-Term Obligations (Continued)

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

There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service. Longevity pay is accrued in the government-wide financial statements and reported in the fund financial statements when matured.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The District has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories that are considered nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the Board of Trustees. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Fund Equity (Continued)

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Superintendent.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

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

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

8. Internal Service Fund Activity

Because the principal users of the internal service activities are the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. Only the net profit or loss before investment income is allocated to the operating programs benefited. The investment income is combined with other unrestricted income as general revenue in the statement of activities.

9. Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

1. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statement filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012**

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

2. Compliance and Accountability

Finance-Related Legal and Contractual Provision

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:

Debt Service Fund ;

The Debt Service Fund expenditures were funded through its reserves.

Deficit Fund Balance or Fund Net Assets of Individual Funds;

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

A. Deposits and Investments

Disclosures Related to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is that risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Public Funds Investment Act, the District’s investment policy, and Government Code Chapter 2257 “Collateral for Public Funds” contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonable possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holding shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Disclosures Related to Custodial Credit Risk (Continued)

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 and letters of credit in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash Deposits

At August 31, 2012, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,887,794 and the bank balance was \$10,764,061. The District’s cash deposits at August 31, 2011 and for the year then ended August 31, 2012, were entirely covered by FDIC insurance or letters of credits and by pledged collateral held by the District’s agent bank in the District’s name.

A reconciliation of cash and investments as shown on the Statement of Net Assets for the primary government follows:

Cash on hand	\$	-
Carrying amount deposit		9,887,794
Investments		66,210,953
Less: Statement of Fiduciary Net Assets		<u>(607,559)</u>
Cash and Investments Statement of Net Assets	\$	<u>75,491,188</u>
Exhibit A-1		
Cash and cash equivalents	\$	9,533,919
Investments		<u>65,957,269</u>
Cash and Investments Statement of Net Assets	\$	<u>75,491,188</u>

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

- a. Depositories: BBVA Compass Bank
- b. The market value of securities and letters of credit as of the date of the highest combined balance on deposit was \$103,004,869.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$89,129,136 occurred during the month of January, 2012.
- d. Total amount of FDIC coverage at the time of the largest combined balances was \$266,016.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012**

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas allowed by Chapter 2256 Public Funds Investment and Chapter 2257 Collateral for Public Funds of the Government Code.

The Districts investment policies and types of investments are governed by the Public Funds Investment Act. The District’s management believes that it complied in all material respects with the requirements of the Public Funds Investment Act and the District’s investment policies.

During the fiscal year the District maintained investments in various pools. Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 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 no 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 investment in Pools were maintained and 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.

At August 31, 2012, the District’s investments reported at fair value summarized below:

Description	Account	Amount	Maturity
<u>Governmental Funds</u>			
Logic Investment Pool		\$ 9,653,051	45 days average
Compass Bank-Money Market		53,696,566	30 days average
Texpool Investments		1,017,431	38 days average
TexPool Prime Investments		1,843,905	43 days average
		<u>\$ 66,210,953</u>	

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the district's investment policy and the Texas Public Fund Investment Act and actual rating as of year-end for each investment.

Description	Amount	Rating	%
Logic Investment Pool	\$ 9,653,051	AAA-m	14.6%
Compass Bank Money Market	53,696,566	Baa-1	
TexPool Investments	1,017,431	AAA-m	1.5%
TexPool Prime Investments	1,843,905	AAA-m	2.8%
	<u>\$ 66,210,953</u>		

Concentration of Credit Risk

Concentration of credit risk is the risk of loss to the magnitude of the District's investment in a single issuer. Portfolio diversification is employed in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer, as a way to control risk. Investments issued or explicitly guaranteed by the U.S. government, mutual funds and investment pool are excluded from this requirement.

B. Receivables

Significant receivables for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows.

Property taxes

Delinquent taxes are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended August 31, 2012, the rates were \$1.0400 and \$.1600, respectively, per \$100 of assessed value.

	General Fund	Debt Service Fund
Total Taxes Receivable	\$ 2,389,695	\$ 349,927
Less: Allowance for Uncollectible	<u>(1,476,248)</u>	<u>(199,376)</u>
Net Receivable	<u>\$ 913,447</u>	<u>\$ 150,551</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Due From Other Governments

Amounts due from other governments and agencies are as follows:

	General	Other Funds	Total
Due from other governments			
Texas Education Agency	\$ 1,204,686	\$ 1,300,341	\$ 2,505,027
Other	425,538	171,247	596,785
Total	<u>\$ 1,630,224</u>	<u>\$ 1,471,588</u>	<u>\$ 3,101,812</u>

