

**POINT ISABEL
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
AUGUST 31, 2014

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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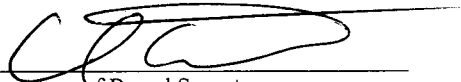
CERTIFICATE OF BOARD

Point Isabel Independent School District
Name of District

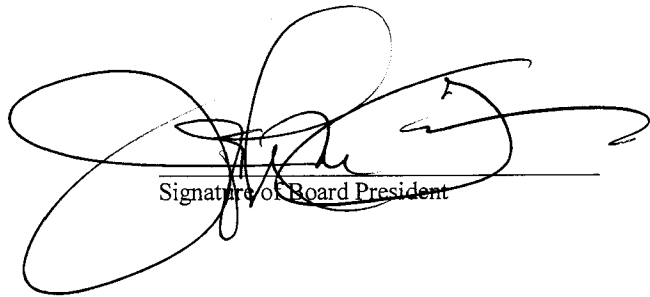
Cameron
County

031-909
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2014 at a meeting of the Board of Trustees of such school district on the 20th day of January, 2015.



Signature of Board Secretary



Signature of Board President

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Point Isabel Independent School District

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 Point Isabel 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.

Auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Point Isabel Independent School District as of August 31, 2014, and the respective changes in financial position, and, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 and the budgetary comparison information on page 39 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 combining and individual nonmajor fund financial statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, required TEA schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements, required TEA schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 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.

Patullo, Bern & Hill, C.P.A.

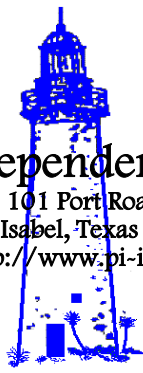
Brownsville, Texas
January 16, 2015

Point Isabel Independent School District

101 Port Road
Port Isabel, Texas 78578
<http://www.pi-isd.net>

Dr. Lisa Garcia
Superintendent of Schools

Phone: 956-943-0000
Fax: 956-943-1119



MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Our discussion and analysis of Point Isabel Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which begins on page 12.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$33,625,921 (*net position*). Of this amount, \$13,468,732 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$1,301,306, or 4%, as a result of this year's operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,368,660, an increase of \$666,747 in comparison with the prior year. \$6,466,934 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,466,934 or 14% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to external customers. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

"PIISD does not discriminate on basis of race, color, national origin, sex, religion, age or disability in employment or provision of services, programs or activities"

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers (general revenue). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

Government Activities – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – The District reports most of its basic services in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the Internal Service Fund to report activities for its self-funded insurance and workers' compensation programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 22. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from \$32,324,615 to \$33,625,921. Unassigned net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$13,468,732 at August 31, 2014.

This increase in governmental net position was the net result of three factors. First, the District's revenue exceeded the expenses by \$1,763,107. Second, the District paid bonds and other long-term debt in the amount of \$1,977,955 and acquired capital assets in the amount of \$4,780,059. Third, the District recorded depreciation in the amount of \$1,727,996.

TABLE 1
POINT ISABEL INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2013	Governmental Activities 2014	Total % Change
Current and other assets	\$ 23,621,546	\$ 23,954,821	1.39%
Capital assets	<u>32,132,518</u>	<u>35,184,581</u>	8.67%
Total Assets	<u>55,754,064</u>	<u>59,139,402</u>	5.72%
Other liabilities	1,780,222	2,157,760	17.50%
Long-term liabilities	<u>21,649,227</u>	<u>23,355,721</u>	7.31%
Total Liabilities	<u>23,429,449</u>	<u>25,513,481</u>	8.17%
Net position:			
Net investment in capital assets	10,945,445	12,255,463	10.69%
Restricted	7,489,395	7,901,726	5.22%
Unrestricted	<u>13,889,775</u>	<u>13,468,732</u>	-3.13%
Total Net Position	<u>\$ 32,324,615</u>	<u>\$ 33,625,921</u>	3.87%

TABLE 2
POINT ISABEL INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities <u>2013</u>	Governmental Activities <u>2014</u>	Total % Change
REVENUE:			
Program revenue:			
Charges for services	\$ 268,258	\$ 209,707	-21.83%
Operating grants and contributions	5,232,599	5,169,623	-1.20%
General revenue:			
Maintenance and operations taxes	35,849,771	35,755,589	-0.26%
Debt service taxes	3,660,263	3,659,740	-0.01%
State aid - formula grants	3,087,041	2,909,134	-5.76%
Grants and contributions not restricted	0	295,592	100%
Investment earnings	21,589	7,254	-66.40%
Miscellaneous local and intermediate	520,507	764,053	46.79%
Total Revenue	<u>48,640,028</u>	<u>48,770,692</u>	0.27%
EXPENSES:			
Instruction	13,724,880	14,477,350	5.48%
Instructional resources and media services	281,079	328,567	16.89%
Curriculum and staff development	623,382	512,220	-17.83%
Instructional leadership	344,008	342,660	-0.39%
School leadership	1,060,380	1,130,328	6.60%
Guidance, counseling and evaluation services	732,236	741,245	1.23%
Health services	171,940	207,569	20.72%
Student (pupil) transportation	796,220	880,444	10.58%
Food services	1,875,371	1,859,548	-0.84%
Co-curricular/extra curricular activities	1,613,640	1,551,709	-3.84%
General administration	1,523,670	1,343,385	-11.83%
Plant maintenance and operations	3,800,987	3,571,662	-6.03%
Security and monitoring services	299,085	333,608	11.54%
Data processing services	304,302	1,066,853	250.59%
Community services	43,829	45,777	4.44%
Debt service - interest on long-term debt	1,466,089	1,514,607	3.31%
Bond issuance cost and fees	1,174	63,058	5271.21%
Contractual instructional services	18,141,582	16,466,127	-9.24%
Other intergovernmental changes	551,675	570,868	3.48%
Total Expenses	<u>47,355,529</u>	<u>47,007,585</u>	-0.73%
INCREASE IN NET POSITION	1,284,499	1,763,107	37.26%
NET POSITION AT SEPTEMBER 1, 2013	31,873,026	32,324,615	1.42%
PRIOR PERIOD ADJUSTMENT	(832,910)	(461,801)	
NET POSITION AT AUGUST 31, 2014	<u>\$ 32,324,615</u>	<u>\$ 33,625,921</u>	4.03%

