

SHARYLAND
INDEPENDENT SCHOOL DISTRICT

AUDITED ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

Reyna & Garza, P.L.L.C.
Certified Public Accountants

SHARYLAND INDEPENDENT SCHOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

SHARYLAND ISD
Name of School District

HIDALGO
County

108911
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 22nd of January 2015.

Noel E. Olm
Signature of Board Secretary

Noel O. Garza
Signature of Board President

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

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Reyna & Garza, PLLC

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2014, 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

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-3. 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 16, 2015, 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 16, 2015

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

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, 2014. 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 \$64,607,287 (*net assets*). Of this amount \$13,946,009 (*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 \$26,996,953. Approximately 83.5 percent of this total amount, \$22,553,130 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 \$22,553,130 or 29 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, 2014**

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 16-20 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, 2014**

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 25-26.

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, 2014**

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 27-51 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 52-56 of this report.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

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 \$64,607,287 as of August 31, 2014 and by \$58,928,734 as of August 31, 2013.

	2014	2013	2014	2013	2014	2013
Current assets	\$ 41,519,122	\$ 58,705,008	\$ 138,836	\$ 154,521	\$ 41,657,958	\$ 58,859,529
Noncurrent assets	170,137,585	148,647,937	183,442	172,585	170,321,027	\$ 148,820,522
Total Assets	<u>211,656,707</u>	<u>207,352,945</u>	<u>322,278</u>	<u>327,106</u>	<u>211,978,985</u>	<u>207,680,051</u>
Current liabilities	12,256,299	10,573,007	5,169	5,944	12,261,468	10,578,951
Long-term liabilities:	136,511,109	138,172,366	-	-	136,511,109	138,172,366
Total Liabilities	<u>148,767,408</u>	<u>148,745,373</u>	<u>5,169</u>	<u>5,944</u>	<u>148,772,577</u>	<u>148,751,317</u>
Net Assets:						
Invested in capital assets	46,723,916	20,079,754	183,443	172,585	46,907,359	20,252,339
Restricted	3,753,919	30,586,708	-	-	3,753,919	30,586,708
Unrestricted	13,812,343	7,941,110	133,666	148,577	13,946,009	8,089,687
Total Net Assets	<u>\$ 64,290,178</u>	<u>\$ 58,607,572</u>	<u>\$ 317,109</u>	<u>\$ 321,162</u>	<u>\$ 64,607,287</u>	<u>\$ 58,928,734</u>

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 \$46,907,359 as of August 31, 2014 and \$20,252,339 as of August 31, 2013. 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 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$13,946,009 in 2014) and (\$8,089,687 in 2013) 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 \$5.68M in 2014 and increased by \$1.30M in 2013. The total cost of all *governmental activities* these years was \$94,114,655 in 2014 and \$88,065,841 in 2013. The amount that our taxpayers paid for these activities through property taxes was \$33,998,764 or 36.1% in 2014 and \$30,811,287 or 34.9% in 2013.

Business activities. The District's total net assets decreased of \$ 4,053 in 2014 and increased by \$50,873 in 2013. The total cost of all *business activities* these years was \$209,056 in 2014 and 178,956 in 2013.

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

	Changes in the District's Net Assets					
	Governmental Activities		Business Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues						
Charges for services	\$ 2,821,283	\$ 1,960,759	\$ 220,003	\$ 241,073	\$ 3,041,286	\$ 2,201,832
Op.grants and contributions	14,080,913	12,327,724	-	-	14,080,913	12,327,724
General revenues						
Property Taxes	33,998,764	30,811,287	-	-	33,998,764	30,811,287
State grants	48,883,301	44,560,576	-	-	48,883,301	44,560,576
Other		(292,539)	-	-	-	(292,539)
Transfers in (out), net	13,000	-	-	-	13,000	-
Total Revenues	99,797,261	89,367,807	220,003	241,073	100,017,264	89,608,880
EXPENSES						
Instruction	50,432,292	46,885,762	-	31,012	50,432,292	46,916,774
Instr.Resources & Media Svcs.	1,198,925	1,111,043	-	-	1,198,925	1,111,043
Curriculum and Staff Dev.	742,388	733,445	-	-	742,388	733,445
Instructional Leadership	1,573,195	1,526,478	-	-	1,573,195	1,526,478
School Leadership	4,608,577	4,033,126	-	31,332	4,608,577	4,064,458
Guidance, Counseling & Eval.Svcs.	3,616,734	3,645,430	-	-	3,616,734	3,645,430
Social Work Services	37,522	36,841	-	-	37,522	36,841
Health Services	575,256	548,802	-	-	575,256	548,802
Student Transportation	3,165,223	3,230,822	-	-	3,165,223	3,230,822
Food Services	5,282,402	4,729,820	-	-	5,282,402	4,729,820
Extracurricular Activities	4,808,353	4,442,469	-	-	4,808,353	4,442,469
General Administration	2,579,252	2,190,354	-	-	2,579,252	2,190,354
Plant Maintenance and Operations	7,994,191	8,490,025	-	-	7,994,191	8,490,025
Security and Monitoring Services	872,726	810,756	-	-	872,726	810,756
Data Processing Services	755,598	600,608	-	-	755,598	600,608
Community Services	52,964	20,978	209,056	116,612	262,020	137,590
Interest on long-term	5,364,840	4,614,849	-	-	5,364,840	4,614,849
Amortization	52,774	44,297	-	-	52,774	44,297
Payments to JJAEP	3,526	6,165	-	-	3,526	6,165
Other Governmental Charges	397,917	363,771	15,000	11,244	412,917	375,015
Total Expenses	94,114,655	88,065,841	224,056	190,200	94,338,711	88,256,041
Total Increase in Net Assets	5,682,606	1,301,966	(4,053)	50,873	5,678,553	1,352,839
Beginning, Net Assets	58,607,572	57,305,606	321,162	270,289	58,928,734	57,575,895
Ending, Net Assets	\$ 64,290,178	\$ 58,607,572	\$ 317,109	\$ 321,162	\$ 64,607,287	\$ 58,928,734

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 \$26,996,953, a decrease of 18,889,920. Approximately 83.5 percent of this total amount (\$22,553,130) constitutes *unassigned fund balance*. The remainder of fund balance is *reserved* or *committed* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$203,226), 2) to pay debt service (\$1,133,289), and 3) for other miscellaneous restrictions and other committed (\$3,107,308).