Unearned Revenues

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities on the current period. Governmental funds also defer revenues recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned and unavailable revenues were:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 613,810	\$ -
Delinquent property taxes receivable (Debt Service Fund)	105,291	-
Foundation Revenue	-	1,221,848
Cash receipts in excess of expenditures	-	706,824
	<u>\$ 719,101</u>	<u>\$ 1,928,672</u>

C. Disaggregation Of Other Receivable/Accrued Liabilities

Other receivables and accrued liabilities as of August 31, 2012 for the District's individual major, nonmajor, and internal service funds in the aggregate are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Proprietary Fund	Total
Other Receivables					
Misc.	\$ 207	\$ -	\$ 22	\$ 91,746	\$ 91,975
Nat'l Lunch Program	-	-	-	-	-
Total	<u>\$ 207</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 91,746</u>	<u>\$ 91,975</u>
Accrued Expenses					
Wages and Deductions Payable	\$ 2,009,507	\$ -	\$ 73,677	\$ 4,778	\$ 2,087,962
Claims Payable	-	-	-	577,208	577,208
Retainage Payable	-	-	-	-	-
Total	<u>\$ 2,009,507</u>	<u>\$ -</u>	<u>\$ 73,677</u>	<u>\$ 581,986</u>	<u>\$ 2,665,170</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital assets activity for the year ended August 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 11,949,652	\$ -	\$ -	\$ 11,949,652
Construction in Progress	-	1,924,400	-	1,924,400
Total capital assets, not being depreciated	<u>11,949,652</u>	<u>1,924,400</u>	<u>-</u>	<u>13,874,052</u>
Capital Assets, being depreciated:				
Buildings and Improvements	130,093,277	525,959	(126,585)	130,492,651
Furniture and Equipment	13,190,375	2,020,215	(116,110)	15,094,480
Total capital assets, being depreciated	<u>143,283,653</u>	<u>2,546,174</u>	<u>(242,695)</u>	<u>145,587,131</u>
Less accumulated depreciation for:				
Buildings and Improvements	(25,836,125)	(3,837,853)	126,585	(29,547,393)
Furniture and Equipment	(7,003,769)	(1,114,363)	116,110	(8,002,022)
Total accumulated depreciation	<u>(32,839,894)</u>	<u>(4,952,216)</u>	<u>242,695</u>	<u>(37,549,415)</u>
Total capital assets, being depreciated, net	<u>110,443,759</u>	<u>(2,406,042)</u>	<u>-</u>	<u>108,037,716</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,393,411</u>	<u>\$ (481,642)</u>	<u>\$ -</u>	<u>\$ 121,911,768</u>
<u>Business-type Activities:</u>				
Capital Assets, being depreciated:				
Furniture and Equipment	\$ 154,017	\$ 55,674	\$ -	\$ 209,691
Total capital assets, being depreciated	<u>154,017</u>	<u>55,674</u>	<u>-</u>	<u>209,691</u>
Less accumulated depreciation for:				
Furniture and Equipment	(18,301)	(8,321)	-	(26,622)
Total accumulated depreciation	<u>(18,301)</u>	<u>(8,321)</u>	<u>-</u>	<u>(26,622)</u>
Total capital assets, being depreciated, net	<u>135,716</u>	<u>47,353</u>	<u>-</u>	<u>183,069</u>
Business-type Activities Capital Assets, Net	<u>\$ 135,716</u>	<u>\$ 47,353</u>	<u>\$ -</u>	<u>\$ 183,069</u>

Depreciation was charged to functions as follows:

Instruction	\$ 3,722,702
Instructional resources and media services	48,591
Instructional Leadership	1,424
School Leadership	61,565
Guidance, counseling and evaluation services	714
Student transportation	361,157
Food Services	143,315
Co-curricular/extracurricular activities	421,675
General administration	68,352
Plant Maintenance and operations	48,164
Security and monitoring services	7,696
Data processing services	66,861
Total depreciation expenses - governmental activities	<u>\$ 4,952,216</u>

Business-type Activities:

Instruction	\$ 8,321
Total depreciation expenses - Business-type activities	<u>\$ 8,321</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivable, Payables, and Transfers

The composition of interfund balances as of August 31, 2012 is as follows:

<u>Due To</u>		<u>Due From</u>	
General Fund	\$ 653,986	General Fund	\$ 1,558,128
Clearing Funds(General Fund)	1,817,753	Special Revenue Funds	977,095
Capital Projects Fund	-	Capital Projects Fund	2,014
Special Revenue Funds	<u>191,900</u>	Debt Service Fund	<u>550</u>
Subtotal	<u>2,663,639</u>	Subtotal	<u>2,537,787</u>
Proprietary Fund Types	-	Proprietary Fund Types	62,578
Trust and Agency Fund	-	Trust and Agency Fund	<u>63,274</u>
Totals	<u>\$ 2,663,639</u>	Totals	<u>\$ 2,663,639</u>

The outstanding balances between funds resulted mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. Amounts payable are scheduled to be repaid within one year.

Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for repayment”. Interfund transfers during the year ended August 31, 2012 were as follows:

<u>Transfer In:</u>	<u>Transfer Out</u>			
	<u>Non-Major Funds</u>	<u>Trust Funds</u>	<u>Capital Proj.Funds</u>	<u>Total</u>
General Fund	\$ 3,579,418	\$ -	\$ -	\$ 3,579,418
Non-Major Fund	191,900	-	-	191,900
Priv. P.Trust Funds	<u>2,000</u>	-	-	<u>2,000</u>
	<u>\$ 3,773,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,773,318</u>

The transfer out of the general fund to the enterprise fund was for the purpose of funding personnel costs. The general fund also transferred funds to a special revenue fund for the National School Breakfast and Lunch Program to continue to meet the needs of the students. The general fund transferred funds to the capital projects fund to continue with renovation costs. The fund balance in a special revenue fund was transferred into the general fund per reporting guidelines of the Texas Education Agency.

F. Long Term Obligations

General Obligation Bonds

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligation and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long Term Obligations (Continued)

Certain outstanding bonds may be redeemed at the par value prior to their normal maturity dates in accordance with the terms of the bond indentures. The District has never defaulted on any principal or interest payment. There are a number of limitations and restrictions contained in the general obligation bond indenture. Management of the District has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2012.

General obligation and capital appreciation bonds payable at August 31, 2012 are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Interest Rate	Outstanding Balance
2003	20,000,000	2013	3-5%	480,000
2004 Ref	6,744,999	2022	2.5-4.1%	4,935,000
2005 Ref	7,494,994	2030	3.5-4.40%	6,651,757
2006	40,000,000	2036	4.25-5%	36,260,000
2010	9,985,000	2040	2.0-4.0%	9,555,000
2011 Ref	8,819,999	2033	2.0-4.0%	8,744,999
2012	51,185,000	2041	2.0%-7.0%	51,185,000
2012 Ref	7,790,000	2031	2.0% -4.0%	7,705,000
			Total	<u><u>\$ 125,516,756</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31	Principal	Interest	Total
2013	\$ 2,049,197	\$ 5,571,573	\$ 7,620,770
2014	3,198,051	5,488,632	8,686,683
2015	3,449,509	5,239,186	8,688,695
2016	3,720,000	4,969,345	8,689,345
2017	3,855,000	4,837,570	8,692,570
2018-2023	24,834,999	26,697,737	51,532,736
2024-2028	23,910,000	16,646,443	40,556,443
2029-2033	28,290,000	10,661,588	38,951,588
2034-2038	22,060,000	4,452,650	26,512,650
2039-2041	10,150,000	597,100	10,747,100
Total	<u><u>\$ 125,516,756</u></u>	<u><u>\$ 85,161,824</u></u>	<u><u>\$ 210,678,580</u></u>

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012**

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long Term Obligations (Continued)

Tax Notes

Tax notes outstanding at August 31, 2012 are as follows:

Series 2006 Maintenance Tax Note, authorized by Education Code Section 45.108, for maintenance, repair, rehabilitation or replacement of existing school property; February 15, 2007 through February 15, 2016; interest at 3.75 to 4.125%.	\$ 835,000
Series 2007 Maintenance Tax Notes, authorized by Education Code Section 45.108, for maintenance, repair, rehabilitation and/or replacement of heating, air conditioning, water sanitation and electric systems of exiting school facilities, including digital controls for air handling units; February 15, 2008 through February 15, 2015; interest at 3.945%.	1,540,000
Series 2010A Maintenance Tax Note, authorized by Education Code Section 45.108, for renovation and remodeling of an existing facility into a transportation complex; February 15, 2011 through February 15, 2019; interest at 3.55%	436,000
Series 2010 Maintenance Tax Note, authorized by Education Code Section 45.108, for purchase of school buses; February 15, 2011 through February 15, 2015; interest at 3.875%	436,000
	\$ 3,621,000

The tax note debt service requirements to maturity, including interest are as follows:

Fiscal Year Ending August 31	Principal	Interest	Total
2013	\$ 835,000	\$ 122,107	\$ 957,107
2014	1,540,000	85,034	1,625,034
2015	436,000	46,335	482,335
2016	435,000	19,891	454,891
2017	120,000	11,183	131,183
2018-2019	255,000	9,141	264,141
Totals	\$ 3,621,000	\$ 293,691	\$ 3,914,691

