

SHARYLAND  
INDEPENDENT SCHOOL DISTRICT

AUDITED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

**SHARYLAND INDEPENDENT  
SCHOOL DISTRICT**

August 31, 2013

**Board Of Trustees**

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

**Superintendent**

Dr. Virginia Richter

**Assistant Superintendent for Business and Finance**

Jessie Muñiz

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SHARYLAND INDEPENDENT SCHOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013

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CERTIFICATE OF BOARD

Sharyland Independent School District  
Name of School District

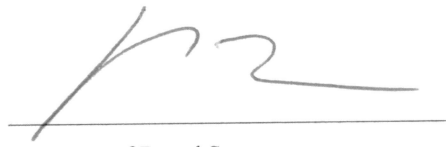
Hidalgo  
County

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)  approved  disapproved for the year ended August 31, 2013 at a meeting of the Board of Trustees of such school district on the 21st of January, 2014.



Signature of Board President



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

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Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Sharyland Independent School District  
Mission, Texas 78572

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sharyland Independent School District (the District) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

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



## ***Other Matters***

### *New Accounting Principles*

As discussed in the notes to the financial statements, management has implemented Governmental Accounting Standards Board (GASB) statement 63 *Financial Reporting of Deferred Outflows of Resources, deferred Inflows of Resources, and Net Positions* and had elected to implement early GASB 65 *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to that matter.

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District'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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Reyna & Garza, PLLC*  
*Certified Public Accountants*

*January 13, 2014*

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2013**

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, 2013. 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 \$58,928,734 (*net assets*). Of this amount \$8,089,687 (*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 \$45,886,873. Approximately 34.3 percent of this total amount, \$15,754,095 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 \$15,754,095 or 21 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, 2013**

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, 2013**

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, 2013**

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 25-48 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 49-54 of this report.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2013**

**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 \$58,928,734 as of August 31, 2013 and by \$58,807,259 as of August 31, 2012.

	Governmental Activities		Business- Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 58,705,008	\$ 81,481,869	\$ 154,521	\$ 91,998	\$ 58,859,529	\$ 81,573,867
Noncurrent assets	148,647,937	121,911,768	172,585	183,069	148,820,522	\$ 122,094,837
<b>Total Assets</b>	<b>207,352,945</b>	<b>203,393,637</b>	<b>327,106</b>	<b>275,067</b>	<b>207,680,051</b>	<b>203,668,704</b>
Current liabilities	10,573,007	5,362,995	5,944	4,778	10,578,951	5,367,773
Long-term liabilities:	138,172,366	139,493,672	-	-	138,172,366	139,493,672
<b>Total Liabilities</b>	<b>148,745,373</b>	<b>144,856,667</b>	<b>5,944</b>	<b>4,778</b>	<b>148,751,317</b>	<b>144,861,445</b>
<b>Net Assets:</b>						
Invested in capital assets	20,079,754	51,366,143	172,585	183,069	20,252,339	51,549,212
Restricted	30,586,708	1,706,685	-	-	30,586,708	1,706,685
Unrestricted	7,941,110	5,464,142	148,577	87,220	8,089,687	5,551,362
<b>Total Net Assets</b>	<b>\$ 58,607,572</b>	<b>\$ 58,536,970</b>	<b>\$ 321,162</b>	<b>\$ 270,289</b>	<b>\$ 58,928,734</b>	<b>\$ 58,807,259</b>

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 \$20,252,339 as of August 31, 2013 and \$51,549,212 as of August 31, 2012. 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 52.2% in 2013 and 2.9% in 2012) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8,089,687 in 2013) and (\$5,551,362 in 2012) 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 \$70,602 in 2013 and increased by \$3,137,455 in 2012. The total cost of all *governmental activities* these years was \$88,065,841 in 2013 and \$87,330,449 in 2012. The amount that our taxpayers paid for these activities through property taxes was \$30,811,287 or 34.9% in 2013 and \$30,345,308 or 34.7% in 2012.

**Business activities.** The District's total net assets increased of \$50,873 in 2013 and \$32,768 in 2012. The total cost of all *business activities* these years was \$178,956 in 2013 and \$168,935 in 2012.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2013**

	<b>Changes in the District's Net Assets</b>					
	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,960,759	\$ 2,060,276	\$ 241,073	\$ 201,703	\$ 2,201,832	\$ 2,261,979
Op.grants and contributions	12,327,724	15,316,130	-	-	12,327,724	15,316,130
<b>General revenues</b>						
Property Taxes	30,811,287	30,345,308	-	-	30,811,287	30,345,308
State grants	44,560,576	42,836,317	-	-	44,560,576	42,836,317
Other	(292,539)	(90,127)	-	-	(292,539)	(90,127)
Transfers in (out), net	-	-	-	-	-	-
Total Revenues	<u>89,367,807</u>	<u>90,467,904</u>	<u>241,073</u>	<u>201,703</u>	<u>89,608,880</u>	<u>90,669,607</u>
<b>EXPENSES</b>						
Instruction	46,885,762	47,128,855	31,012	46,840	46,916,774	47,175,695
Instr.Resources & Media Svcs.	1,111,043	1,049,792	-	-	1,111,043	1,049,792
Curriculum and Staff Dev.	733,445	712,841	-	-	733,445	712,841
Instructional Leadership	1,526,478	1,374,226	-	-	1,526,478	1,374,226
School Leadership	4,033,126	3,964,119	31,332	27,475	4,064,458	3,991,594
Guidance, Counseling & Eval.Svcs.	3,645,430	3,461,164	-	-	3,645,430	3,461,164
Social Work Services	36,841	48,334	-	-	36,841	48,334
Health Services	548,802	529,806	-	-	548,802	529,806
Student Transportation	3,230,822	2,989,084	-	-	3,230,822	2,989,084
Food Services	4,729,820	4,378,508	-	-	4,729,820	4,378,508
Extracurricular Activities	4,442,469	4,193,666	-	-	4,442,469	4,193,666
General Administration	2,190,354	2,236,197	-	-	2,190,354	2,236,197
Plant Maintenance and Operations	8,490,025	8,328,922	-	-	8,490,025	8,328,922
Security and Monitoring Services	810,756	820,117	-	-	810,756	820,117
Data Processing Services	600,608	718,771	-	-	600,608	718,771
Community Services	20,978	36,574	116,612	94,620	137,590	131,194
Interest on long-term	4,614,849	4,987,271	-	-	4,614,849	4,987,271
Amortization	44,297	46,687	-	-	44,297	46,687
Payments to JJAEP	6,165	-	-	-	6,165	-
Other Governmental Charges	363,771	325,515	11,244	-	375,015	325,515
Total Expenses	<u>88,065,841</u>	<u>87,330,449</u>	<u>190,200</u>	<u>168,935</u>	<u>88,256,041</u>	<u>87,499,384</u>
Total Increase in Net Assets	1,301,966	3,137,455	50,873	32,768	1,352,839	3,170,223
Beginning, Net Assets	57,305,606	55,399,515	270,289	237,521	57,575,895	55,637,036
Ending, Net Assets	<u>\$ 58,607,572</u>	<u>\$ 58,536,970</u>	<u>\$ 321,162</u>	<u>\$ 270,289</u>	<u>\$ 58,928,734</u>	<u>\$ 58,807,259</u>