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

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 \$22,553,130 while the total fund balance was \$23,239,886. 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 26.4 percent of the total general fund expenditures, while total fund balance represents 30.3 percent of that same amount.

The fund balance of the District's general fund decreased by \$83,114 during the current fiscal year due primarily to the following:

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, 2014, amounted to \$133,666. During the year the funds had a decrease in net assets of \$4,053.

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.

The District made the following amendments to increase budgeted revenue:

Revenues from Local and Intermediate Sources	\$	950,821
State Program Revenues		93,207
Federal Progeam Revenues		-

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

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

Instructional and Instructional Related Services	\$ (547,901)
Instructional and School Leadership	446,271
Support Services -Student (Pupil)	63,979
Administrative Support Services	155,106
Support Services - Non Student Based	147,552
Ancillary Services	720
Debt Services	378,301
Capital Outlay	365,000
Other	35,000

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2014, amounts to \$170,321,029 (net of accumulated depreciation), an increase of 16% over prior year. This investment in capital assets includes land, buildings, etc. as listed below.

**District's Capital Assets
(net of depreciation)**

	<u>2014</u>	<u>2013</u>
Land	\$ 12,610,148	\$ 12,549,252
Buildings and improvements	95,564,784	98,694,856
Furniture and equipment	8,538,561	8,864,752
Capital Lease-Furniture and equipment	(6,049)	-
Infrastructure Assets-Roads	322,947	-
Infrastructure Assets-Networks and Subsystems	173,250	-
Construction in Progress	53,117,388	27,138,198
Total capital assets	<u>\$ 170,321,029</u>	<u>\$ 147,247,058</u>

Additional information on the District's capital assets can be found in Note 2-D on page 40 of this report.

Long-term debt. At the end of August 31, 2014, the District had total bonded debt outstanding of \$120,094,508 a net decrease of \$3,368,051 from the prior year.

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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

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 43 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 was \$78,359,961.

Independent Audit

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

Awards

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

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014**

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:

Jaime Ortega
Director of Finance
Sharyland ISD
1106 N. Shary Road
Mission, Texas 78572

SHARYLAND ISD
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	1	2 Primary Government		3
	Governmental Activities	Business Type Activities	Total	
ASSETS				
1110 Cash and Cash Equivalents	\$ 26,384,915	\$ 138,836	\$ 26,523,751	
1120 Current Investments	11,257,764	-	11,257,764	
1220 Property Taxes Receivable (Delinquent)	2,711,289	-	2,711,289	
1230 Allowance for Uncollectible Taxes	(2,104,105)	-	(2,104,105)	
1240 Due from Other Governments	2,938,198	-	2,938,198	
1250 Accrued Interest	4,242	-	4,242	
1290 Other Receivables, net	202	-	202	
1300 Inventories	326,617	-	326,617	
Capital Assets:				
1510 Land	12,610,147	-	12,610,147	
1520 Buildings, Net	95,564,784	-	95,564,784	
1530 Furniture and Equipment, Net	8,355,119	183,442	8,538,561	
1550 Leased Property Under Capital Leases, Net	(6,049)	-	(6,049)	
1580 Construction in Progress	53,117,388	-	53,117,388	
1590 Infrastructure, Net	496,196	-	496,196	
1000 Total Assets	<u>211,656,707</u>	<u>322,278</u>	<u>211,978,985</u>	
DEFERRED OUTFLOWS OF RESOURCES				
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>	
LIABILITIES				
2110 Accounts Payable	4,283,227	1,876	4,285,103	
2140 Interest Payable	165,088	-	165,088	
2160 Accrued Wages Payable	2,641,744	3,293	2,645,037	
2200 Accrued Expenses	3,183,792	-	3,183,792	
2300 Unearned Revenue	1,982,448	-	1,982,448	
Noncurrent Liabilities				
2501 Due Within One Year	5,215,509	-	5,215,509	
2502 Due in More Than One Year	131,295,600	-	131,295,600	
2000 Total Liabilities	<u>148,767,408</u>	<u>5,169</u>	<u>148,772,577</u>	
NET POSITION				
3200 Net Investment in Capital Assets	46,723,916	183,443	46,907,359	
Restricted for:				
3820 Restricted for Federal and State Programs	620,396	-	620,396	
3850 Restricted for Debt Service	1,133,289	-	1,133,289	
3860 Restricted for Capital Projects	1,782,121	-	1,782,121	
3870 Restricted for Campus Activities	108,113	-	108,113	
3890 Restricted for Other Purposes	110,000	-	110,000	
3900 Unrestricted	13,812,343	133,666	13,946,009	
3000 Total Net Position	<u>\$ 64,290,178</u>	<u>\$ 317,109</u>	<u>\$ 64,607,287</u>	