The notes are payable both principal and interest from available funds of the District which include the maintenance tax. The District has pledged to levy a tax from the District's maintenance and operation taxing authority.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long Term Obligations (Continued)

Long-term debt liabilities activity for the governmental activities for the year ended August 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 76,389,994	\$ 58,975,000	\$ 9,848,237	\$ 125,516,757	\$ 2,049,197
Unamortized Bond Premium	1,798,607	4,570,516	80,330	6,288,793	-
Unamortized Gain	16,305	-	-	16,305	-
Accretion On Bonds	995,509	299,774	-	1,295,283	-
Deferred Loss on Refunding	(1,079,528)	(386,621)	-	(1,466,149)	-
Tax Note	4,520,000	-	899,000	3,621,000	835,000
Total	<u>\$ 82,640,887</u>	<u>\$ 63,458,669</u>	<u>\$ 10,827,567</u>	<u>\$ 135,271,989</u>	<u>\$ 2,884,197</u>

Employee Longevity Pay

The District instituted a local policy which allows certain employees to earn incentive pay for continuous employment every fifth year. Employee longevity pay is generally liquidated by the General Fund. The liability related to longevity pay was estimated based on all qualifying employees at year-end and discounted using a comparable market borrowing rate. The following is the change that occurred during the year:

	Beginning Balance	Additions	Reduction	Ending Balance	Due within One Year
Employee Longevity Pay	<u>\$ 4,534,183</u>	<u>\$ -</u>	<u>\$ 312,500</u>	<u>\$ 4,221,683</u>	<u>\$ 292,000</u>

Reconcilement of long term obligations as reported on Exhibit A-1:

Debt long-term obligations	\$ 135,271,989
Employee Longevity Pay	4,221,683
Total	<u>\$ 139,493,672</u>
Noncurrent Liabilities:	
Due within one year	\$ 3,176,197
Due in more than one year	136,317,475
Total Exhibit A-1	<u>\$ 139,493,672</u>

Unamortized bond premium at August 31, 2012 is \$47,023 on the 2003 Series Bond, which was reduced in proportion to the debt amount defeased by the 2012 Refunding Series Bond, \$312,315 on the 2004 Series Bond, \$149,239 on the 2005 Refunding, \$292,764 on the 2006 Series Bonds, \$186,693 on the 2010 Bond Series, and \$730,243 on the 2011 Refunding Bond Series, and \$4,570,516 on the 2012 Bond Series.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012**

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Long Term Obligations (Continued)

Unamortized gain at August 31, 2012 is \$16,305 on the 2004 Series Bond. The unamortized loss is \$407,778 on the 2005 Refunding Series Bonds, \$671,749 on the 2011 Refunding Series Bonds, and \$386,621 on the Series 2012 Refunding Bonds.

All long-term debt listed above, excluding bonds payable, will be paid by the General Fund.

Advance Refunding

On March 28, 2012, the District issued \$7,790,000 in bonds with interest rates of 4.75% and 5%. The current interest serial bonds mature in the years 2014 to 2017, 2022 to 2024, and 2029 to 2031 in installments ranging from \$450,000 to \$1,155,000. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments in the refunded Series 2003. Issuance costs were paid out of the bond proceeds. The refunding was undertaken to reduce total debt service payments by \$1,478,635 and to obtain an economic gain (difference between the present value of the debt services payments of the refunded and refunding bonds) of \$1,162,855.

As a result, the refunded bonds are considered to be defeased and the liability for the bonds has been removed from the District's books. At August 31, 2012, the amount of defeased debt outstanding was \$7,790,000.

G. General Fund Federal Source Revenues

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Health & Relation Services		\$ 547,988
R.O.T.C.		65,278
Indirect Costs:		
ESEA Title I Part A	84.010A	40,930
ESEA Title I Part C-Migrant	84.011A	3,185
IDEA-Part B, Formula	84.027A	36,898
IDEA-Part B, Preschool	8417A	457
ESEA Title I Part C	84.048A	2,100
Title II, Part A	84.367A	5,397
Title III, Part A-LEP	84.365A	5,814
SLDS Classroom Link	84.372A	120
		<u>\$ 708,167</u>

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012**

NOTE 3 – OTHER INFORMATION

A. Risk Management

General

The District is exposed to various risks of loss related to torts; theft of; damage to; and destructions of assets; errors and omissions; and natural disasters for which the district carries commercial insurance. The District purchases insurance to cover these risks, the more significant of which are general liability insurance in the amount of approximately \$1,000,000 and \$219,732,110 for property insurance. Such insurance is consistent with the prior year, and at August 31, 2012 the District did not have any insurance claims pending.