**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 \$45,886,873, a decrease of 25,998,147. Approximately 34.3 percent of this total amount (\$15,754,095) 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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2013**

has already been committed 1) for inventory (\$176,769), 2) to pay debt service (\$1,001,288), and 3) for other miscellaneous restrictions and other committed (\$28,616,376).

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 \$15,754,095 while the total fund balance was \$16,448,568. 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 18 percent of the total general fund expenditures, while total fund balance represents 19 percent of that same amount.

The fund balance of the District's general fund decreased by \$328,980 during the current fiscal year due primarily to the following:

- Local Match on EduJobs grant was absorbed by the General Fund
- A transfer for prepaid items was paid by the General Fund
- Federal special education grant was subsidized by the General Fund

*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, 2013, amounted to \$1,924,267. During the year the funds had an increase in net assets of \$608,605.

**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 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, 2013**

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	\$ 140,440
State Program Revenues	-
Federal Progeam Revenues	-

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

Instructional and Instructional Related Services	\$ (1,050,463)
Instructional and School Leadership	51,099
Support Services -Student (Pupil)	2,331,913
Administrative Support Services	41,200
Support Services - Non Student Based	540,685
Ancillary Services	500
Debt Services	463,051
Capital Outlay	593,032
Other	1,000

**Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2013, amounts to \$147,247,058 (net of accumulated depreciation), an increase of 21% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

<b>District's Capital Assets (net of depreciation)</b>		
	<u>2013</u>	<u>2012</u>
Land	\$ 12,549,252	\$ 11,949,652
Buildings and improvements	98,694,856	100,945,258
Furniture and equipment	8,864,752	7,092,458
Construction in Progress	27,138,198	1,924,400
Total capital assets	<u>\$ 147,247,058</u>	<u>\$ 121,911,768</u>

Additional information on the District's capital assets can be found in Note 2-D on page 38 of this report.

**Long-term debt.** At the end of August 31, 2013, the District had total bonded debt outstanding of \$123,462,559 a net decrease of \$2,054,197 from the prior year.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2013**

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.

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 \$304,103,586, 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-G on page 40 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 prior year's ADA.
- 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 1.32% growth when compared to 2012.
- The District has estimated revenues and appropriated expenditures in the 2013-14. General Fund officially adopted budget of \$85,255,585.

**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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
August 31, 2013**

**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 76<sup>th</sup> 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.

**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

SHARYLANDISD  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 15,221,257	\$ 158,090	\$ 15,379,347
1120 Current Investments	38,873,509	-	38,873,509
1220 Property Taxes Receivable (Delinquent)	2,714,735	-	2,714,735
1230 Allowance for Uncollectible Taxes	(1,884,038)	-	(1,884,038)
1240 Due from Other Governments	3,515,282	-	3,515,282
1250 Accrued Interest	9,316	-	9,316
1260 Internal Balances	3,569	(3,569)	-
1267 Due from Fiduciary Funds	53,920	-	53,920
1290 Other Receivables, net	118	-	118
1300 Inventories	197,340	-	197,340
Capital Assets:			
1510 Land	12,549,252	-	12,549,252
1520 Buildings, Net	98,694,856	-	98,694,856
1530 Furniture and Equipment, Net	8,864,752	172,585	9,037,337
1580 Construction in Progress	27,138,198	-	27,138,198
1000 Total Assets	<u>205,952,066</u>	<u>327,106</u>	<u>206,279,172</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	1,400,879	-	1,400,879
1700 Total Deferred Outflows of Resources	<u>1,400,879</u>	<u>-</u>	<u>1,400,879</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	4,428,277	-	4,428,277
2140 Interest Payable	165,088	-	165,088
2160 Accrued Wages Payable	1,972,177	5,944	1,978,121
2200 Accrued Expenses	1,736,160	-	1,736,160
2300 Unearned Revenue	2,271,305	-	2,271,305
Noncurrent Liabilities			
2501 Due Within One Year	3,652,197	-	3,652,197
2502 Due in More Than One Year	134,520,169	-	134,520,169
2000 Total Liabilities	<u>148,745,373</u>	<u>5,944</u>	<u>148,751,317</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	20,079,754	172,585	20,252,339
Restricted for:			
3820 Restricted for Federal and State Programs	740,699	-	740,699
3850 Restricted for Debt Service	1,001,288	-	1,001,288
3860 Restricted for Capital Projects	28,616,376	-	28,616,376
3870 Restricted for Campus Activities	228,345	-	228,345
3900 Unrestricted	7,941,110	148,577	8,089,687
3000 Total Net Position	<u>\$ 58,607,572</u>	<u>\$ 321,162</u>	<u>\$ 58,928,734</u>

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

SHARYLANDISD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 46,885,762	\$ -	\$ 4,743,382
12 Instructional Resources and Media Services	1,111,043	-	40,587
13 Curriculum and Staff Development	733,445	-	101,547
21 Instructional Leadership	1,526,478	-	153,144
23 School Leadership	4,033,126	-	224,682
31 Guidance, Counseling and Evaluation Services	3,645,430	-	1,065,883
32 Social Work Services	36,841	-	2,053
33 Health Services	548,802	-	33,878
34 Student (Pupil) Transportation	3,230,822	-	115,040
35 Food Services	4,729,820	1,777,519	4,969,598
36 Extracurricular Activities	4,442,469	183,240	205,138
41 General Administration	2,190,354	-	86,877
51 Facilities Maintenance and Operations	8,490,025	-	533,542
52 Security and Monitoring Services	810,756	-	3,076
53 Data Processing Services	600,608	-	21,653
61 Community Services	20,978	-	27,644
72 Debt Service - Interest on Long Term Debt	4,614,849	-	-
73 Debt Service - Bond Issuance Cost and Fees	44,297	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	6,165	-	-
99 Other Intergovernmental Charges	363,771	-	-
[TG] Total Governmental Activities:	88,065,841	1,960,759	12,327,724
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Shary Elementary	60,116	73,941	-
02 Enterprise Funds - Garza Elementary	27,081	20,222	-
03 Enterprise Funds - Bentsen Elementary	35,235	50,332	-
04 Enterprise Funds - Wernecke Elementary	33,957	59,614	-
06 Enterprise Funds - Martinez Elementary	22,567	36,564	-
07 Enterprise Funds - Shimotsu Elementary	-	400	-
[TB] Total Business-Type Activities:	178,956	241,073	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 88,244,797	\$ 2,201,832	\$ 12,327,724
Data	General Revenues:		
Control	Taxes:		
Codes	MT	Property Taxes, Levied for General Purposes	
	DT	Property Taxes, Levied for Debt Service	
	GC	Grants and Contributions not Restricted	
	IE	Investment Earnings	
	MI	Miscellaneous Local and Intermediate Revenue	
	FR	Transfers In (Out)	
	TR	Total General Revenues & Transfers	
	CN	Change in Net Position	
	NB	Net Position - Beginning	
	PA	Prior Period Adjustment	
	NE	Net Position--Ending	