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

SHARYLAND ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 50,432,292	\$ 182,041	\$ 6,034,632
12 Instructional Resources and Media Services	1,198,925	-	47,063
13 Curriculum and Staff Development	742,388	-	200,189
21 Instructional Leadership	1,573,195	-	138,650
23 School Leadership	4,608,577	-	272,540
31 Guidance, Counseling and Evaluation Services	3,616,734	-	993,547
32 Social Work Services	37,522	-	2,291
33 Health Services	575,256	-	34,169
34 Student (Pupil) Transportation	3,165,223	-	130,060
35 Food Services	5,282,402	1,780,153	5,296,697
36 Extracurricular Activities	4,808,353	192,704	242,564
41 General Administration	2,579,252	666,385	117,624
51 Facilities Maintenance and Operations	7,994,191	-	471,776
52 Security and Monitoring Services	872,726	-	3,086
53 Data Processing Services	755,598	-	33,628
61 Community Services	52,964	-	58,962
72 Debt Service - Interest on Long Term Debt	5,364,840	-	169
73 Debt Service - Bond Issuance Cost and Fees	52,774	-	-
81 Capital Outlay	-	-	3,266
95 Payments to Juvenile Justice Alternative Ed. Prg.	3,526	-	-
99 Other Intergovernmental Charges	397,917	-	-
[TG] Total Governmental Activities:	<u>94,114,655</u>	<u>2,821,283</u>	<u>14,080,913</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	55,649	66,522	-
02 Enterprise Funds - Locally Defined	16,452	18,687	-
03 Unidentified Fund from Trial Balance	41,691	31,718	-
04 Unidentified Fund from Trial Balance	59,862	51,443	-
06 Unidentified Fund from Trial Balance	20,566	29,441	-
07 Unidentified Fund from Trial Balance	14,836	22,192	-
[TB] Total Business-Type Activities:	<u>209,056</u>	<u>220,003</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 94,323,711</u>	<u>\$ 3,041,286</u>	<u>\$ 14,080,913</u>
Data Control Codes	General Revenues:		
MT	Taxes:		
DT	Property Taxes, Levied for General Purposes		
GC	Property Taxes, Levied for Debt Service		
IE	Grants and Contributions not Restricted		
MI	Investment Earnings		
FR	Miscellaneous Local and Intermediate Revenue		
TR	Transfers In (Out)		
	Total General Revenues & Transfers		
CN	Change in Net Position		
NB	Net Position - Beginning		
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
\$ (44,215,619)	\$ -	\$ (44,215,619)
(1,151,862)	-	(1,151,862)
(542,199)	-	(542,199)
(1,434,545)	-	(1,434,545)
(4,336,037)	-	(4,336,037)
(2,623,187)	-	(2,623,187)
(35,231)	-	(35,231)
(541,087)	-	(541,087)
(3,035,163)	-	(3,035,163)
1,794,448	-	1,794,448
(4,373,085)	-	(4,373,085)
(1,795,243)	-	(1,795,243)
(7,522,415)	-	(7,522,415)
(869,640)	-	(869,640)
(721,970)	-	(721,970)
5,998	-	5,998
(5,364,671)	-	(5,364,671)
(52,774)	-	(52,774)
3,266	-	3,266
(3,526)	-	(3,526)
(397,917)	-	(397,917)
(77,212,459)	-	(77,212,459)
-	10,873	10,873
-	2,235	2,235
-	(9,973)	(9,973)
-	(8,419)	(8,419)
-	8,875	8,875
-	7,356	7,356
-	10,947	10,947
(77,212,459)	10,947	(77,201,512)
30,910,581	-	30,910,581
3,088,183	-	3,088,183
50,098,421	-	50,098,421
79,144	-	79,144
(1,294,264)	-	(1,294,264)
13,000	(15,000)	(2,000)
82,895,065	(15,000)	82,880,065
5,682,606	(4,053)	5,678,553
58,607,572	321,162	58,928,734
\$ 64,290,178	\$ 317,109	\$ 64,607,287

SHARYLAND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	Major Special Revenue Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 20,427,648	\$ 842,328	\$ (83,645)
1120 Investments - Current	4,388,672	-	6,247,105
1220 Property Taxes - Delinquent	2,382,152	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(1,845,154)	-	-
1240 Receivables from Other Governments	1,796,508	747,964	-
1250 Accrued Interest	2,076	-	1,612
1260 Due from Other Funds	600,000	-	-
1290 Other Receivables	-	-	-
1300 Inventories	108,498	-	-
1000 Total Assets	<u>\$ 27,860,400</u>	<u>\$ 1,590,292</u>	<u>\$ 6,165,072</u>
LIABILITIES			
2110 Accounts Payable	\$ 971,911	\$ 773,884	\$ 2,041,610
2160 Accrued Wages Payable	2,422,943	-	-
2170 Due to Other Funds	-	-	-
2200 Accrued Expenditures	-	-	2,341,341
2300 Unearned Revenues	899,555	816,408	-
2000 Total Liabilities	<u>4,294,409</u>	<u>1,590,292</u>	<u>4,382,951</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	326,105	-	-
2600 Total Deferred Inflows of Resources	<u>326,105</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	108,498	-	-
3425 Endowment Principal	-	-	-
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	578,258	-	1,782,121
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	22,553,130	-	-
3000 Total Fund Balances	<u>23,239,886</u>	<u>-</u>	<u>1,782,121</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 27,860,400</u>	<u>\$ 1,590,292</u>	<u>\$ 6,165,072</u>

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

Other Funds	Total Governmental Funds
\$ 2,172,595	\$ 23,358,926
621,987	11,257,764
329,137	2,711,289
(258,951)	(2,104,105)
393,726	2,938,198
218	3,906
-	600,000
202	202
218,119	326,617
<u>\$ 3,477,033</u>	<u>\$ 39,092,797</u>
\$ 374,008	\$ 4,161,413
218,801	2,641,744
600,000	600,000
-	2,341,341
266,485	1,982,448
<u>1,459,294</u>	<u>11,726,946</u>
<u>42,793</u>	<u>368,898</u>
<u>42,793</u>	<u>368,898</u>
94,728	203,226
110,000	110,000
1,133,289	1,133,289
528,816	2,889,195
108,113	108,113
-	22,553,130
<u>1,974,946</u>	<u>26,996,953</u>
<u>\$ 3,477,033</u>	<u>\$ 39,092,797</u>

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SHARYLAND ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	26,996,953
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		2,062,060
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$189,129,939 and the accumulated depreciation was \$41,882,881. 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.		10,310,483
3 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.		29,371,813
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,820,029)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, 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.		368,898
19 Net Position of Governmental Activities	<u>\$</u>	<u>64,290,178</u>

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

SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Major Special Revenue Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 32,670,951	\$ -	\$ 44,575
5800 State Program Revenues	50,038,681	1,034,402	-
5900 Federal Program Revenues	966,847	-	-
5020 Total Revenues	<u>83,676,479</u>	<u>1,034,402</u>	<u>44,575</u>
EXPENDITURES:			
Current:			
0011 Instruction	44,186,974	1,034,402	-
0012 Instructional Resources and Media Services	1,148,855	-	-
0013 Curriculum and Instructional Staff Development	549,201	-	-
0021 Instructional Leadership	1,501,432	-	-
0023 School Leadership	4,496,481	-	-
0031 Guidance, Counseling and Evaluation Services	2,753,957	-	-
0032 Social Work Services	37,522	-	-
0033 Health Services	573,764	-	-
0034 Student (Pupil) Transportation	2,713,171	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	4,260,233	-	-
0041 General Administration	2,499,038	-	-
0051 Facilities Maintenance and Operations	7,924,193	-	-
0052 Security and Monitoring Services	856,717	-	-
0053 Data Processing Services	715,368	-	-
0061 Community Services	677	-	-
Debt Service:			
0071 Principal on Long Term Debt	1,596,308	-	-
0072 Interest on Long Term Debt	179,614	-	-
0073 Bond Issuance Cost and Fees	50,474	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	356,625	-	26,100,054
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	3,526	-	-
0099 Other Intergovernmental Charges	397,917	-	-
6030 Total Expenditures	<u>76,802,047</u>	<u>1,034,402</u>	<u>26,100,054</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,874,432</u>	<u>-</u>	<u>(26,055,479)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	15,842	-	-
7913 Capital Leases	105,612	-	-
7914 Non-Current Loans	3,550,000	-	-
7915 Transfers In	3,661,212	-	435,175
8911 Transfers Out (Use)	(7,415,780)	-	-
8949 Other (Uses)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>(83,114)</u>	<u>-</u>	<u>435,175</u>
1200 Net Change in Fund Balances	6,791,318	-	(25,620,304)
0100 Fund Balance - September 1 (Beginning)	16,448,568	-	27,402,425
3000 Fund Balance - August 31 (Ending)	<u>\$ 23,239,886</u>	<u>\$ -</u>	<u>\$ 1,782,121</u>