Workmen’s Compensation

Employees of the District were covered by a self-funded workmen’s compensation program sponsored by the district. All premiums were paid to licensed third party administrator with excess reinsurance. The Plan was documented by contractual agreement.

Health Care

The District sponsors a self-insurance plan to provide health care benefits to staff members and their dependents. This plan was authorized by section 21.922 of the Texas Education Code and article 3.51-2 of the Texas Insurance Code and was documented by contractual agreement. Transactions related to the plan are accounted for in the internal service fund of the District. The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through R E Moulton for the period of May 1, 2011 through April 2012 and ING Reliastar for the period of May 2012 through August 31, 2012. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 annual aggregate losses exceeding approximately \$5,639,088 and \$5,630,341 respectively for the contract years.

The following is summary of the changes in the balance of claims liabilities for health care for the year ended August 31, 2012.

Liability, Beginning of year	\$	383,209
Claims incurred during the period		4,177,501
Payments on claims		<u>(4,071,070)</u>
Liability, end of year	\$	<u>489,640</u>

Medicare Part D – On Behalf Payments for Reporting Entities

Funding Policy The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries, also 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 drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 3 – OTHER INFORMATION *(Continued)*

A. Risk Management *(Continued)*

The amount of subsidy reimbursement received by TRS on behalf of the District for the period ending August 31, 2012, 2011 and 2010, were estimated at \$ 141,714, \$ 131,295, and \$ 138,968, respectively.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor agency cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

The District is involved in a legal proceedings arising from its operations. Management in consultation with its attorneys believes the outcome will have no material effect on the District's financial position.

C. Shared Service Arrangement

The District is a member district of various Shared Service Arrangements ("SSA") that improves educational needs of the member districts. The fiscal agent is McAllen ISD which also provides services to other school districts within the Region One service area. The fiscal agent receives the program fund from the granting agent and retains a portion of the monies for the administrative services provided by the fiscal agent for the shared arrangement. The fiscal agent records the receipt of the monies and the related disbursement activity in the appropriate shared services arrangement special revenue fund. The member districts record all of the activity in the appropriate special revenue fund. The fiscal agent files the necessary federal reports. According to the guidance provided in TEA's FASRG, the District has accounted for the activities in accordance with Model 1 in the SSA section of the Resource Guide.

D. Employee retirement System and Pension Plans

Plan Description. The District and its employees contribute 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. TRS 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 services credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012

NOTE 3 – OTHER INFORMATION (Continued)

D. Employee Retirement System and Pension Plans (Continued)

That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications headings.

Funding Policy. State law provides for fiscal year 2011, a state contribution rate of 6.644% and a member contribution rate of 6.4%. For years 2010, and 2009, a state contribution rate of 6.58% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.58% or 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2012, 2011, and 2010, were \$2,631,448, \$2,864,503, and \$2,759,080, respectively. The District paid additional state contributions for the years ended August 31, 2012, 2011, and 2010, in the amount of \$540,688, \$744,401, and \$622,122, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2012**

NOTE 3 – OTHER INFORMATION (Continued)

E. Retiree Health Care Plan (Continued)

The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2011, and 2010, the State’s contributions to TRS-Care were \$492,369, \$515,648, and \$495,192, respectively, the active member contributions were \$320,041, \$335,055, and \$311,875, respectively, and the District’s contributions were \$270,806, \$283,055, and \$272,358 respectively, which equaled the required contributions each year.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55–64 and their covered dependants regardless of age. An “early retiree” is defined as a plan participant aged 55–64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. For the fiscal year ended August 31, 2012, the subsidy payment received by TRS on behalf of the district for ERRP was \$134,016.

NOTE 4 – CONSTRUCTION COMMITMENTS

At August 31, 2012, the District had the following construction commitments.

Project Name	Contract Amount	Amount Expended	Remaining Commitment
Agriculture Farm Facilities	\$ 1,000,000	\$ 555,097	\$ 444,903
New Sharyland Pioneer High School	55,000,000	1,369,303	53,630,697
	<u>\$56,000,000</u>	<u>\$ 1,924,400</u>	<u>\$ 54,075,600</u>