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of approximately \$14.3 million, which is an increase of last year's total of \$13.7 million. In addition, the District's expenditures increased by approximately \$4.4 million, with a decrease of revenues of \$0.3 million.

Over the course of the year, the Board of Trustees amended the District's budget several times. These amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August of 2013). Also, the second category was the Board approving several increases in appropriations to prevent budget overruns.

The District's General Fund balance of \$12,864,058 reported on page 39 differs from the General Fund's budgetary fund balance of \$2,539,299. This is principally due to conservative budgeting principles.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had approximately \$35.1 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

This year's major additions included:

This year's major additions include:

Construction in Progress	\$1,915,712
Buildings and Improvements	2,530,489
Furniture and Equipment	<u>333,858</u>
Total	<u>\$4,780,059</u>

Debt

At year-end, the District had approximately \$22.9 million in bonds outstanding versus approximately \$21.1 million last year. The District issued \$3.7 million in Maintenance Tax notes to finance new projects, including heating and air condition, electric or other building systems. The savings from these improvements are going to be used to expedite the payoff the note. The District's general obligation bond rating continues to carry the highest rating possible, a rating that has been assigned by national rating agencies.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration Office, at 101 Port Road, Port Isabel, Texas.

BASIC FINANCIAL STATEMENTS

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	1	Primary Government		3
	Governmental Activities	Business Type Activities	Total	
ASSETS				
1110 Cash and Cash Equivalents	\$ 17,676,078	\$ 1,815	\$ 17,677,893	
1220 Property Taxes Receivable (Delinquent)	4,648,931	-	4,648,931	
1230 Allowance for Uncollectible Taxes	(464,893)	-	(464,893)	
1240 Due from Other Governments	2,064,061	-	2,064,061	
1290 Other Receivables, net	10,794	-	10,794	
1300 Inventories	19,850	-	19,850	
Capital Assets:				
1510 Land	339,511	-	339,511	
1520 Buildings, Net	32,414,137	-	32,414,137	
1530 Furniture and Equipment, Net	515,221	-	515,221	
1580 Construction in Progress	1,915,712	-	1,915,712	
1000 Total Assets	<u>59,139,402</u>	<u>1,815</u>	<u>59,141,217</u>	
LIABILITIES				
2110 Accounts Payable	1,198,922	-	1,198,922	
2150 Payroll Deductions & Withholdings	173,451	-	173,451	
2160 Accrued Wages Payable	591,959	-	591,959	
2180 Due to Other Governments	36,501	-	36,501	
2200 Accrued Expenses	35,613	-	35,613	
2300 Unearned Revenue	121,314	-	121,314	
Noncurrent Liabilities				
2501 Due Within One Year	1,956,215	-	1,956,215	
2502 Due in More Than One Year	21,399,506	-	21,399,506	
2000 Total Liabilities	<u>25,513,481</u>	<u>-</u>	<u>25,513,481</u>	
NET POSITION				
3200 Net Investment in Capital Assets	12,255,463	-	12,255,463	
Restricted for:				
3820 Restricted for Federal and State Programs	162,714	-	162,714	
3850 Restricted for Debt Service	1,353,637	-	1,353,637	
3860 Restricted for Capital Projects	3,590,868	-	3,590,868	
3890 Restricted for Other Purposes	2,794,507	-	2,794,507	
3900 Unrestricted	13,468,732	1,815	13,470,547	
3000 Total Net Position	<u>\$ 33,625,921</u>	<u>\$ 1,815</u>	<u>\$ 33,627,736</u>	