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

	Other Funds	Total Governmental Funds
\$	5,198,774	\$ 37,914,300
	2,295,006	53,368,089
	7,875,632	8,842,479
	<u>15,369,412</u>	<u>100,124,868</u>
	2,955,855	48,177,231
	1,479	1,150,334
	193,187	742,388
	70,339	1,571,771
	77,185	4,573,666
	862,477	3,616,434
	-	37,522
	1,492	575,256
	346	2,713,517
	5,370,820	5,370,820
	133,665	4,393,898
	14,695	2,513,733
	250,152	8,174,345
	3,086	859,803
	-	715,368
	52,287	52,964
	3,263,524	4,859,832
	5,419,029	5,598,643
	2,300	52,774
	3,266	26,459,945
	-	3,526
	-	397,917
	<u>18,675,184</u>	<u>122,611,687</u>
	<u>(3,305,772)</u>	<u>(22,486,819)</u>
	-	15,842
	3,266	108,878
	-	3,550,000
	3,334,393	7,430,780
	(2,000)	(7,417,780)
	(90,821)	(90,821)
	<u>3,244,838</u>	<u>3,596,899</u>
	(60,934)	(18,889,920)
	<u>2,035,880</u>	<u>45,886,873</u>
\$	<u>1,974,946</u>	<u>\$ 26,996,953</u>

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	(18,889,920)
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.		286,370
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.		29,371,813
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.		(4,820,029)
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.		(265,628)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>5,682,606</u>

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

SHARYLAND ISD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 138,836	\$ 3,025,989
Accrued Interest	-	336
Total Current Assets	<u>138,836</u>	<u>3,026,325</u>
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	233,171	-
Depreciation on Furniture and Equipment	(49,729)	-
Total Noncurrent Assets	<u>183,442</u>	<u>-</u>
Total Assets	<u>322,278</u>	<u>3,026,325</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,876	121,814
Accrued Wages Payable	3,293	131
Accrued Expenses	-	842,320
Total Liabilities	<u>5,169</u>	<u>964,265</u>
NET POSITION		
Net Investment in Capital Assets	183,443	-
Unrestricted Net Position	133,666	2,062,060
Total Net Position	<u>\$ 317,109</u>	<u>\$ 2,062,060</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, 2014

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 211,082	\$ 7,099,341
State Program Revenues	8,921	-
Total Operating Revenues	<u>220,003</u>	<u>7,099,341</u>
OPERATING EXPENSES:		
Payroll Costs	132,092	3,547
Professional and Contracted Services	-	1,384,989
Supplies and Materials	59,650	4,898
Other Operating Costs	4,692	5,423,187
Depreciation Expense	12,622	-
Total Operating Expenses	<u>209,056</u>	<u>6,816,621</u>
Operating Income	<u>10,947</u>	<u>282,720</u>
NONOPERATING REVENUES (EXPENSES):		
Earnings from Temporary Deposits & Investments	-	3,650
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>3,650</u>
Income Before Transfers	10,947	286,370
Transfers Out	<u>(15,000)</u>	<u>-</u>
Change in Net Position	(4,053)	286,370
Total Net Position - September 1 (Beginning)	<u>321,162</u>	<u>1,775,690</u>
Total Net Position - August 31 (Ending)	<u>\$ 317,109</u>	<u>\$ 2,062,060</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, 2014

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise Funds	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 215,567	\$ 7,099,341
Cash Received from Earnings	-	3,650
Cash Payments to Employees for Services	(132,090)	(1,388,536)
Cash Payments for Suppliers	(59,560)	(4,898)
Cash Payments for Other Operating Expenses	(4,692)	(5,158,351)
Net Cash Provided by Operating Activities	<u>19,225</u>	<u>551,206</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	<u>(15,000)</u>	<u>-</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	<u>(23,480)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,255)	551,206
Cash and Cash Equivalents at Beginning of Year	158,090	2,474,783
Cash and Cash Equivalents at End of Year	<u>\$ 138,835</u>	<u>\$ 3,025,989</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 10,947	\$ 282,720
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	12,622	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Accrued Interest	-	(17)
Increase (decrease) in Accounts Payable	1,876	(392)
Increase (decrease) in Accrued Wages Payable	(2,651)	131
Increase (decrease) in Accrued Expenses	(3,569)	268,764
Net Cash Provided by Operating Activities	<u>\$ 19,225</u>	<u>\$ 551,206</u>

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

SHARYLAND ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 81,752	\$ 443,743
Investments - Current	-	254,264
Accrued Interest	10	53
Total Assets	<u>81,762</u>	<u>\$ 698,060</u>
LIABILITIES		
Accounts Payable	100	\$ 40,780
Due to Student Groups	-	657,280
Total Liabilities	<u>100</u>	<u>\$ 698,060</u>
NET POSITION		
Restricted for Scholarships	<u>81,662</u>	
Total Net Position	<u>\$ 81,662</u>	

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

SHARYLAND ISD
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 14,872
Transfer In	2,000
Total Additions	<u>16,872</u>
DEDUCTIONS:	
Other Operating Costs	<u>17,950</u>
Total Deductions	<u>17,950</u>
Change in Net Position	(1,078)
Total Net Position - September 1 (Beginning)	<u>82,740</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 81,662</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, 2014

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.