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 26,524,603	\$ 27,386,725	\$ 27,382,464	\$ (4,261)
5800 State Program Revenues	44,892,287	44,898,487	43,207,573	(1,690,914)
5900 Federal Program Revenues	475,000	553,738	708,167	154,429
5020 Total Revenues	71,891,890	72,838,950	71,298,204	(1,540,746)
EXPENDITURES:				
Current:				
0011 Instruction	41,826,649	41,009,674	39,424,862	1,584,812
0012 Instructional Resources and Media Services	1,020,640	1,024,161	953,899	70,262
0013 Curriculum and Instructional Staff Development	1,011,616	854,016	598,815	255,201
0021 Instructional Leadership	1,251,797	1,286,247	1,251,638	34,609
0023 School Leadership	3,856,346	3,932,908	3,828,235	104,673
0031 Guidance, Counseling and Evaluation Services	2,692,275	2,722,363	2,464,678	257,685
0032 Social Work Services	33,569	49,414	47,587	1,827
0033 Health Services	516,412	524,420	517,844	6,576
0034 Student (Pupil) Transportation	2,796,850	2,796,850	2,627,514	169,336
0036 Extracurricular Activities	4,028,315	4,064,870	3,662,727	402,143
0041 General Administration	2,145,976	2,195,976	2,145,527	50,449
0051 Facilities Maintenance and Operations	7,736,669	7,957,387	7,853,616	103,771
0052 Security and Monitoring Services	760,520	813,116	809,370	3,746
0053 Data Processing Services	759,985	748,693	647,620	101,073
0061 Community Services	1,500	800	253	547
Debt Service:				
0071 Principal on Long Term Debt	899,000	899,000	899,000	-
0072 Interest on Long Term Debt	153,771	158,636	158,632	4
0073 Bond Issuance Cost and Fees	5,000	5,135	1,100	4,035
Capital Outlay:				
0081 Facilities Acquisition and Construction	5,000	1,405,284	1,078,956	326,328
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	30,000	30,000	-	30,000
0099 Other Intergovernmental Charges	360,000	360,000	325,515	34,485
6030 Total Expenditures	71,891,890	72,838,950	69,297,388	3,541,562
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	2,000,816	2,000,816
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	960	960
7915 Transfers In	3,397,684	3,436,096	3,579,418	143,322
8911 Transfers Out (Use)	(3,397,684)	(3,616,096)	(3,645,590)	(29,494)
7956 Insurance Recovery	-	-	6,076	6,076
7080 Total Other Financing Sources (Uses)	-	(180,000)	(59,136)	120,864
1200 Net Change in Fund Balances	-	(180,000)	1,941,680	2,121,680
0100 Fund Balance - September 1 (Beginning)	14,835,868	14,835,868	14,835,868	-
3000 Fund Balance - August 31 (Ending)	\$ 14,835,868	\$ 14,655,868	\$ 16,777,548	\$ 2,121,680

SHARYLAND ISD
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.445500	0.109500	1,066,422,856
2005	1.445500	0.119500	1,505,073,201
2006	1.475000	0.090000	1,446,000,099
2007	1.347800	0.197300	1,724,948,957
2008	1.040000	0.145000	2,062,752,544
2009	1.040000	0.145000	2,190,032,687
2010	1.040000	0.160000	2,369,979,571
2011	1.040000	0.160000	2,465,389,109
2012 (School year under audit)	1.040000	0.160000	2,498,024,884
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 236,724	\$ -	\$ 7,422	\$ 1,193	\$ (12,850)	\$ 215,259
60,015	-	2,987	226	(1,752)	55,050
66,074	-	2,964	245	(5,166)	57,699
80,660	-	8,412	513	(7,116)	64,619
122,302	-	20,919	3,062	(7,200)	91,121
198,133	-	44,818	6,249	(21,510)	125,556
352,927	-	112,989	15,753	151	224,336
720,619	-	241,697	37,184	(31,553)	410,185
1,402,022	-	662,095	101,861	(65,923)	572,143
-	29,570,826	24,721,902	3,803,370	(121,900)	923,654
<u>\$ 3,239,476</u>	<u>\$ 29,570,826</u>	<u>\$ 25,826,205</u>	<u>\$ 3,969,656</u>	<u>\$ (274,819)</u>	<u>\$ 2,739,622</u>

SHARYLAND ISD
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2012

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	292,537	\$ 1,653,250	\$ -	\$ -	\$ 1,945,787
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	138,175	-	-	-	-	-	138,175
6212	Audit Services	-	-	-	45,080	-	-	45,080
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	325,515	-	-	-	-	325,515
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	5,405	11,983	16,500	-	-	33,888
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	450	-	16,147	15,511	-	-	32,108
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	12,668	-	12,668
6260	Rentals	-	-	174	64,218	-	-	64,392
6290	Miscellaneous Contr.	-	-	-	4,448	-	-	4,448
6320	Textbooks and Reading	-	-	433	252	-	-	685
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,205	-	9,032	173,898	-	-	187,135
6410	Travel, Subsistence, Stipends	6,041	-	4,065	38,245	-	-	48,351
6420	Ins. and Bonding Costs	641	-	-	-	-	-	641
6430	Election Costs	27,329	-	-	-	-	-	27,329
6490	Miscellaneous Operating	22,943	-	15,661	95,406	12,466	-	146,476
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	131,152	131,152
6000	TOTAL	\$ 199,784	\$ 330,920	\$ 350,032	\$ 2,106,808	\$ 25,134	\$ 131,152	\$ 3,143,830