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

## Net (Expense) Revenue and

## Changes in Net Position

6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (42,142,380)	\$ -	\$ (42,142,380)
(1,070,456)	-	(1,070,456)
(631,898)	-	(631,898)
(1,373,334)	-	(1,373,334)
(3,808,444)	-	(3,808,444)
(2,579,547)	-	(2,579,547)
(34,788)	-	(34,788)
(514,924)	-	(514,924)
(3,115,782)	-	(3,115,782)
2,017,297	-	2,017,297
(4,054,091)	-	(4,054,091)
(2,103,477)	-	(2,103,477)
(7,956,483)	-	(7,956,483)
(807,680)	-	(807,680)
(578,955)	-	(578,955)
6,666	-	6,666
(4,614,849)	-	(4,614,849)
(44,297)	-	(44,297)
(6,165)	-	(6,165)
(363,771)	-	(363,771)
(73,777,358)	-	(73,777,358)
-	13,825	13,825
-	(6,859)	(6,859)
-	15,097	15,097
-	25,657	25,657
-	13,997	13,997
-	400	400
-	62,117	62,117
(73,777,358)	62,117	(73,715,241)
24,895,112	-	24,895,112
5,916,175	-	5,916,175
44,560,576	-	44,560,576
155,970	-	155,970
(459,753)	-	(459,753)
11,244	(11,244)	-
75,079,324	(11,244)	75,068,080
1,301,966	50,873	1,352,839
58,536,970	270,289	58,807,259
(1,231,364)	-	(1,231,364)
\$ 58,607,572	\$ 321,162	\$ 58,928,734

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SHARYLANDISD  
BALANCESHEET  
GOVERNMENTALFUNDS  
AUGUST 31, 2013

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 10,513,408	\$ 30,665	\$ 2,202,401	\$ 12,746,474
1120 Investments - Current	6,385,474	31,866,657	621,378	38,873,509
1220 Property Taxes - Delinquent	2,301,315	-	413,420	2,714,735
1230 Allowance for Uncollectible Taxes (Credit)	(1,644,860)	-	(239,178)	(1,884,038)
1240 Receivables from Other Governments	1,912,329	-	1,602,953	3,515,282
1250 Accrued Interest	1,348	7,226	423	8,997
1260 Due from Other Funds	2,535,410	-	23,714	2,559,124
1290 Other Receivables	-	-	118	118
1300 Inventories	116,215	-	81,125	197,340
1000 Total Assets	<u>\$ 22,120,639</u>	<u>\$ 31,904,548</u>	<u>\$ 4,706,354</u>	<u>\$ 58,731,541</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 766,275	\$ 3,343,169	\$ 196,627	\$ 4,306,071
2160 Accrued Wages Payable	1,891,437	-	80,740	1,972,177
2170 Due to Other Funds	1,523,051	-	978,584	2,501,635
2200 Accrued Expenditures	-	1,158,954	-	1,158,954
2300 Unearned Revenues	994,625	-	1,276,680	2,271,305
2000 Total Liabilities	<u>5,175,388</u>	<u>4,502,123</u>	<u>2,532,631</u>	<u>12,210,142</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	496,683	-	137,843	634,526
2600 Total Deferred Inflows of Resources	<u>496,683</u>	<u>-</u>	<u>137,843</u>	<u>634,526</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	116,215	-	60,554	176,769
3425 Endowment Principal	-	-	110,000	110,000
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	1,001,288	1,001,288
3490 Other Restricted Fund Balance	578,258	27,402,425	635,693	28,616,376
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	228,345	228,345
3600 Unassigned Fund Balance	15,754,095	-	-	15,754,095
3000 Total Fund Balances	<u>16,448,568</u>	<u>27,402,425</u>	<u>2,035,880</u>	<u>45,886,873</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 22,120,639</u>	<u>\$ 31,904,548</u>	<u>\$ 4,706,354</u>	<u>\$ 58,731,541</u>

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



SHARYLANDISD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	45,886,873
<b>1</b> The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		1,775,690
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$159,461,183 and the accumulated depreciation was \$37,549,415. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		(16,515,628)
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase (decrease) net position.		32,766,161
<b>4</b> The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,708,686)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(596,838)
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>58,607,572</u>