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
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	\$ 14,477,350	\$ 28,080	\$ 2,598,540
12 Instructional Resources and Media Services	328,567	-	7,563
13 Curriculum and Staff Development	512,220	-	302,375
21 Instructional Leadership	342,660	-	21,770
23 School Leadership	1,130,328	-	64,607
31 Guidance, Counseling and Evaluation Services	741,245	-	119,709
33 Health Services	207,569	-	8,132
34 Student (Pupil) Transportation	880,444	-	29,273
35 Food Services	1,859,548	48,872	1,834,857
36 Extracurricular Activities	1,551,709	99,881	33,850
41 General Administration	1,343,385	-	36,324
51 Facilities Maintenance and Operations	3,571,662	32,874	47,864
52 Security and Monitoring Services	333,608	-	13,837
53 Data Processing Services	1,066,853	-	11,125
61 Community Services	45,777	-	39,797
72 Debt Service - Interest on Long Term Debt	1,514,607	-	-
73 Debt Service - Bond Issuance Cost and Fees	63,058	-	-
91 Contracted Instructional Services Between Schools	16,466,127	-	-
99 Other Intergovernmental Charges	570,868	-	-
[TG] Total Governmental Activities:	<u>47,007,585</u>	<u>209,707</u>	<u>5,169,623</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 47,007,585</u>	<u>\$ 209,707</u>	<u>\$ 5,169,623</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (11,850,730)	\$ -	\$ (11,850,730)
(321,004)	-	(321,004)
(209,845)	-	(209,845)
(320,890)	-	(320,890)
(1,065,721)	-	(1,065,721)
(621,536)	-	(621,536)
(199,437)	-	(199,437)
(851,171)	-	(851,171)
24,181	-	24,181
(1,417,978)	-	(1,417,978)
(1,307,061)	-	(1,307,061)
(3,490,924)	-	(3,490,924)
(319,771)	-	(319,771)
(1,055,728)	-	(1,055,728)
(5,980)	-	(5,980)
(1,514,607)	-	(1,514,607)
(63,058)	-	(63,058)
(16,466,127)	-	(16,466,127)
(570,868)	-	(570,868)
<u>(41,628,255)</u>	<u>-</u>	<u>(41,628,255)</u>
<u>(41,628,255)</u>	<u>-</u>	<u>(41,628,255)</u>
35,755,589	-	35,755,589
3,659,740	-	3,659,740
2,909,134	-	2,909,134
295,592	-	295,592
7,254	-	7,254
764,053	-	764,053
<u>43,391,362</u>	<u>-</u>	<u>43,391,362</u>
1,763,107	-	1,763,107
32,324,615	1,815	32,326,430
(461,801)	-	(461,801)
<u>\$ 33,625,921</u>	<u>\$ 1,815</u>	<u>\$ 33,627,736</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 13,402,343	\$ 888,640	\$ 14,290,983
1220 Property Taxes - Delinquent	4,222,300	426,631	4,648,931
1230 Allowance for Uncollectible Taxes	(422,230)	(42,663)	(464,893)
1240 Receivables from Other Governments	1,372,646	691,415	2,064,061
1260 Due from Other Funds	940,421	-	940,421
1290 Other Receivables	10,794	-	10,794
1300 Inventories	19,850	-	19,850
1000 Total Assets	<u>\$ 19,546,124</u>	<u>\$ 1,964,023</u>	<u>\$ 21,510,147</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,160,113	\$ 1,193	\$ 1,161,306
2150 Payroll Deductions and Withholdings Payable	173,451	-	173,451
2160 Accrued Wages Payable	535,699	56,260	591,959
2170 Due to Other Funds	860,114	-	860,114
2180 Due to Other Governments	36,501	-	36,501
2200 Accrued Expenditures	12,804	-	12,804
2300 Unearned Revenues	121,314	-	121,314
2000 Total Liabilities	<u>2,899,996</u>	<u>57,453</u>	<u>2,957,449</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	3,800,070	383,968	4,184,038
2600 Total Deferred Inflows of Resources	<u>3,800,070</u>	<u>383,968</u>	<u>4,184,038</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	19,850	-	19,850
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	146,164	16,550	162,714
3480 Retirement of Long-Term Debt	-	1,353,637	1,353,637
Committed Fund Balance:			
3510 Construction	3,438,453	152,415	3,590,868
3545 Other Committed Fund Balance	2,774,657	-	2,774,657
3600 Unassigned Fund Balance	6,466,934	-	6,466,934
3000 Total Fund Balances	<u>12,846,058</u>	<u>1,522,602</u>	<u>14,368,660</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,546,124</u>	<u>\$ 1,964,023</u>	<u>\$ 21,510,147</u>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	14,368,660
1 The District uses internal service funds to charge the costs of certain activities, such as transportation, insurance, catering, and workers' compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		3,244,363
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 \$56,684,625 and the accumulated depreciation was \$24,552,107. 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 net position.		10,945,445
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 2014 capital outlays and debt principal payments is to increase net position.		2,928,960
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,618,942)
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 net position.		3,757,435
19 Net Position of Governmental Activities	\$	33,625,921