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 81,981,897

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 3,018,762
Total Debt & Lease(6500)	(11)	1,058,732
Plant Maintenance (Function 51, 6100-6400)	(12)	8,043,521
Food (Function 35, 6341 and 6499)	(13)	1,860,456
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>2,106,808</u>

SubTotal:

16,088,280

Net Allowed Direct Cost

\$ 65,893,618

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 130,492,651
Historical Cost of Building 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)	\$ 15,094,480
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 675,687
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 136,438

(8) NOTE A: \$650,470 in Function 53 expenditures are included in this report on administrative costs.

\$325,515 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SHARYLANDISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,653,782	\$ 1,653,782	\$ 1,613,721	\$ (40,061)
5800 State Program Revenues	-	32,000	32,878	878
5900 Federal Program Revenues	3,249,973	3,249,973	3,182,988	(66,985)
5020 Total Revenues	4,903,755	4,935,755	4,829,587	(106,168)
EXPENDITURES:				
0035 Food Services	4,623,845	4,677,845	4,235,085	442,760
0051 Facilities Maintenance and Operations	276,210	254,210	240,475	13,735
0052 Security and Monitoring Services	3,700	3,700	3,051	649
6030 Total Expenditures	4,903,755	4,935,755	4,478,611	457,144
1200 Net Change in Fund Balances	-	-	350,976	350,976
0100 Fund Balance - September 1 (Beginning)	27,305	27,305	27,305	-
3000 Fund Balance - August 31 (Ending)	\$ 27,305	\$ 27,305	\$ 378,281	\$ 350,976

SHARYLAND ISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,978,300	\$ 3,978,300	\$ 4,085,922	\$ 107,622
5800 State Program Revenues	1,615,629	1,615,629	1,552,013	(63,616)
5020 Total Revenues	5,593,929	5,593,929	5,637,935	44,006
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	2,058,237	2,058,237	2,058,237	-
0072 Interest on Long Term Debt	3,535,692	4,609,782	4,609,195	587
0073 Bond Issuance Cost and Fees	-	165,430	115,845	49,585
6030 Total Expenditures	5,593,929	6,833,449	6,783,277	50,172
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,239,520)	(1,145,342)	94,178
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	7,790,000	7,790,000	-
7916 Premium or Discount on Issuance of Bonds	-	509,352	509,351	(1)
8949 Other (Uses)	-	(8,168,922)	(8,168,921)	1
7080 Total Other Financing Sources (Uses)	-	130,430	130,430	-
1200 Net Change in Fund Balances	-	(1,109,090)	(1,014,912)	94,178
0100 Fund Balance - September 1 (Beginning)	1,657,619	1,657,619	1,657,619	-
3000 Fund Balance - August 31 (Ending)	\$ 1,657,619	\$ 548,529	\$ 642,707	\$ 94,178

Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
Sharyland Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sharyland ISD (the District) as of and for the year ended August 31, 2012. These collectively comprise the District's basic financial statements. We have issued our report on them dated December 8, 2012. 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.

Internal Control Over Financial Reporting

Management of Sharyland ISD is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered Sharyland ISD's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Sharyland ISD's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Sharyland ISD's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

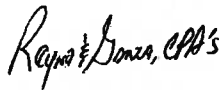
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sharyland ISD's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item#2012-1.

We noted certain matters that we reported to management of the Sharyland ISD in a separate letter dated December 8, 2012.

Sharyland ISD's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sharyland ISD's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.



Reyna & Garza, PLLC
Certified Public Accountants

December 8, 2012

Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
Sharyland Independent School District

Members of the Board:

Compliance

We have audited the compliance of Sharyland ISD with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sharyland ISD's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 Sharyland ISD'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. Our audit does not provide a legal determination of Sharyland ISD's compliance with those requirements.

In our opinion, Sharyland ISD complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. However, the results of our auditing

procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as item#2012-1.

Internal Control Over Compliance

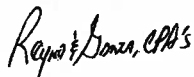
The administration of Sharyland ISD is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies over internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses.

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 a combination of deficiencies 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Sharyland ISD's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sharyland ISD's responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.