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, 2014

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, 2014

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 and workers' compensation insurance plans provided for the benefit of eligible employees. The plans are 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, 2014

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, 2014

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 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 and Road Improvements	20
Buildings	50
Building improvements	7-25
Vehicles	8
Furniture and Equipment	5-20
Capital Lease Equipment	12
Computer equipment	5

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

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, 2014

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, 2014**

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, 2014

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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$27,049,276 and the bank balance was \$34,480,399. The District's cash deposits at August 31, 2014 and for the year then ended August 31, 2014, 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, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Cash on hand	\$	-
Carrying amount deposit		27,049,246
Investments		11,512,028
Less: Statement of Fiduciary Net Assets		<u>(779,759)</u>
Cash and Investments Statement of Net Assets	\$	<u>37,781,515</u>
Exhibit A-1		
Cash and cash equivalents	\$	26,523,751
Investments		<u>11,257,764</u>
Cash and Investments Statement of Net Assets	\$	<u>37,781,515</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 \$72,512,788.
- c. The highest combined balance of cash, saving and time deposits accounts amounted to \$62,887,666 occurred during the month of January 2014.
- 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, 2014

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, 2014, the District’s investments reported at fair value summarized below:

Description	Account	Amount	Maturity
<u>Governmental Funds</u>			
Logic Investment Pool		\$ 2,397,258	60 days average
Compass Bank-Money Market		6,247,105	30 days average
Texpool Investments		1,018,843	49 days average
TexPool Prime Investments		<u>1,848,822</u>	52 days average
		<u>\$ 11,512,028</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	\$ 2,397,258	AAA-m	20.8%
Compass Bank-Money Market	6,247,105	Baa-1	54.3%
Texpool Investments	1,018,843	AAA-m	8.9%
TexPool Prime Investments	<u>1,848,822</u>	AAA-m	16.0%
	<u>\$ 11,512,028</u>		

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

Concentration of Credit Risk

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

B. Receivables

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

Property taxes

Delinquent taxes are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended August 31, 2014, the rates were \$1.1700 and \$.1155, respectively, per \$100 of assessed value.

	General Fund	Debt Service Fund
Total Taxes Receivable	\$ 2,382,152	\$ 329,137
Less: Allowance for Uncollectible	(1,845,154)	(258,951)
Net Receivable	\$ 536,998	\$ 70,186

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	\$ 1,383,333	\$ 1,045,278	\$ 2,428,611
Other	413,175	96,412	509,587
Total	\$ 1,796,508	\$ 1,141,690	\$ 2,938,198

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.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>
Foundation Revenue	-	899,555
Cash receipts in excess of expenditures	-	1,082,893
	\$ -	\$ 1,982,448

C. Disaggregation Of Other Receivable/Accrued Liabilities

Other receivables and accrued liabilities as of August 31, 2014 for the District’s individual major, nonmajor, and internal service funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Spec. Rev. Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>
Other Receivables					
Misc.	\$ -	\$ -	\$ 202	\$ -	\$ 202
Nat'l Lunch Program	-	-	-	-	-
Total	\$ -	\$ -	\$ 202	\$ -	\$ 202
Accrued Expenses					
Wages and Deductions Payable	\$ 2,422,943	\$ -	\$ 218,801	\$ 3,424	\$ 2,645,168
Claims Payable	-	-	-	842,320	842,320
Retainage Payable	-	-	-	-	-
Total	\$ 2,422,943	\$ -	\$ 218,801	\$ 845,744	\$ 3,487,488

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital assets activity for the year ended August 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 12,549,252	\$ 60,895	\$ -	\$ 12,610,147
Construction in Progress	27,138,198	25,870,312	-	53,008,510
Total capital assets, not being depreciated	<u>\$ 39,687,450</u>	<u>\$ 25,931,207</u>	<u>\$ -</u>	<u>\$ 65,618,657</u>
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 131,609,401	\$ 240,726	\$ -	\$ 131,850,127
Furniture and Equipment	17,833,088	980,361	(874,459)	17,938,990
Capital Lease-Furniture and Equipment		108,878		108,878
Infrastructure Asset-Roads		335,528		335,528
Infrastructure Asset-Networks and subsystems		173,250		173,250
Total capital assets, being depreciated	<u>\$ 149,442,489</u>	<u>\$ 1,838,743</u>	<u>\$ (874,459)</u>	<u>\$ 150,406,773</u>
Less accumulated depreciation for:				
Buildings and Improvements	\$ (32,914,545)	\$ (3,370,798)	\$ -	\$ (36,285,343)
Furniture and Equipment	(8,968,338)	(1,430,600)	815,065	(9,583,873)
Capital Lease-Furniture and Equipment		(6,049)		(6,049)
Infrastructure Asset-Roads		(12,582)		(12,582)
Infrastructure Asset-Networks and subsystems				
Total accumulated depreciation	<u>\$ (41,882,883)</u>	<u>\$ (4,820,029)</u>	<u>\$ 815,065</u>	<u>\$ (45,887,847)</u>
Total capital assets, being depreciated, net	<u>\$ 107,559,608</u>	<u>\$ (2,981,286)</u>	<u>\$ (59,394)</u>	<u>\$ 104,518,926</u>
Governmental Activities Capital Assets, Net	<u>\$ 147,247,058</u>	<u>\$ 22,949,921</u>	<u>\$ (59,394)</u>	<u>\$ 170,137,583</u>
<u>Business-type Activities:</u>				
Capital Assets, being depreciated:				
Furniture and Equipment	\$ 209,691	\$ 23,480	\$ -	\$ 233,171
Total capital assets, being depreciated	<u>\$ 209,691</u>	<u>\$ 23,480</u>	<u>\$ -</u>	<u>\$ 233,171</u>
Less accumulated depreciation for:				
Furniture and Equipment	\$ (37,107)	\$ (12,622)	\$ -	\$ (49,729)
Total accumulated depreciation	<u>\$ (37,107)</u>	<u>\$ (12,622)</u>	<u>\$ -</u>	<u>\$ (49,729)</u>
Total capital assets, being depreciated, net	<u>\$ 172,584</u>	<u>\$ 10,858</u>	<u>\$ -</u>	<u>\$ 183,442</u>
Business-type Activities Capital Assets, Net	<u>\$ 172,584</u>	<u>\$ 10,858</u>	<u>\$ -</u>	<u>\$ 183,442</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to functions as follows:

Instruction	\$ 3,522,051
Instructional resources and media services	48,591
Instructional Leadership	1,424
School Leadership	60,389
Guidance, counseling and evaluation services	300
Student transportation	451,706
Food Services	151,311
Co-curricular/extracurricular activities	418,985
General administration	65,519
Plant Maintenance and operations	36,977
Security and monitoring services	12,923
Data processing services	49,853
Total depreciation expenses - governmental activities	\$ 4,820,029
<u>Business-type Activities:</u>	
Instruction	\$ 12,622
Total depreciation expenses - Business-type activities	\$ 12,622

E. Interfund Receivable, Payables, and Transfers

The composition of interfund balances as of August 31, 2014 is as follows:

Due To		Due From	
General Fund	\$ 600,000	General Fund	\$ -
Clearing Funds(General Fund)	-	Special Revenue Funds	600,000
Capital Projects Fund	-	Capital Projects Fund	-
Special Revenue Funds	-	Debt Service Fund	-
Subtotal	600,000	Subtotal	600,000
Proprietary Fund Types	-	Proprietary Fund Types	-
Trust and Agency Fund	-	Trust and Agency Fund	-
Totals	\$ 600,000	Totals	\$ 600,000

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.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

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, 2014 were as follows:

<u>Funds;</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,661,212	\$ 7,415,780
Non-Major Funds	-	2,000
Debt Service Fund	3,334,393	
Enterprise Fund	-	15,000
Capital Projects	435,175	-
Priv. P.Trust Funds	2,000	-
Totals	<u>\$ 7,432,780</u>	<u>\$ 7,432,780</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, 2014, the governmental funds reported deferred inflows of resources for unavailable property taxes in the amount of \$368,898.

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, 2014, 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.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Obligations (Continued)

Certain outstanding bonds may be redeemed at the par value prior to their normal maturity dates in accordance with the terms of the bond indentures. The District has never defaulted on any principal or interest payment. There are a number of limitations and restrictions contained in the general obligation bond indenture. Management of the District has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2014.

General obligation and capital appreciation bonds payable at August 31, 2014 are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Interest Rate	Outstanding Balance
2005 Ref	7,494,994	2030	3.5-4.40%	6,615,000
2005 Ref CABS	17,560	2015	3.5-4.40%	4,509
2006	40,000,000	2036	4.25-5%	34,525,000
2010	9,985,000	2040	2.0-4.0%	9,150,000
2011 Ref	8,819,999	2033	2.0-4.0%	8,604,999
2012	51,185,000	2041	2.0% -7.0%	50,115,000
2012 Ref	7,790,000	2031	2.0% -4.0%	7,155,000
2013 Ref	3,990,000	2022	2.0% -4.0%	3,925,000
			Total	<u>\$ 120,094,508</u>

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

Year Ending August 31	Principal	Interest	Total
2015	\$ 3,439,509	\$ 5,205,776	\$ 8,645,285
2016	3,705,000	4,940,435	8,645,435
2017	3,840,000	4,811,760	8,651,760
2018	3,970,000	4,680,135	8,650,135
2019	3,449,999	5,185,364	8,635,363
2020-2024	21,640,000	20,491,361	42,131,361
2025-2029	25,020,000	15,555,597	40,575,597
2030-2034	27,790,000	9,378,138	37,168,138
2035-2039	20,525,000	3,426,600	23,951,600
2040-2041	6,715,000	259,900	6,974,900
Total	<u>\$ 120,094,508</u>	<u>\$ 73,935,066</u>	<u>\$ 194,029,574</u>

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

Tax Notes

Tax notes outstanding at August 31, 2014 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%. \$ 435,000

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%. 535,000

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% 600,000

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% 151,000

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% 1,236,000

Series 2013 Maintenance Tax Note, authorized by Education Code Section 45.108, for the construction of a new Aquatic Center February 15, 2014 through February 15, 2028; interest at 2.720% 3,550,000

\$ 6,292,000

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

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
2015	\$ 1,618,000	\$ 147,543	\$ 1,765,543
2016	952,000	110,350	1,062,350
2017	747,000	90,691	837,691
2018	340,000	77,894	417,894
2019	350,000	67,452	417,452
2020-2024	1,200,000	231,064	1,431,064
2025-2028	1,085,000	59,908	1,144,908
Totals	<u>\$ 6,292,000</u>	<u>\$ 784,902</u>	<u>\$ 7,076,902</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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$123,543,520	\$ 3,990,000	\$ 7,439,012	\$ 120,094,508	\$ 3,439,509
Unamortized Bond Premium	5,903,977	-	308,856	5,595,121	-
Unamortized Gain/Loss	16,305	-	65,270	(48,965)	-
Accretion On Bonds	444,381	310,503	-	754,884	-
Capital Lease Payable	-	108,878	-	108,878	-
Tax Note	<u>4,323,000</u>	<u>3,550,000</u>	<u>1,581,000</u>	<u>6,292,000</u>	<u>1,618,000</u>
Total	<u>\$134,231,183</u>	<u>\$ 7,959,381</u>	<u>\$ 9,394,138</u>	<u>\$ 132,796,426</u>	<u>\$ 5,057,509</u>

Employee Longevity Pay

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

	Beginning Balance	Additions	Reduction	Ending Balance	Due within One Year
Employee Longevity Pay	<u>\$3,941,183</u>	<u>\$ -</u>	<u>\$226,500</u>	<u>\$3,714,683</u>	<u>\$ 158,000</u>

**SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014**

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Long Term Obligations (Continued)

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

Debt long-term obligations	\$	132,796,426
Employee Longevity Pay		<u>3,714,683</u>
Total	\$	<u><u>136,511,109</u></u>
Noncurrent Liabilities:		
Due within one year	\$	5,215,509
Due in more than one year		<u>131,295,600</u>
Total Exhibit A-1	\$	<u><u>136,511,109</u></u>

Unamortized bond premium at August 31, 2014 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 \$3,957,174 on the 2012 Bond Series.

Unamortized gain at August 31, 2014 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.