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

SHARYLANDISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 27,449,704	\$ 114,530	\$ 8,170,834	\$ 35,735,068
5800 State Program Revenues	44,480,532	-	2,021,548	46,502,080
5900 Federal Program Revenues	936,592	-	7,479,976	8,416,568
5020 Total Revenues	<u>72,866,828</u>	<u>114,530</u>	<u>17,672,358</u>	<u>90,653,716</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	42,001,146	-	3,016,234	45,017,380
0012 Instructional Resources and Media Services	1,061,199	-	1,253	1,062,452
0013 Curriculum and Instructional Staff Development	635,620	-	97,825	733,445
0021 Instructional Leadership	1,429,555	-	95,499	1,525,054
0023 School Leadership	3,939,995	-	49,497	3,989,492
0031 Guidance, Counseling and Evaluation Services	2,696,276	-	948,440	3,644,716
0032 Social Work Services	36,841	-	-	36,841
0033 Health Services	542,592	-	6,210	548,802
0034 Student (Pupil) Transportation	4,706,295	-	467	4,706,762
0035 Food Services	-	-	4,691,639	4,691,639
0036 Extracurricular Activities	3,934,502	-	119,548	4,054,050
0041 General Administration	2,107,740	-	16,770	2,124,510
0051 Facilities Maintenance and Operations	8,111,555	-	351,594	8,463,149
0052 Security and Monitoring Services	800,097	-	3,076	803,173
0053 Data Processing Services	775,148	-	-	775,148
0061 Community Services	286	-	20,692	20,978
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	1,340,000	-	2,049,197	3,389,197
0072 Interest on Long Term Debt	137,764	-	5,571,573	5,709,337
0073 Bond Issuance Cost and Fees	42,426	-	1,871	44,297
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	561,653	26,420,054	30,983	27,012,690
<b>Intergovernmental:</b>				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	6,165	-	-	6,165
0099 Other Intergovernmental Charges	363,771	-	-	363,771
6030 Total Expenditures	<u>75,230,626</u>	<u>26,420,054</u>	<u>17,072,368</u>	<u>118,723,048</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,363,798)</u>	<u>(26,305,524)</u>	<u>599,990</u>	<u>(28,069,332)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	27,454	-	-	27,454
7914 Non-Current Loans	2,042,000	-	-	2,042,000
7915 Transfers In	3,164,330	-	47,620	3,211,950
7949 Other Resources	1,188	-	-	1,188
8911 Transfers Out (Use)	(3,200,154)	-	(2,553)	(3,202,707)
8949 Other (Uses)	-	-	(8,700)	(8,700)
7080 Total Other Financing Sources (Uses)	<u>2,034,818</u>	<u>-</u>	<u>36,367</u>	<u>2,071,185</u>
1200 Net Change in Fund Balances	(328,980)	(26,305,524)	636,357	(25,998,147)
0100 Fund Balance - September 1 (Beginning)	<u>16,777,548</u>	<u>53,707,949</u>	<u>1,399,523</u>	<u>71,885,020</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 16,448,568</u>	<u>\$ 27,402,425</u>	<u>\$ 2,035,880</u>	<u>\$ 45,886,873</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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(25,998,147)
<p>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 position.</p>		
		557,732
<p>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 2013 capital outlays and debt principal payments is to increase (decrease) net position.</p>		
		32,766,161
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(4,708,686)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>		
		(1,315,094)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,301,966</u>

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

SHARYLAND ISD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 158,090	\$ 2,474,783
Accrued Interest	-	319
Total Current Assets	<u>158,090</u>	<u>2,475,102</u>
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	209,691	-
Depreciation on Furniture and Equipment	(37,106)	-
Total Noncurrent Assets	<u>172,585</u>	<u>-</u>
Total Assets	<u>330,675</u>	<u>2,475,102</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	122,206
Accrued Wages Payable	5,944	-
Due to Other Funds	3,569	-
Accrued Expenses	-	577,206
Total Liabilities	<u>9,513</u>	<u>699,412</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	172,585	-
Unrestricted Net Position	148,577	1,775,690
Total Net Position	<u>\$ 321,162</u>	<u>\$ 1,775,690</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 POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 232,760	\$ 6,922,901
State Program Revenues	8,313	-
Total Operating Revenues	<u>241,073</u>	<u>6,922,901</u>
<b>OPERATING EXPENSES:</b>		
Payroll Costs	148,941	6,249
Professional and Contracted Services	-	1,333,017
Supplies and Materials	14,987	15,788
Other Operating Costs	4,544	5,013,496
Depreciation Expense	10,484	-
Total Operating Expenses	<u>178,956</u>	<u>6,368,550</u>
Operating Income	<u>62,117</u>	<u>554,351</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Earnings from Temporary Deposits & Investments	-	3,381
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>3,381</u>
Income Before Transfers	62,117	557,732
Transfers Out	<u>(11,244)</u>	<u>-</u>
Change in Net Position	50,873	557,732
Total Net Position - September 1 (Beginning)	<u>270,289</u>	<u>1,217,958</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 321,162</u></u>	<u><u>\$ 1,775,690</u></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, 2013

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 241,073	\$ 7,014,328
Cash Payments for Professional & Contract Services	(147,775)	(1,339,266)
Cash Payments for Other Operating Expenses	(19,905)	(4,973,744)
Net Cash Provided by Operating Activities	<u>73,393</u>	<u>701,318</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	(11,244)	-
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	-	3,381
Net Increase in Cash and Cash Equivalents	62,149	704,699
Cash and Cash Equivalents at Beginning of Year	95,941	1,770,084
Cash and Cash Equivalents at End of Year	<u>\$ 158,090</u>	<u>\$ 2,474,783</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>    Provided by Operating Activities:</u>		
Operating Income:	\$ 62,117	\$ 554,351
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	10,484	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	91,427
Increase (decrease) in Accounts Payable	-	114,175
Increase (decrease) in Accrued Wages Payable	1,166	-
Increase (decrease) in Interfund Liabilities	(374)	(58,635)
Net Cash Provided by Operating Activities	<u>\$ 73,393</u>	<u>\$ 701,318</u>

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

SHARYLANDISD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2013

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 84,428	\$ 388,821
Investments - Current	-	254,049
Accrued Interest	12	61
Total Assets	<u>84,440</u>	<u>\$ 642,931</u>
<b>LIABILITIES</b>		
Due to Other Funds	1,700	\$ 52,220
Due to Student Groups	-	590,711
Total Liabilities	<u>1,700</u>	<u>\$ 642,931</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>82,740</u>	
Total Net Position	<u>\$ 82,740</u>	

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

SHARYLANDISD  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 14,654
Transfer In	2,000
Total Additions	<u>16,654</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>19,200</u>
Total Deductions	<u>19,200</u>
Change in Net Position	(2,546)
Total Net Position - September 1 (Beginning)	<u>85,286</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 82,740</u></u>

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



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**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**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.

On September 1, 2012, the District adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early implemented GASB Statement No. 65 *Items Previously Reported As Assets and Liabilities* as encouraged by GASB. As a result of the adoption of these new accounting standards, a restatement of beginning net position at the government-wide level financial statements was required.

GASB Statement No. 63 provides financial guidance for reporting deferred outflows, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Deferred outflows of resources are defined as a consumption of net assets by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in a statement of financial position, being measured as the difference between (a) assets and deferred resources and (b) liabilities and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (*Continued*)

**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.

**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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (*Continued*)

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

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.

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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**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.

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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. Receivable and Payables (Continued)**

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.

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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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

**5. Deferred Outflows/Inflows of Resources**

*Deferred outflows of resources* represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**6. 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.

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.

**7. 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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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

**7. Fund Equity** *(Continued)*

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.
- **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.

**8. Use of Estimates**

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

**9. 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



**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year ended August 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9. Internal Service Fund Activity (Continued)**

is allocated to the operating programs benefited. The investment income is combined with other unrestricted income as general revenue in the statement of activities.