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 36,928,746	\$ 3,777,515	\$ 40,706,261
5800 State Program Revenues	3,706,692	194,922	3,901,614
5900 Federal Program Revenues	2,018,491	2,454,244	4,472,735
5020 Total Revenues	<u>42,653,929</u>	<u>6,426,681</u>	<u>49,080,610</u>
EXPENDITURES:			
Current:			
0011 Instruction	11,016,518	2,201,605	13,218,123
0012 Instructional Resources and Media Services	329,767	-	329,767
0013 Curriculum and Instructional Staff Development	217,352	294,868	512,220
0021 Instructional Leadership	338,349	4,311	342,660
0023 School Leadership	1,120,173	10,155	1,130,328
0031 Guidance, Counseling and Evaluation Services	647,453	93,792	741,245
0033 Health Services	207,569	-	207,569
0034 Student (Pupil) Transportation	954,306	172	954,478
0035 Food Services	1,866,325	-	1,866,325
0036 Extracurricular Activities	1,409,990	4,466	1,414,456
0041 General Administration	850,336	-	850,336
0051 Facilities Maintenance and Operations	3,680,237	-	3,680,237
0052 Security and Monitoring Services	406,003	-	406,003
0053 Data Processing Services	1,079,223	-	1,079,223
0061 Community Services	5,980	39,797	45,777
Debt Service:			
0071 Principal on Long Term Debt	-	1,773,464	1,773,464
0072 Interest on Long Term Debt	-	1,754,649	1,754,649
0073 Bond Issuance Cost and Fees	62,130	928	63,058
Capital Outlay:			
0081 Facilities Acquisition and Construction	4,374,203	-	4,374,203
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	16,466,127	-	16,466,127
0099 Other Intergovernmental Charges	570,868	-	570,868
6030 Total Expenditures	<u>45,602,909</u>	<u>6,178,207</u>	<u>51,781,116</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,948,980)	248,474	(2,700,506)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	3,720,000	-	3,720,000
1200 Net Change in Fund Balances	771,020	248,474	1,019,494
0100 Fund Balance - September 1 (Beginning)	12,432,454	1,269,459	13,701,913
1300 Increase (Decrease) in Fund Balance	(357,416)	4,669	(352,747)
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,846,058</u>	<u>\$ 1,522,602</u>	<u>\$ 14,368,660</u>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	1,019,494
The District uses internal service funds to charge the costs of certain activities, such as transportation, insurance, catering and workers' compensation, 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 (decrease) net position.		(401,092)
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 2014 capital outlays and debt principal payments is to increase net position.		3,038,014
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.		(1,618,942)
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 (decrease) net position.		(274,367)
Change in Net Position of Governmental Activities	\$	1,763,107

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
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	\$ 1,815	\$ 3,385,095
Total Assets	1,815	3,385,095
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	37,616
Due to Other Funds	-	80,307
Accrued Expenses	-	22,809
Total Liabilities	-	140,732
NET POSITION		
Unrestricted Net Position	1,815	3,244,363
Total Net Position	\$ 1,815	\$ 3,244,363

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
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	\$ -	\$ 1,912,695
State Program Revenues	-	380
Total Operating Revenues	<u>-</u>	<u>1,913,075</u>
OPERATING EXPENSES:		
Payroll Costs	-	262,789
Professional and Contracted Services	-	2,289
Supplies and Materials	-	15,441
Other Operating Costs	-	2,019,127
Capital Outlay	-	14,521
Total Operating Expenses	<u>-</u>	<u>2,314,167</u>
Operating Income (Loss)	-	(401,092)
Total Net Position - September 1 (Beginning)	<u>1,815</u>	<u>3,645,455</u>
Total Net Position - August 31 (Ending)	<u>\$ 1,815</u>	<u>\$ 3,244,363</u>

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
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	\$ -	\$ 1,912,692
Cash Received from Other Funds	-	42,905
Cash Payments to Employees for Services	-	(6,796)
Cash Payments to Other Funds	-	(42,905)
Cash Payments for Other Operating Expenses	-	(2,189,065)
Net Cash Used for Operating Activities	-	(283,169)
Net Decrease in Cash and Cash Equivalents	-	(283,169)
Cash and Cash Equivalents at Beginning of Year	1,815	3,668,264
Cash and Cash Equivalents at End of Year	\$ 1,815	\$ 3,385,095
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Used for Operating Activities:</u>		
Operating Income (Loss):	\$ -	\$ (401,092)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Funds	-	42,905
Increase (decrease) in Accounts Payable	-	37,616
Increase (decrease) in Due to Other Funds	-	37,402
Net Cash Used for Operating Activities	\$ -	\$ (283,169)

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	836-849 Investment Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 187,233	\$ 269,646
Other Receivables	-	5,152
Total Assets	<u>187,233</u>	<u>\$ 274,798</u>
LIABILITIES		
Accounts Payable	-	\$ 2,643
Due to Other Governments	-	3,993
Due to Student Groups	-	182,578
Accrued Expenses	-	85,584
Total Liabilities	<u>-</u>	<u>\$ 274,798</u>
NET POSITION		
Unrestricted Net Position	<u>187,233</u>	
Total Net Position	<u>\$ 187,233</u>	

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

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	836-849 Investment Trust Funds
DEDUCTIONS:	
Other Operating Costs	\$ 400
Total Deductions	400
Change in Net Position	(400)
Total Net Position - September 1 (Beginning)	187,633
Total Net Position - August 31 (Ending)	\$ 187,233

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

**POINT ISABEL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Point Isabel Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on the entire District with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the District.

The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants through the Department of Education and the Department of Agriculture. If revenue is not program revenue, it is general revenue used to support all of the District’s functions.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property tax revenue. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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

D. BASIS OF PRESENTATION - FUND ACCOUNTING

The District reports the following major governmental funds:

- 1. *General Fund*** - is used to account for financial resources used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BASIS OF PRESENTATION - FUND ACCOUNTING

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. ***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. Normally, unused balances are returned to the grantor at the close of specified project periods.
2. ***Debt Service Fund*** - is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
3. ***Capital Projects Funds*** - are used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.
4. ***Permanent Funds*** - are used to account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Fund:

1. ***Internal Service Funds*** - are used to account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis.
2. ***Enterprise Fund*** - are used to account for revenues and expenses related to services provided to organizations inside the District.