Reyna & Garza, PLLC
Certified Public Accountants

December 8, 2012

SHARYLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2012

I. Summary of the Auditor's Results:

Financial Statements:

A. The type of report issued:	Unqualified
B. Internal Control over financial statements: Material Weakness(es) Identified?	No
Significant Deficiencie(s) identified which were not considered material weaknesses?	No
C. Noncompliance material to financial statements noted?	No

Federal Awards:

D. Type of Report on Compliance with Major Programs	Unqualified Opinion
E. Internal Control over Major programs: Material Weakness(es) Identified?	No
Significant Deficiencie(s) identified which were not considered material weaknesses?	No
F. Findings & Questioned Costs for Federal Awards as Defined in Section 510(a) of OMB Circ. A-133	Yes
G. Dollar Threshold considered between Type A And Type B Federal Programs	\$ 302,009
H. Auditee qualifies as Low-risk Auditee?	Yes
I. Major Federal Program(s); 1) Nutrition Program(cluster) 2) Energy Efficiency & Cons. Block Grant-ARRA (SECO)	

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

2012-1 SECO Grant Requirements(Non-Compliance)

Criteria: Grant requirements provide for a local matching component to federal funds received.

Condition: The District did not expend the requisite amount as provided by grant agreement.

Cause: The District set up a payable at year-end to the Grantor, for the difference of the grant match.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

Effect: The District did not comply with the referenced grant requirements.

Recommendation: The District should review internal controls to ensure that above-referenced requirement is adhered to.

III. Findings and questioned costs Related to Federal Awards, including Findings in 1.E above.

2012-1 SECO Grant Requirements(Non-Compliance)

Criteria: Grant requirements provide for a local matching component to federal funds received.

Condition: The District did not expend the requisite amount as provided by grant agreement.

Cause: The District set up a payable at year-end to the Grantor, for the difference of the grant match.

Effect: The District did not comply with the referenced grant requirements.

Recommendation: The District should review internal controls to ensure that above-referenced requirement is adhered to.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

Finding:

During testing of disbursement, it was noted that purchases made from a vendor were made after the vendor's sole source affidavit had expired.

Current Status:

Testing in the current year did not reveal any problems with sole source affidavits.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

FINDING #2012-1

The District concurs with the finding. The District will exercise more caution to make sure local matching amounts to grants are accounted for at year-end. The contact person for this item is Guadalupe Reyes, and can be reached at (956)580-5200, ext. 1042.

SHARYLAND ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
JROTC	12.000	108-911	\$ 65,278
Total Direct Programs			\$ 65,278
TOTAL DEPARTMENT OF DEFENSE			\$ 65,278
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101108911	\$ 1,511,062
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101108911	81,199
Total CFDA Number 84.010A			1,592,261
Total Title I, Part A Cluster			1,592,261
ESEA, Title I, Part C - Migratory Children	84.011	12615001108911	149,690
ESEA, Title I, Part C - Migratory Children	84.011	13615001108911	4,185
Total CFDA Number 84.011			153,875
*IDEA - Part B, Formula	84.027	12660001089116600	1,697,723
*IDEA - Part B, Formula	84.027	136600011089116600	190,185
Total CFDA Number 84.027			1,887,908
*IDEA - Part B, Preschool	84.173	126610011089116600	19,024
Total Special Education Cluster (IDEA)			1,906,932
Career and Technical - Basic Grant	84.048	12420006108911	87,410
Career and Technical - Basic Grant	84.048	13420006108911	8,649
Total CFDA Number 84.048			96,059
Title III, Part A - English Language Acquisition	84.365A	12671001108911	307,923
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501108911	225,875
Education Jobs Fund- ARRA	84.410	S410A100044	1,557,890
Classroom Link	84.372A	10635002108911	4,409
Total Passed Through State Department of Education			\$ 5,845,224
TOTAL DEPARTMENT OF EDUCATION			\$ 5,845,224
U.S. DEPARTMENT OF ENERGY			
<u>Passed Through State Comptroller's Office</u>			
Energy Efficiency & Conv. Block Grant (ARRA)	84.128	CS1182	\$ 973,462
Total Passed Through State Comptroller's Office			\$ 973,462
TOTAL DEPARTMENT OF ENERGY			\$ 973,462
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 560,776
*National School Lunch Program - Cash Assistance	10.555		2,471,123
*National School Lunch Prog. - Non-Cash Assistance	10.555		151,090
Total CFDA Number 10.555			2,622,213
Total Child Nutrition Cluster			3,182,989

SHARYLAND ISD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total Passed Through the State Department of Agriculture			\$ 3,182,989
TOTAL DEPARTMENT OF AGRICULTURE			\$ 3,182,989
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 10,066,953

*Clustered Programs

Total expenditures for federal awards in the amount of \$10,066,953 plus School Health & Relation Services in the amount of \$547,988 equal to the federal program revenues of \$10,614,941 on Exhibit C-3.

SHARYLAND ISD
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2012

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

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering SHARYLAND ISD fiscal year beginning September 1 2011, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

SHARYLAND ISD

Fiscal Year 2012

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	1,295,283