**10. 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.

**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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**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.

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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$15,852,596 and the bank balance was \$16,630,822. The District's cash deposits at August 31, 2013 and for the year then ended August 31, 2013, 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:

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

Cash on hand	\$	-
Carrying amount deposit		15,852,596
Investments		39,127,558
Less: Statement of Fiduciary Net Assets		<u>(727,298)</u>
Cash and Investments Statement of Net Assets	\$	<u>54,252,856</u>
Exhibit A-1		
Cash and cash equivalents	\$	15,379,347
Investments		<u>38,873,509</u>
Cash and Investments Statement of Net Assets	\$	<u>54,252,856</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 \$109,654,770.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$93,320,445 occurred during the month of January 2013.
- d. Total amount of FDIC coverage at the time of the largest combined balances was \$250,000.

**Investments**

Statues 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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended August 31, 2013

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

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, 2013, the District’s investments reported at fair value summarized below:

Description	Account	Amount	Maturity
<u>Governmental Funds</u>			
Logic Investment Pool		\$ 4,394,766	45 days average
Compass Bank-Money Market		31,866,657	30 days average
Texpool Investments		1,018,495	38 days average
TexPool Prime Investments		<u>1,847,640</u>	43 days average
		<u>\$ 39,127,558</u>	

**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	\$ 4,394,766	AAA-m	11.2%
Compass Bank Money Market	31,866,657	Baa-1	81.5%
TexPool Investments	1,018,495	AAA-m	2.6%
TexPool Prime Investments	<u>1,847,640</u>	AAA-m	4.7%
	<u>\$ 39,127,558</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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**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, 2013, the rates were \$1.0400 and \$.1600, respectively, per \$100 of assessed value.

	General Fund	Debt Service Fund
Total Taxes Receivable	\$ 2,301,315	\$ 413,420
Less: Allowance for Uncollectible	(1,644,860)	(239,178)
Net Receivable	\$ 656,455	\$ 174,242

**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	\$ 1,286,609	\$ 1,502,041	\$ 2,788,650
Other	625,720	100,912	726,632
Total	\$ 1,912,329	\$ 1,602,953	\$ 3,515,282

**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:

	Unavailable	Unearned
Foundation Revenue	-	988,356
Cash receipts in excess of expenditures	-	1,282,949
	\$ -	\$ 2,271,305

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Disaggregation Of Other Receivable/Accrued Liabilities**

Other receivables and accrued liabilities as of August 31, 2013 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.	\$ -	\$ -	\$ 117	\$ -	\$ 117
Nat'l Lunch Program	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ 117</u>
Accrued Expenses					
Wages and Deductions Payable	\$ 1,891,437	\$ -	\$ 80,739	\$ 5,944	\$ 1,978,120
Claims Payable	-	-	-	577,206	577,206
Retainage Payable	-	-	-	-	-
Total	<u>\$ 1,891,437</u>	<u>\$ -</u>	<u>\$ 80,739</u>	<u>\$ 583,150</u>	<u>\$ 2,555,326</u>

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended August 31, 2013

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 11,949,652	\$ 599,600	\$ -	\$ 12,549,252
Construction in Progress	1,924,400	25,213,798	-	27,138,198
Total capital assets, not being depreciated	13,874,052	25,813,398	-	39,687,450
Capital Assets, being depreciated:				
Buildings and Improvements	130,492,651	1,116,750	-	131,609,401
Furniture and Equipment	15,094,480	3,113,828	(375,220)	17,833,088
Total capital assets, being depreciated	145,587,131	4,230,578	(375,220)	149,442,489
Less accumulated depreciation for:				
Buildings and Improvements	(29,547,393)	(3,367,152)	-	(32,914,545)
Furniture and Equipment	(8,002,022)	(1,341,534)	375,220	(8,968,336)
Total accumulated depreciation	(37,549,415)	(4,708,686)	375,220	(41,882,881)
Total capital assets, being depreciated, net	108,037,716	(478,108)	-	107,559,608
Governmental Activities Capital Assets, Net	\$ 121,911,768	\$ 25,335,290	\$ -	\$ 147,247,058
<b><u>Business-type Activities:</u></b>				
Capital Assets, being depreciated:				
Furniture and Equipment	\$ 209,691	\$ -	\$ -	\$ 209,691
Total capital assets, being depreciated	209,691	-	-	209,691
Less accumulated depreciation for:				
Furniture and Equipment	(26,622)	(10,485)	-	(37,107)
Total accumulated depreciation	(26,622)	(10,485)	-	(37,107)
Total capital assets, being depreciated, net	183,069	(10,485)	-	172,584
Business-type Activities Capital Assets, Net	\$ 183,069	\$ (10,485)	\$ -	\$ 172,584

Depreciation was charged to functions as follows:

Instruction	\$ 3,421,232
Instructional resources and media services	48,591
Instructional Leadership	1,424
School Leadership	60,250
Guidance, counseling and evaluation services	714
Student transportation	421,941
Food Services	146,633
Co-curricular/extracurricular activities	422,619
General administration	65,844
Plant Maintenance and operations	42,431
Security and monitoring services	12,629
Data processing services	64,377
Total depreciation expenses - governmental activities	\$ 4,708,686

**Business-type Activities:**

Instruction	\$ 10,485
Total depreciation expenses - Business-type activities	\$ 10,485

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivable, Payables, and Transfers**

The composition of interfund balances as of August 31, 2013 is as follows:

<u>Due To</u>		<u>Due From</u>	
General Fund	\$ 1,400,186	General Fund	\$ 972,890
Clearing Funds(General Fund)	-	Special Revenue Funds	978,585
Capital Projects Fund	12,609	Capital Projects Fund	-
Special Revenue Funds	<u>11,106</u>	Debt Service Fund	<u>-</u>
Subtotal	<u>1,423,901</u>	Subtotal	<u>1,951,475</u>
Proprietary Fund Types	-	Proprietary Fund Types	3,569
Trust and Agency Fund	<u>1,135,224</u>	Trust and Agency Fund	<u>604,081</u>
Totals	<u>\$ 2,559,125</u>	Totals	<u>\$ 2,559,125</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, 2013 were as follows:

<u>Funds;</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,164,330	\$ 3,200,154
Non-Major Funds	35,011	2,552
Enterprise Fund	-	11,244
Capital Projects	12,609	-
Priv. P.Trust Funds	<u>2,000</u>	<u>-</u>
Totals	<u>\$ 3,213,950</u>	<u>\$ 3,213,950</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.