Fiduciary funds:

1. ***Private Purpose Trust Funds*** - are used to account for donations, which have stipulations that the principal may not be expended; only the income may be used for a specific purpose.
2. ***Agency Funds*** – are used to account for resources held for others in a custodial capacity.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance and food service items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. OTHER ACCOUNTING POLICIES

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	10
Vehicles	5-8
Office Equipment	5
Computer Equipment	5

5. 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.
6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
7. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:
 - **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
 - **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
 - **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution by the Board. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the District does not have. Board commitments must occur before the end of the reporting period with amounts to be determined subsequently.
 - **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board, the Superintendent, or Superintendent's designee.
 - **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The order of spending and availability shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. OTHER ACCOUNTING POLICIES

8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts and service Districts to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide database for policy development and funding plans.
9. The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past four fiscal years.
10. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, presents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or 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 governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net position represents the differences between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
12. Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including capital leases payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

<u>Capital Assets at the Beginning of Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of Year</u>	<u>Change in Net Position</u>
Land	\$ 339,511	\$ -	\$ 339,511	
Buildings & Improvements	53,481,360	(22,074,954)	31,406,406	
Furniture & Equipment	<u>2,863,754</u>	<u>(2,477,153)</u>	<u>386,601</u>	
Change in Net Position				<u>\$ 32,132,518</u>
			<u>Payable at the Beginning of Year</u>	
Bonds Payable			(20,786,259)	
Accreted Interest			<u>(400,814)</u>	
Change in Net Position				<u>(21,187,073)</u>
Net Adjustment to Net Position				<u>\$ 10,945,445</u>

B. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments in Net Position</u>
Construction in Progress	\$ 1,915,712	\$ 1,915,712	
Buildings & Improvements	2,530,489	2,530,489	
Furniture & Equipment	<u>333,858</u>	<u>333,858</u>	
Total Capital Outlay			\$ 4,780,059
<u>Debt Principal Payments</u>			
Bond Principal Payments	1,773,464	1,773,464	
Accreted Interest, Net	<u>204,491</u>	<u>204,491</u>	
Total Principal Payments	<u>1,977,955</u>	<u>1,977,955</u>	<u>1,977,955</u>
Bond proceeds	<u>(3,720,000)</u>	<u>(3,720,000)</u>	<u>(3,720,000)</u>
Net Adjustment to Net Position			<u>\$ 3,038,014</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an “appropriated budget” for the General Fund, which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in the governmental fund statements:

1. Prior to August 20th, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, the budget was amended as necessary. There were no significant budget amendments passed during the 2013-2014 school year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2014, expenditures exceeded the budget in the following line item:

General Fund	
<u>Function</u>	<u>Amount</u>
33	\$ 9,262

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At August 31, 2014, the carrying amount of the District's deposits, excluding agency funds, was \$5,362,228 and the bank balance was \$7,457,782. The District's cash deposits at August 31, 2014 and during the year were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: First National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$13,396,084.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$12,338,537 and occurred during the month of February 2014.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial risk for deposits.

Foreign Currency Risk for Deposits – The District limits the risk that changes in exchange rates will adversely affect the fair value of a deposit. At year-end, the District was not exposed to foreign currency risk.

District Policies and Legal Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. The policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

The District’s temporary investments at August 31, 2014, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Texpool Investments	\$ 11,993,533	\$ 11,993,533	\$ -	\$ -	\$ -
Lone Star Investments	322,132	322,132	-	-	-
Total	<u>\$ 12,315,665</u>	<u>\$ 12,315,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk – In accordance with state law and the District’s investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent. As of August 31, 2014, the District’s investments in Lone Star Investment Pool was rated AAAs/t by Standard and Poor’s (S&P) and TexPool was rated AAAM by Standard and Poor’s (S&P).

Custodial Risk for Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the District’s name.

Concentration of Credit Risk – The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in specific class of investments, specific maturity or specific issuer.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Interest Rate Risk – In accordance with state law and the District’s investment policy, the District does not purchase any investments greater than five (5) years for its operating funds.

Foreign Currency Risk for Investments – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for Uncollectible Taxes 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.

D. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are included and reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 1,364,781	\$ -	\$ 7,865	\$ 1,372,646
Special Revenue	-	681,323	-	681,323
Debt Service	-	-	10,092	10,092
Total	<u>\$ 1,364,781</u>	<u>\$ 681,323</u>	<u>\$ 17,957</u>	<u>\$ 2,064,061</u>

IV. DETAILED NOTES ON ALL FUNDS

E. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2014 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<u>General fund</u>		
General fund	\$ 860,114	\$ 860,114
Internal service funds	<u>80,307</u>	<u>-</u>
Total general fund	<u>940,421</u>	<u>860,114</u>
<u>Internal service funds</u>		
Internal service funds	<u>-</u>	<u>80,307</u>
Total internal service funds	<u>-</u>	<u>80,307</u>
Totals	<u>\$ 940,421</u>	<u>\$ 940,421</u>

F. CAPITAL ASSET ACTIVITY

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

	Balance <u>9/1/2013</u>	<u>Changes During Year</u>		Balance <u>8/31/2014</u>
		<u>Additions</u>	<u>Retirements</u>	
Governmental Activities:				
Land	\$ 339,511	\$ -	\$ -	\$ 339,511
Construction in Progress	-	1,915,712	-	1,915,712
Buildings & improvements	53,481,360	2,530,489	-	56,011,849
Furniture & equipment	<u>2,863,754</u>	<u>333,858</u>	<u>-</u>	<u>3,197,612</u>
Totals at historic cost	<u>56,684,625</u>	<u>4,780,059</u>	<u>-</u>	<u>61,464,684</u>
Less accumulated depreciation:				
Buildings & improvements	(22,074,954)	(1,413,704)	(109,054)	(23,597,712)
Furniture & equipment	<u>(2,477,153)</u>	<u>(205,238)</u>	<u>-</u>	<u>(2,682,391)</u>
Total accum. Depreciation	<u>(24,552,107)</u>	<u>(1,618,942)</u>	<u>(109,054)</u>	<u>(26,280,103)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 32,132,518</u>	<u>\$ 3,161,117</u>	<u>\$ (109,054)</u>	<u>\$ 35,184,581</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,259,227
Student (pupil) transportation	181,425
Cocurricular/extracurricular activities	137,253
General administration	12,107
Security	1,257
Plant maintenance & operations	<u>27,673</u>
Totals	<u>\$ 1,618,942</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

G. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

<u>Description</u>	General <u>Fund</u>	<u>Total</u>
Disaster Aid Revenue	\$ 121,314	\$ 121,314
	<u>\$ 121,314</u>	<u>\$ 121,314</u>

H. BONDS PAYABLE

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Effective interest rates range from 4.00% to 6.125%.

A summary of changes in bonds payable for the year ended August 31, 2014, is as follows:

<u>Description</u>	<u>Interest Rate</u>	Amount of <u>Original Issue</u>	Interest <u>Current Year</u>	<u>Balance 9/1/2013</u>	Principal <u>Issued</u>	<u>Retired</u>	<u>Balance 8/31/2014</u>
Unlimited Tax School and Refunding Bonds, Series 1996	4.35 - 5.10%	\$ 6,078,946	\$ 891,536	\$ 1,601,259	\$ -	\$ (463,464)	\$ 1,137,795
Accreted Interest Unlimited Tax School and Refunding Bonds, Series 1996	-	-	-	400,814	-	(204,491)	196,323
Unlimited Tax Refunding Bonds, Series 1999	4.125 - 6.125%	4,000,000	44,138	1,210,000	-	(280,000)	930,000
Unlimited Tax School Building Bonds, Series 2006-B	4.00 - 5.00%	23,755,000	818,975	17,975,000	-	(1,030,000)	16,945,000
Maintenance Tax Notes, Series 2014	2.500%	3,720,000	-	-	3,720,000	-	3,720,000
Totals			<u>\$ 1,754,649</u>	<u>\$21,187,073</u>	<u>\$ 3,720,000</u>	<u>\$ (1,977,955)</u>	<u>\$22,929,118</u>

Debt service requirements are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 1,956,215	\$ 1,811,782	\$ 3,767,997
2016	1,986,676	1,783,099	3,769,775
2017	1,949,904	1,524,787	3,474,691
2018	1,390,000	693,863	2,083,863
2019	1,455,000	626,675	2,081,675
2020-2024	8,405,000	2,018,050	10,423,050
2025-2029	4,480,000	359,675	4,839,675
2030-2034	1,110,000	71,000	1,181,000
Totals	<u>\$ 22,732,795</u>	<u>\$ 8,888,931</u>	<u>\$ 31,621,726</u>

IV. DETAILED NOTES ON ALL FUNDS

H. BONDS PAYABLE

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

Bonds payable at August 31, 2014 are comprised of the following individual issues:

On April 19, 1996, the District issued Unlimited Tax School and Refunding Bonds, Series 1996 in the amount of \$6,078,946. The bonds were issued with interest rates varying from 4.35% to 5.10%.

The 1996 Series bonds were issued for building and to refund part of the Unlimited Tax Refunding Bonds, Series 1989 with \$2,199,993 principal outstanding. The 1996 Bonds carried an initial principal amount of \$6,089,946, and after the District paid issuance costs of \$79,294 the net proceeds were \$5,999,651.

Some of the above proceeds were used to issue Unlimited Tax Refunding Bonds, which were used to purchase U.S. Government securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments to the advance refunded issues. The advanced refunding met the requirements of an insubstance debt defeasance and the refunded part of the bonds was removed from the District's General Long-Term Debt Account Group.

As a result of the advanced refundings, the District reduced its total debt service requirements by \$201,797 for the 1993 Series and \$363,628 for the 1996 Series, which resulted in an economic gain (difference between the present value of the debt service payments and the old and new debt) of \$201,797 and \$107,589, respectively.

On July 20, 2000, the District issued Unlimited Tax Refunding Bonds, Series 1999 in the amount of \$4,000,000. The bonds were issued with interest rates varying between 4.125% and 6.125%. Proceeds from the sale of the bonds will be used to construct, renovate and equip school buildings in the District and the purchase of necessary sites. These bonds are due in various amounts beginning February 1, 2001 through February 1, 2017. Payment of interest will begin on February 1, 2001 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

On September 21, 2006, the District issued Unlimited Tax School Building Bonds, Series 2006-B in the amount of \$23,755,000. The bonds were issued with interest rates varying between 4.0% and 5.0%. Proceeds from the sale of bonds will be used to construct, renovate, and equip school buildings in the District. These bonds are due in various amounts beginning February 1, 2007 through February 1, 2026. Payment of interest will begin on February 1, 2007 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

On July 15, 2014, the District issued Maintenance Tax Notes, Series 2014 in the amount of \$3,720,000. The bonds were issued with an interest rate of 2.500%. Proceeds from the sale of bonds will be used to pay lawful maintenance expenses of the District including all costs incurred in connection with the repair, rehabilitation, or replacement of heating, air conditioning, electric, or other building systems of existing school properties and paying the costs of issuance of the bonds. These bonds are due in various amounts beginning February 1, 2015 through February 1, 2034. Payment of interest will begin on February 1, 2015 and each August 1 and February 1 thereafter, until the earlier of maturity or prior redemption.