Advance Refunding

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.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

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		\$ 794,221
R.O.T.C.		67,233
Indirect Costs:		
ESEA Title I Part A	84.010A	48,965
ESEA Title I Part C-Migrant	84.011A	6,235
IDEA-Part B, Formula	84.027A	32,822
IDEA-Part B, Preschool	8417A	329
ESEA Title I Part C	84.048A	2,810
Title II, Part A	84.367A	6,075
Title III, Part A-LEP	84.365A	6,388
Title III, Part A-IMM	84.372A	1,769
		<u>\$ 966,847</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, 2014 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, 2014

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 American Fidelity for the period of May 1, 2013 through April 2014 and American Fidelity for the period of May 2013 through August 31, 2015. Stop-loss coverage will be in effect for annual individual claims exceeding \$100,000 annual aggregate losses exceeding approximately \$6,204,366 and \$6,180,712 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, 2014.

Liability, Beginning of year	\$ 489,640
Claims incurred during the period	4,006,965
Payments on claims	<u>(3,853,476)</u>
Liability, end of year	<u>\$ 643,129</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, 2014, 2013 and 2012, were estimated at \$ 163,443, \$ 157,639, and \$ 141,714, 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, 2014

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 under the TRS Publications headings.

Funding Policy. State law provides for fiscal year 2014 and 2013, a state contribution rate of 6.4% and a member contribution rate of 6.4%. For years 2012, 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, 2014

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, 2014, 2013, and 2012, were \$2,936,190, \$2,638,774, and \$2,631,488, respectively. The District paid additional state contributions for the years ended August 31, 2014, 2013, and 2012, in the amount of \$465,011, \$609,998, and \$540,688, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

E. Retiree Health Care Plan

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

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

The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. 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, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$529,362, \$255,897, and \$492,369, respectively, the active member contributions were \$344,087, \$320,041, and \$335,055, respectively, and the District's contributions were \$291,150, \$270,806, and \$282,055 respectively, which equaled the required contributions each year.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
Year ended August 31, 2014

NOTE 4 – CONSTRUCTION COMMITMENTS

At August 31, 2014, the District had the following construction commitments.

New Sharyland Pioneer High School	\$ 41,101,671	\$ 37,286,786	\$ 3,814,885
Various Score Boards	77,871	50,000	27,871
Gym Seating	157,683	119,589	38,094
Sports Lighting	659,400	607,475	51,925
Stadium	1,342,120	1,263,634	78,486
Sanitary Sewer	684,975	577,221	107,754
Cafeteria Equipment	720,472	684,448	36,024
Tennis Courts	685,665	106,115	579,550
Soccer Field	368,500	306,683	61,817
	<u>45,798,357</u>	<u>41,001,951</u>	<u>4,796,406</u>

NOTE 6 – SUBSEQUENT EVENTS

The District has considered all subsequent events through the date of this report, January 16, 2015.

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SHARYLAND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 31,545,120	\$ 32,495,941	\$ 32,670,951	\$ 175,010
5800	State Program Revenues	49,607,898	49,701,105	50,038,681	337,576
5900	Federal Program Revenues	510,000	510,000	966,847	456,847
5020	Total Revenues	81,663,018	82,707,046	83,676,479	969,433
EXPENDITURES:					
Current:					
0011	Instruction	46,541,952	46,016,117	44,186,974	1,829,143
0012	Instructional Resources and Media Services	1,154,782	1,224,035	1,148,855	75,180
0013	Curriculum and Instructional Staff Development	791,037	699,718	549,201	150,517
0021	Instructional Leadership	1,542,957	1,566,912	1,501,432	65,480
0023	School Leadership	4,140,573	4,562,889	4,496,481	66,408
0031	Guidance, Counseling and Evaluation Services	2,809,919	2,921,345	2,753,957	167,388
0032	Social Work Services	36,362	43,862	37,522	6,340
0033	Health Services	579,205	584,345	573,764	10,581
0034	Student (Pupil) Transportation	2,976,640	2,796,640	2,713,171	83,469
0036	Extracurricular Activities	4,152,789	4,272,702	4,260,233	12,469
0041	General Administration	2,346,857	2,501,963	2,499,038	2,925
0051	Facilities Maintenance and Operations	7,774,161	7,999,481	7,924,193	75,288
0052	Security and Monitoring Services	865,712	863,626	856,717	6,909
0053	Data Processing Services	800,343	724,661	715,368	9,293
0061	Community Services	1,250	1,970	677	1,293
Debt Service:					
0071	Principal on Long Term Debt	1,366,000	1,611,000	1,596,308	14,692
0072	Interest on Long Term Debt	103,422	182,723	179,614	3,109
0073	Bond Issuance Cost and Fees	1,000	55,000	50,474	4,526
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	365,000	356,625	8,375
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	20,000	5,000	3,526	1,474
0099	Other Intergovernmental Charges	355,000	405,000	397,917	7,083
6030	Total Expenditures	78,359,961	79,403,989	76,802,047	2,601,942
1100	Excess of Revenues Over Expenditures	3,303,057	3,303,057	6,874,432	3,571,375
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	15,842	15,842
7913	Capital Leases	-	-	105,612	105,612
7914	Non-Current Loans	-	3,500,000	3,550,000	50,000
7915	Transfers In	3,592,567	3,592,567	3,661,212	68,645
8911	Transfers Out (Use)	(6,895,624)	(10,395,624)	(7,415,780)	2,979,844
7080	Total Other Financing Sources (Uses)	(3,303,057)	(3,303,057)	(83,114)	3,219,943
1200	Net Change in Fund Balances	-	-	6,791,318	6,791,318
0100	Fund Balance - September 1 (Beginning)	16,448,568	16,448,568	16,448,568	-
3000	Fund Balance - August 31 (Ending)	\$ 16,448,568	\$ 16,448,568	\$ 23,239,886	\$ 6,791,318

SHARYLAND ISD
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
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	1.040000	0.245500	2,571,598,518
2014 (School year under audit)	1.170000	0.115500	2,709,775,536
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 312,038	\$ -	\$ 5,104	\$ 593	\$ (10,423)	\$ 295,918
59,044	-	3,958	242	(745)	54,099
79,644	-	8,491	1,243	(1,282)	68,628
92,103	-	21,002	2,928	(42)	68,131
138,268	-	31,907	4,449	6,787	108,699
266,764	-	40,595	6,245	(14,878)	205,046
330,170	-	56,656	8,716	(9,650)	255,148
369,116	-	118,648	18,254	(9,763)	222,451
1,067,588	-	507,140	119,714	(47,734)	393,000
-	34,321,130	30,284,323	2,989,606	(7,032)	1,040,169
<u>\$ 2,714,735</u>	<u>\$ 34,321,130</u>	<u>\$ 31,077,824</u>	<u>\$ 3,151,990</u>	<u>\$ (94,762)</u>	<u>\$ 2,711,289</u>