**F. Deferred Outflows and Inflows of Resources**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of August 31, 2013, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$634,526.



**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Deferred Outflows and Inflows of Resources (Continued)**

Deferred outflows of resources reported at the government-wide financial statement level included deferred charges on refunding of bonds. As of August 31, 2013, the amount of deferred charges on refunding of bonds reported as deferred outflows of resources was \$1,400,879, net of cumulative amortization.

**G. 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.

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, 2013.

General obligation and capital appreciation bonds payable at August 31, 2013 are summarized as follows:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding Balance</u>
2004 Ref	6,744,999	2022	2.5-4.1%	4,525,000
2005 Ref	7,494,994	2030	3.5-4.40%	6,632,560
2006	40,000,000	2036	4.25-5%	35,410,000
2010	9,985,000	2040	2.0-4.0%	9,355,000
2011 Ref	8,819,999	2033	2.0-4.0%	8,674,999
2012	51,185,000	2041	2.0%-7.0%	51,185,000
2012 Ref	7,790,000	2031	2.0% -4.0%	7,680,000
			Total	<u><u>\$ 123,462,559</u></u>

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Long Term Obligations (Continued)**

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

Year Ending August 31	Principal	Interest	Total
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	3,985,000	4,704,545	8,689,545
2018-2023	20,849,999	21,993,192	42,843,191
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	10,145,000	597,100	10,742,100
Total	<u>\$ 123,462,559</u>	<u>\$ 79,590,251</u>	<u>\$ 203,052,810</u>

Tax Notes

Tax notes outstanding at August 31, 2013 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%. \$ 640,000

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%. 1,045,000

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% 705,000

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% 296,000

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

Series 2012 Maintenance Tax Note, authorized by Education Code Section 45.108, for the purchase of school buses; February 15, 2013 through February 15, 2017; interest at 1.280%

1,637,000

\$ 4,323,000

**G. Long Term Obligations (Continued)**

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

Fiscal Year Ending August 31	Principal	Interest	Total
2014	\$ 1,366,000	\$ 103,421	\$ 1,469,421
2015	1,418,000	59,551	1,477,551
2016	747,000	27,866	774,866
2017	537,000	13,851	550,851
2018	125,000	6,834	131,834
2019	130,000	2,308	132,308
Totals	<u>\$ 4,323,000</u>	<u>\$ 213,831</u>	<u>\$ 4,536,831</u>

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.

Long-term debt liabilities activity for the governmental activities for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 125,516,757	\$ -	\$ 1,973,237	\$ 123,543,520	\$ 2,049,197
Unamortized Bond Premium	6,288,793	-	384,816	5,903,977	-
Unamortized Gain	16,305	-	-	16,305	-
Accretion On Bonds	1,295,283	-	850,902	444,381	-
Tax Note	3,621,000	2,042,000	1,340,000	4,323,000	1,366,000
Total	<u>\$ 135,271,989</u>	<u>\$ 2,042,000</u>	<u>\$ 4,548,955</u>	<u>\$ 134,231,183</u>	<u>\$ 3,415,197</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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

discounted using a comparable market borrowing rate. The following is the change that occurred during the year:

**G. Long Term Obligations (Continued)**

	Beginning Balance	Additions	Reduction	Ending Balance	Due within One Year
Employee Longevity Pay	\$4,221,683	\$ -	\$280,500	\$3,941,183	\$ 237,000

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

Debt long-term obligations	\$ 134,231,183
Employee Longevity Pay	3,941,183
Total	\$ 138,172,366
 Noncurrent Liabilities:	
Due within one year	\$ 3,652,197
Due in more than one year	134,520,169
Total Exhibit A-1	\$ 138,172,366

Unamortized bond premium at August 31, 2012 is \$45,402 on the 2003 Series Bond, which was reduced in proportion to the debt amount defeased by the 2012 Refunding Series Bond, \$293,944 on the 2004 Series Bond, \$143,021 on the 2005 Refunding, \$282,308 on the 2006 Series Bonds, \$177,803 on the 2010 Bond Series, and \$695,469 on the 2011 Refunding Bond Series, and \$4,266,030 on the 2012 Bond Series.

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 \$321,352 on the Series 2012 Refunding Bonds.

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

**Prior Year-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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)**

**H. General Fund Federal Source Revenues**

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Health & Relation Services		\$ 787,488
R.O.T.C.		68,020
Indirect Costs:		
ESEA Title I Part A	84.010A	36,960
ESEA Title I Part D	84.010A	198
ESEA Title I SIP	84.010A	174
ESEA Title I Part C-Migrant	84.011A	2,442
IDEA-Part B, Formula	84.027A	25,687
IDEA-Part B, Preschool	8417A	624
ESEA Title I Part C	84.048A	2,034
Title II, Part A	84.367A	4,318
Title III, Part A-LEP	84.365A	5,046
Title III, Part A-IMM	84.372A	3,601
		<u>\$ 936,592</u>

**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 \$228,544,982 for property insurance. Such insurance is consistent with the prior year, and at August 31, 2013 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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
Year ended August 31, 2013**

**NOTE 3 – OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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 ING Reliastar for the period of May 1, 2012 through April 2013 and American Fidelity for the period of May 2013 through August 31, 2014. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 annual aggregate losses exceeding approximately \$6,743,782 and \$6,176,851 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, 2013.

Liability, Beginning of year	\$	489,640
Claims incurred during the period		3,951,675
Payments on claims		<u>(3,951,675)</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.

The amount of subsidy reimbursement received by TRS on behalf of the District for the period ending August 31, 2013, 2012 and 2011, were estimated at \$ 157,639, \$ 141,714, and \$ 131,295, 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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 3 – OTHER INFORMATION** (*Continued*)

**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.

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

*Funding Policy.* State law provides for fiscal year 2012, a state contribution rate of 6.4% and a member contribution rate of 6.4%. For years 2011, and 2010, a state contribution rate of 6.644% and a member contribution rate of 6.58%. In certain instances the reporting district is required to make all or a portion of the state’s 6.644% or 6.4% 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.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 3 – OTHER INFORMATION** (*Continued*)

**D. Employee retirement System and Pension Plans** (*Continued*)

State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2013, 2012, and 2011, were \$2,638,774, \$2,631,488, and \$2,864,503, respectively. The District paid additional state contributions for the years ended August 31, 2013, 2012, and 2011, in the amount of \$609,998, \$540,688, and \$744,401, 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](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

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

The State of Texas and active public school employee contribution rates were .5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$255,897, \$492,369, and \$515,648, 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.



**SHARYLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year ended August 31, 2013**

**NOTE 4 – CONSTRUCTION COMMITMENTS**

At August 31, 2013, the District had the following construction commitments.