	<u>Balance</u> <u>9/01/2013</u>	<u>Principal</u> <u>Issued</u>	<u>Principal</u> <u>Retired</u>	<u>Balance</u> <u>8/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 20,786,259	\$ 3,720,000	\$ (1,773,464)	\$ 22,732,795	\$ 1,956,215
Accreted Interest	400,814	-	(204,491)	196,323	-
Discount on Bonds	462,154	-	(35,551)	426,603	-
Total	<u>\$ 21,649,227</u>	<u>\$ 3,720,000</u>	<u>\$ (2,013,506)</u>	<u>\$ 23,355,721</u>	<u>\$ 1,956,215</u>

IV. DETAILED NOTES ON ALL FUNDS

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2014, the District had no liability for unpaid vacation or sick leave benefits.

K. PENSION PLAN

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8; Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 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 8701, 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 publication heading.

2. Funding Policy

State law provides a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% 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 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 the members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reduction if, as a result of a particular action, the time required to amortize TRS's unfounded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the Point Isabel Independent School District employees for the years ended August 31, 2012, 2013 and 2014 in the amount of \$610,958, \$632,324 and \$719,829 respectively. The Point Isabel Independent School District paid additional state contributions for the years ended August 2012, 2013 and 2014 in the amount of \$320,660, \$298,826 and \$349,021 respectively, on the portion of the employees' salaries that exceed the statutory minimum.

3. Medicare Part D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. GASB Statement No. 24 requires recognition of these on-behalf payments in the financial statements. Medicare Part D payments made on-behalf of Point Isabel ISD participants for the years ended August 31, 2012, 2013 and 2014 were \$37,936, \$40,546 and \$42,924 respectively.

L. HEALTH CARE COVERAGE

During the year ended August 31, 2014 employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$225 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Life Insurance of North America, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$80,000. The aggregate stop-loss coverage is \$1,806,957.

IV. DETAILED NOTES ON ALL FUNDS

L. HEALTH CARE COVERAGE

Latest financial statements for the self-insurance fund are available for the year ended August 31, 2014, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public record.

The following is a summary of the changes in the balances of claims liabilities for the year ended August 31, 2014:

Unpaid claims, beginning of year	\$	1,856,251
Incurred claims (including IBNR's)		1,719,926
Claim payments		<u>(1,708,870)</u>
Unpaid claims, end of year	\$	<u><u>1,867,307</u></u>

M. GENERAL FUND FEDERAL SOURCE REVENUES

The following summarizes general fund federal program revenues:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$ 1,005,844
School Breakfast Program	10.553	616,909
Food Distribution	10.550	113,039
School Health Related Services	N/A	257,757
Medicaid Administrative Claiming Program	N/A	<u>24,942</u>
Total Programs		<u><u>\$ 2,018,491</u></u>

N. LITIGATION

The District's attorney reports no litigation that would have a negative fiscal consequence to the District. There were no other threatened or pending claims or assessments that would have, either separately or collectively, a material impact on the District.

O. COMMITMENTS AND CONTINGENCIES

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

P. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

IV. DETAILED NOTES ON ALL FUNDS

Q. LOCAL AND INTERMEDIATE REVENUES

During the year, local and intermediate revenues for all funds consisted of the following:

<u>Revenue Description</u>	<u>Fund</u>	<u>Revenue Amount</u>
Property Taxes	General	\$ 35,857,334
Penalties, Interest and Other		
Tax related income	General	854,342
Investment Income	General	6,775
Local Sources	General	69,076
Food Sales	General	41,338
Other	General	99,881
Property Taxes	Debt Service	3,686,787
Penalties, Interest and Other		
Tax related income	Debt Service	90,249
Investment Income	Debt Service	475
Investment Income	Capital Projects	4
Investment Income	Internal Service	797
Local Sources	Internal Service	<u>1,911,898</u>
		<u>\$ 42,618,956</u>

R. INCREASE (DECREASE) IN FUND BALANCES

Adjustments to the fund balance during the 2013-2014 school year consisted of adjustments to unearned revenue accounts and to recognize state revenue and Chapter 41 payments and refunds in the proper period. The effect was a decrease in fund balance in the amount of \$352,747.

The beginning net position on the Statement of Activities, Exhibit B-1, was adjusted by \$109,054 for adjustments to capital assets. The net effect was a decrease in net position.

S. MAINTENANCE OF EFFORT

The District sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents.