SHARYLAND ISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,718,000	\$ 1,784,000	\$ 1,785,659	\$ 1,659
5800 State Program Revenues	-	31,000	31,245	245
5900 Federal Program Revenues	3,370,500	3,735,500	3,736,589	1,089
5020 Total Revenues	5,088,500	5,550,500	5,553,493	2,993
EXPENDITURES:				
Current:				
0035 Food Services	4,807,500	5,372,090	5,370,820	1,270
0051 Facilities Maintenance and Operations	277,500	253,860	249,802	4,058
0052 Security and Monitoring Services	3,500	3,200	3,086	114
Debt Service:				
0071 Principal on Long Term Debt	-	475	473	2
0072 Interest on Long Term Debt	-	175	169	6
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	3,300	3,266	34
6030 Total Expenditures	5,088,500	5,633,100	5,627,616	5,484
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(82,600)	(74,123)	8,477
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	3,300	3,266	(34)
1200 Net Change in Fund Balances	-	(79,300)	(70,857)	8,443
0100 Fund Balance - September 1 (Beginning)	691,252	691,253	691,253	-
3000 Fund Balance - August 31 (Ending)	\$ 691,252	\$ 611,953	\$ 620,396	\$ 8,443

SHARYLAND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,116,335	\$ 3,268,627	\$ 3,229,323	\$ (39,304)
5800 State Program Revenues	2,302,292	2,150,000	2,252,495	102,495
5020 Total Revenues	5,418,627	5,418,627	5,481,818	63,191
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	3,198,051	3,263,051	3,263,051	-
0072 Interest on Long Term Debt	5,488,633	5,423,633	5,418,860	4,773
0073 Bond Issuance Cost and Fees	35,000	35,000	2,300	32,700
6030 Total Expenditures	8,721,684	8,721,684	8,684,211	37,473
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,303,057)	(3,303,057)	(3,202,393)	100,664
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	3,303,057	3,303,057	3,334,393	31,336
1200 Net Change in Fund Balances	-	-	132,000	132,000
0100 Fund Balance - September 1 (Beginning)	1,001,289	1,001,289	1,001,289	-
3000 Fund Balance - August 31 (Ending)	\$ 1,001,289	\$ 1,001,289	\$ 1,133,289	\$ 132,000

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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, 2014, 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 16, 2015.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. This item is reflected as finding #2014-1.

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 no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 16, 2015

Reyna & Garza, PLLC

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, 2014. 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, 2014.

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 16, 2015

SHARYLAND INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

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?	Yes
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#84.365A)ESEA Title III, Part A English Language Acquisition	
	2) (CFDA#84.553, CFDA#84.555) USDA Nutrition Cluster	

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

2014-1 Procurement Process

Criteria: The District has an established system of internal controls for the procurement process. The process prescribes the procedures to be utilized in order to comply with local, state, and federal procurement laws and regulations.

Condition: Sample testing of vendor files revealed that purchases relating to construction activity did not adhere to the formal purchase order process.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

Cause: District personnel did not follow the prescribed procurement process.

Effect: These purchases lacked full documentation, may have lacked the various level of purchase authorization, and may have been subject to the requirements of Education Code 44.031 relating to competitive bidding.

Recommendation: The District should review controls relating to the procurement process to ensure that all purchases be subjected to the formal procurement process.

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, 2014

Status of Prior Year Findings

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

Finding: The District did not comply with Texas Government Code, Section 2256-005 requiring the governing body to review its investment policy and strategy no less than annually.

Current Status: The District reviewed investment policies and strategy during the fiscal year as required.

SHARYLAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

FINDING #2014-1

The District concurs with the audit finding and has taken measures to implement a job order cost form to assign small size maintenance/repair and minor construction projects. This form will have reasonable levels of approval to substantiate adequate internal controls on initiation, procurement documentation and approval levels for completion, funding, and actual payment of services rendered. The contact person for this item is Jaime Ortega, and can be reached at (956)580-5200.

SHARYLAND ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US DEPARTMENT OF DEFENSE			
<u>Direct Programs:</u>			
Junior Reserve Officer Training Corp.	12.998	108-911	\$ 67,233
Total Direct Programs			\$ 67,233
TOTAL US DEPARTMENT OF DEFENSE			\$ 67,233
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	610101108911	\$ 1,964,000
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	610101108911	24,488
Total CFDA Number 84.010A			1,988,488
Total Title I, Part A Cluster			1,988,488
ESEA, Title I, Part C - Migratory Children	84.011A	615001108911	200,163
*IDEA - Part B, Formula	84.027A	660001089116600	1,089,705
*IDEA - Part B, Formula	84.027A	661001089116600	160,700
Total CFDA Number 84.027A			1,250,405
*IDEA - Part B, Preschool	84.173A	6610011089116600	10,851
Total Special Education Cluster (IDEA)			1,261,256
Career and Technical - Basic Grant	84.048A	420006108911	101,370
Career and Technical - Basic Grant	84.048A	420006108911	4,211
Total CFDA Number 84.048A			105,581
Title III, Part A - English Language Acquisition	84.365A	671001108911	395,004
Title III, Part A - English Language Acquisition	84.365A	671001108911	25,126
Total CFDA Number 84.365A			420,130
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	671001108911	251,052
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	671001108911	7,746
Total CFDA Number 84.367A			258,798
Federal Funded SRF - Locally Defined	84.369A	69551402	9,959
Total Passed Through State Department of Education			\$ 4,244,375
TOTAL DEPARTMENT OF EDUCATION			\$ 4,244,375
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	108-911	\$ 783,261
*National School Lunch Program - Cash Assistance	10.555	108-911	2,777,635
*National School Lunch Prog - Non-Cash Assistance	10.555	108-911	175,694
Total CFDA Number 10.555			2,953,329
Total Child Nutrition Cluster			3,736,590
Total Passed Through the State Department of Agriculture			\$ 3,736,590
TOTAL DEPARTMENT OF AGRICULTURE			\$ 3,736,590
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,048,198

SHARYLAND ISD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures

*Clustered Programs

SHARYLAND ISD
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial 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 2013, 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 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	754884