<u>Project Name</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Remaining Commitment</u>
			\$ -
New Sharyland Pioneer High School	55,000,000	27,773,769	27,226,231
	<u>\$ 55,000,000</u>	<u>\$ 27,773,769</u>	<u>\$ 27,226,231</u>

**NOTE 5 – PRIOR PERIOD ADJUSTMENTS**

Due to early implementation of GASB Statement No. 65, most issuance costs are no longer capitalized and amortized but rather expensed as incurred. This statement, then requires the removal of deferred charges for issuance costs previously capitalized and reduces the beginning net position in the amount of \$1,231,364.

**NOTE 6 – SUBSEQUENT EVENTS**

On November 27, 2013, the District issued refunding bonds in the aggregate principal amount of \$3,990,000. The proceeds of the bonds were for the purpose of refunding Series 2004 refunding bonds in the aggregate principal amount of \$4,095,000. The gross debt service savings realized by this transaction was \$341,324, and a net present value savings of \$319,469. The District has considered all subsequent events through the date of this report, January 13, 2014.

SHARYLAND ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 27,862,123	\$ 28,002,563	\$ 27,449,704	\$ (552,859)
5800 State Program Revenues	45,526,061	45,526,061	44,480,532	(1,045,529)
5900 Federal Program Revenues	475,000	475,000	936,592	461,592
5020 Total Revenues	73,863,184	74,003,624	72,866,828	(1,136,796)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	43,819,328	42,873,443	42,001,146	872,297
0012 Instructional Resources and Media Services	1,029,896	1,064,264	1,061,199	3,065
0013 Curriculum and Instructional Staff Development	932,687	793,741	635,620	158,121
0021 Instructional Leadership	1,431,685	1,463,456	1,429,555	33,901
0023 School Leadership	3,921,986	3,941,314	3,939,995	1,319
0031 Guidance, Counseling and Evaluation Services	2,505,445	2,838,129	2,696,276	141,853
0032 Social Work Services	33,541	39,541	36,841	2,700
0033 Health Services	529,608	544,631	542,592	2,039
0034 Student (Pupil) Transportation	2,705,154	4,740,654	4,706,295	34,359
0036 Extracurricular Activities	3,993,929	3,936,635	3,934,502	2,133
0041 General Administration	2,167,794	2,208,994	2,107,740	101,254
0051 Facilities Maintenance and Operations	7,727,831	8,265,406	8,111,555	153,851
0052 Security and Monitoring Services	849,692	847,942	800,097	47,845
0053 Data Processing Services	775,249	780,109	775,148	4,961
0061 Community Services	1,250	1,750	286	1,464
Debt Service:				
0071 Principal on Long Term Debt	935,000	1,340,000	1,340,000	-
0072 Interest on Long Term Debt	122,109	138,160	137,764	396
0073 Bond Issuance Cost and Fees	1,000	43,000	42,426	574
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	593,032	561,653	31,379
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	20,000	10,000	6,165	3,835
0099 Other Intergovernmental Charges	360,000	371,000	363,771	7,229
6030 Total Expenditures	73,863,184	76,835,201	75,230,626	1,604,575
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,831,577)	(2,363,798)	467,779
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	1,000	27,454	26,454
7914 Non-Current Loans	-	2,042,000	2,042,000	-
7915 Transfers In	3,409,147	3,467,583	3,164,330	(303,253)
7949 Other Resources	-	-	1,188	1,188
8911 Transfers Out (Use)	(3,409,147)	(3,496,707)	(3,200,154)	296,553
7080 Total Other Financing Sources (Uses)	-	2,013,876	2,034,818	20,942
1200 Net Change in Fund Balances	-	(817,701)	(328,980)	488,721
0100 Fund Balance - September 1 (Beginning)	16,777,548	16,777,548	16,777,548	-
3000 Fund Balance - August 31 (Ending)	\$ 16,777,548	\$ 15,959,847	\$ 16,448,568	\$ 488,721

SHARYLANDISD  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.445500	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	1.040000	0.160000	2,498,024,884
2013 (School year under audit)	1.040000	0.245500	2,571,598,518
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 270,308	\$ -	\$ 6,633	\$ 744	\$ (2,613)	\$ 260,318
57,699	-	4,167	344	(1,470)	51,718
64,619	-	3,741	228	(1,604)	59,046
91,120	-	8,058	1,180	(2,240)	79,642
125,556	-	2,780	388	(20,706)	101,682
224,336	-	37,784	5,268	(33,958)	147,326
410,185	-	104,740	16,114	(19,065)	270,266
572,144	-	201,921	31,065	(8,988)	330,170
923,654	-	445,910	68,602	(40,026)	369,116
-	32,503,815	25,326,150	5,978,433	(153,781)	1,045,451
<u>\$ 2,739,621</u>	<u>\$ 32,503,815</u>	<u>\$ 26,141,884</u>	<u>\$ 6,102,366</u>	<u>\$ (284,451)</u>	<u>\$ 2,714,735</u>

SHARYLANDISD  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 249,403	\$ 1,740,318	\$ -	\$ -	\$ 1,989,721
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	98,849	-	-	-	-	-	98,849
6212	Audit Services	-	-	-	32,000	-	-	32,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	363,771	-	-	-	-	363,771
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	5,045	900	21,235	-	-	27,180
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,050	-	16,142	17,926	-	-	35,118
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	10,821	-	10,821
6260	Rentals	-	-	2,090	30,061	-	-	32,151
6290	Miscellaneous Contr.	-	-	-	12,283	-	-	12,283
6320	Textbooks and Reading	-	-	725	-	-	-	725
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	347	-	13,104	181,002	-	-	194,453
6410	Travel, Subsistence, Stipends	10,868	-	9,083	27,051	-	-	47,002
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	9,530	-	-	-	-	-	9,530
6490	Miscellaneous Operating	29,698	-	17,741	110,480	11,489	-	169,408
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	238,917	238,917
6000	<b>TOTAL</b>	<b>\$ 150,342</b>	<b>\$ 368,816</b>	<b>\$ 309,188</b>	<b>\$ 2,172,356</b>	<b>\$ 22,310</b>	<b>\$ 238,917</b>	<b>\$ 3,261,929</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 84,647,371

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 3,675,481
Total Debt & Lease(6500)	(11) 1,520,190
Plant Maintenance (Function 51, 6100-6400)	(12) 8,447,594
Food (Function 35, 6341 and 6499)	(13) 2,139,587
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	2,172,356

SubTotal: 17,955,208

Net Allowed Direct Cost \$ 66,692,163

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 131,609,401
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) \$ 27,138,198
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 776,963
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 163,877

(8) NOTE A: \$775,148 in Function 53 expenditures are included in this report on administrative costs.  
 \$363,771 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SHARYLAND ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,687,637	\$ 1,760,000	\$ 1,780,067	\$ 20,067
5800 State Program Revenues	-	30,800	30,889	89
5900 Federal Program Revenues	3,308,697	3,496,000	3,513,092	17,092
5020 Total Revenues	4,996,334	5,286,800	5,324,048	37,248
<b>EXPENDITURES:</b>				
0035 Food Services	4,733,334	4,956,900	4,691,639	265,261
0051 Facilities Maintenance and Operations	259,500	359,500	351,374	8,126
0052 Security and Monitoring Services	3,500	5,500	3,076	2,424
6030 Total Expenditures	4,996,334	5,321,900	5,046,089	275,811
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(35,100)	277,959	313,059
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	35,100	35,011	(89)
7080 Total Other Financing Sources (Uses)	-	35,100	35,011	(89)
1200 Net Change in Fund Balances	-	-	312,970	312,970
0100 Fund Balance - September 1 (Beginning)	378,282	378,282	378,282	-
3000 Fund Balance - August 31 (Ending)	\$ 378,282	\$ 378,282	\$ 691,252	\$ 312,970

SHARYLAND ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 6,211,436	\$ 6,162,000	\$ 6,200,887	\$ 38,887
5800 State Program Revenues	1,444,335	1,780,000	1,780,336	336
5020 Total Revenues	7,655,771	7,942,000	7,981,223	39,223
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	2,049,197	2,149,197	2,049,197	100,000
0072 Interest on Long Term Debt	5,571,574	5,721,574	5,571,573	150,001
0073 Bond Issuance Cost and Fees	35,000	71,229	1,871	69,358
6030 Total Expenditures	7,655,771	7,942,000	7,622,641	319,359
1200 Net Change in Fund Balances	-	-	358,582	358,582
0100 Fund Balance - September 1 (Beginning)	642,706	642,706	642,706	-
3000 Fund Balance - August 31 (Ending)	\$ 642,706	\$ 642,706	\$ 1,001,288	\$ 358,582

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# 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  
Mission, Texas 78572

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sharyland Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Sharyland Independent School District's basic financial statements, and have issued our report thereon dated January 13, 2014.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sharyland Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2013-1.

### **Response to Findings**

Sharyland Independent School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Sharyland Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Reyna & Garza, PLLC*  
*Certified Public Accountants*

*January 13, 2014*

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# Reyna & Garza, PLLC

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Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

Board of Trustees  
Sharyland Independent School District  
Mission Texas 78572

Members of the Board:

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

We have audited Sharyland Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sharyland Independent School District's major federal programs for the year ended August 31, 2013. Sharyland Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, Sharyland Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Reyna & Garza, PLLC*  
*Certified Public Accountants*

*January 13, 2014*

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

**I. Summary of the Auditor's Results:**

**Financial Statements:**

A. The type of report issued:	Unmodified
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	Unmodified
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	No
G. Dollar Threshold considered between Type A And Type B Federal Programs	\$ 300,000
H. Auditee qualifies as Low-risk Auditee?	Yes
I. Major Federal Program(s);	
1) (CFDA#84.010A )ESEA Title I Part A, ESEA Title I-D, Subpart 2, ESEA Title I-School Improvement	
2) ( CFDA#84.027, CFDA#84.173) IDEA Special Education Cluster	

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

**2013-1 Review of Investment Policy and Investment Strategy Requirements(Non-Compliance)**

Criteria: Texas Government Code, Section 2256-005 requires the governing body to review its investment policy and strategy no less than annually.

Condition: The District did not comply with this requirement during the year under audit.

Cause: The District did not review the investment policy or strategy during the year under audit.

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

Effect: The District did not comply with the referenced requirement.

Recommendation: The District should establish an annual schedule that incorporates the above-referenced requirement.

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

None

SHARYLAND INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2013

Status of Prior Year Findings

Reference Number: 2012-1 SECO Grant Requirements(Non-Compliance)

Finding: Grant requirements provide for a local matching component to federal funds received. The District did not expend the requisite amount as provided by grant agreement.

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

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

FINDING #2013-1

The District concurs with the finding. The District will establish a calendar that provides for the annual review of the District's investment policy and strategy. The contact person for this item is Jaime Ortega, and can be reached at (956)580-5200.

SHARYLANDISD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
Junior Reserve Officer Training Corp.	12.998	108-911	\$ 68,020
Total Direct Programs			\$ 68,020
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 68,020</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13-610101108911	\$ 1,463,160
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14-610101108911	86,344
Total CFDA Number 84.010A			1,549,504
Total Title I, Part A Cluster			1,549,504
ESEA, Title I, Part C - Migratory Children	84.011	13-615001108911	93,694
ESEA, Title I, Part C - Migratory Children	84.011	14-615001108911	35,386
Total CFDA Number 84.011			129,080
*IDEA - Part B, Formula	84.027	13-660001089116600	1,239,965
*IDEA - Part B, Formula	84.027	14-660001089116600	228,547
Total CFDA Number 84.027			1,468,512
*IDEA - Part B, Preschool	84.173	13-661001108911660	24,867
*IDEA - Part B, Preschool	84.173	14-6610011089116600	1,978
Total CFDA Number 84.173			26,845
Total Special Education Cluster (IDEA)			1,495,357
Career and Technical - Basic Grant	84.048	13-420006108911	89,578
Career and Technical - Basic Grant	84.048	14-420006108911	5,229
Total CFDA Number 84.048			94,807
Title III, Part A - English Language Acquisition	84.365A	13-671001108911	563,914
Title III, Part A - English Language Acquisition	84.365A	14-671001108911	2,414
Total CFDA Number 84.365A			566,328
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13-671001108911	172,370
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14-671001108911	29,373
Total CFDA Number 84.367A			201,743
Total Passed Through State Department of Education			\$ 4,036,819
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 4,036,819</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	108-911	\$ 661,150
*National School Lunch Program - Cash Assistance	10.555	108-911	2,659,748
*National School Lunch Prog. - Non-Cash Assistance	10.555	108-911	192,194
Total CFDA Number 10.555			2,851,942
Total Child Nutrition Cluster			3,513,092
Total Passed Through the State Department of Agriculture			\$ 3,513,092



SHARYLAND ISD  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 3,513,092
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 7,617,931</u>

\*Clustered Programs

SHARYLAND ISD  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2013

- 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 2012, 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 2013

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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 unmodified 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.	444,381