A. Total District premium paid for health care for 2013 - 2014:	\$ 2,018,139
B. Subtract any non-medical expenditures:	
Life insurance	<u>\$ 5,470</u>
Dental insurance	<u>-</u>
Vision insurance	<u>-</u>
Long-term disability	<u>-</u>
Short-term disability	<u>-</u>
Alternate plans	<u>-</u>
COBRA expense	<u>-</u>
Retiree expense	<u>-</u>
	<u>5,470</u>
C. 2013 - 2014 Maintenance of Effort:	<u>\$ 2,012,669</u>

REQUIRED SUPPLEMENTARY INFORMATION

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 36,962,190	\$ 36,823,761	\$ 36,928,746	\$ 104,985
5800 State Program Revenues	3,335,271	3,336,179	3,706,692	370,513
5900 Federal Program Revenues	2,121,725	2,275,454	2,018,491	(256,963)
5020 Total Revenues	42,419,186	42,435,394	42,653,929	218,535
EXPENDITURES:				
Current:				
0011 Instruction	11,545,857	11,888,421	11,016,518	871,903
0012 Instructional Resources and Media Services	329,996	367,216	329,767	37,449
0013 Curriculum and Instructional Staff Development	239,798	259,405	217,352	42,053
0021 Instructional Leadership	403,035	405,723	338,349	67,374
0023 School Leadership	1,171,728	1,181,607	1,120,173	61,434
0031 Guidance, Counseling and Evaluation Services	721,604	733,435	647,453	85,982
0033 Health Services	194,468	198,307	207,569	(9,262)
0034 Student (Pupil) Transportation	840,061	1,053,953	954,306	99,647
0035 Food Services	2,012,492	2,023,519	1,866,325	157,194
0036 Extracurricular Activities	1,521,860	1,558,014	1,409,990	148,024
0041 General Administration	1,021,032	1,011,686	850,336	161,350
0051 Facilities Maintenance and Operations	4,187,336	6,462,526	3,680,237	2,782,289
0052 Security and Monitoring Services	409,975	485,695	406,003	79,692
0053 Data Processing Services	993,760	1,159,708	1,079,223	80,485
0061 Community Services	20,720	20,720	5,980	14,740
Debt Service:				
0073 Bond Issuance Cost and Fees	-	70,000	62,130	7,870
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	5,391,997	4,374,203	1,017,794
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	17,112,077	17,112,077	16,466,127	645,950
0099 Other Intergovernmental Charges	566,000	587,124	570,868	16,256
6030 Total Expenditures	43,291,799	51,971,133	45,602,909	6,368,224
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(872,613)	(9,535,739)	(2,948,980)	6,586,759
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	3,720,000	3,720,000
1200 Net Change in Fund Balances	(872,613)	(9,535,739)	771,020	10,306,759
0100 Fund Balance - September 1 (Beginning)	12,432,454	12,432,454	12,432,454	-
1300 Increase (Decrease) in Fund Balance	-	-	(357,416)	(357,416)
3000 Fund Balance - August 31 (Ending)	\$ 11,559,841	\$ 2,896,715	\$ 12,846,058	\$ 9,949,343

COMBINING STATEMENTS

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ (326,873)	\$ (11,165)	\$ (65,267)	\$ (9,261)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Receivables from Other Governments	359,261	11,165	78,900	9,261
1000	Total Assets	<u>\$ 32,388</u>	<u>\$ -</u>	<u>\$ 13,633</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 28	\$ -
2160	Accrued Wages Payable	32,388	-	13,605	-
2000	Total Liabilities	<u>32,388</u>	<u>-</u>	<u>13,633</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 32,388</u>	<u>\$ -</u>	<u>\$ 13,633</u>	<u>\$ -</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	274 Gear Up	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund
\$ (24,350)	\$ (25,301)	\$ (33,890)	\$ (61,704)	\$ (66,987)	\$ 11,881	\$ 2,168	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,350	30,128	34,719	61,704	71,835	-	-	-
<u>\$ -</u>	<u>\$ 4,827</u>	<u>\$ 829</u>	<u>\$ -</u>	<u>\$ 4,848</u>	<u>\$ 11,881</u>	<u>\$ 2,168</u>	<u>\$ -</u>
\$ -	\$ 34	\$ -	\$ -	\$ 203	\$ -	\$ -	\$ -
-	4,793	829	-	4,645	-	-	-
-	4,827	829	-	4,848	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	11,881	2,168	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	11,881	2,168	-
<u>\$ -</u>	<u>\$ 4,827</u>	<u>\$ 829</u>	<u>\$ -</u>	<u>\$ 4,848</u>	<u>\$ 11,881</u>	<u>\$ 2,168</u>	<u>\$ -</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	411 Technology Allotment	Total Nonmajor Special Revenue Funds	598 Debt Service Fund	698 Capital Projects Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ 2,501	\$ (608,248)	\$ 1,344,473	\$ 5,351
1220	Property Taxes - Delinquent	-	-	426,631	-
1230	Allowance for Uncollectible Taxes	-	-	(42,663)	-
1240	Receivables from Other Governments	-	681,323	10,092	-
1000	Total Assets	<u>\$ 2,501</u>	<u>\$ 73,075</u>	<u>\$ 1,738,533</u>	<u>\$ 5,351</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 265	\$ 928	\$ -
2160	Accrued Wages Payable	-	56,260	-	-
2000	Total Liabilities	<u>-</u>	<u>56,525</u>	<u>928</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	383,968	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>383,968</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	2,501	16,550	-	-
3480	Retirement of Long-Term Debt	-	-	1,353,637	-
Committed Fund Balance:					
3510	Construction	-	-	-	5,351
3000	Total Fund Balances	<u>2,501</u>	<u>16,550</u>	<u>1,353,637</u>	<u>5,351</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,501</u>	<u>\$ 73,075</u>	<u>\$ 1,738,533</u>	<u>\$ 5,351</u>

699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 147,064	\$ 152,415	\$ 888,640
-	-	426,631
-	-	(42,663)
-	-	691,415
<u>\$ 147,064</u>	<u>\$ 152,415</u>	<u>\$ 1,964,023</u>
\$ -	\$ -	\$ 1,193
-	-	56,260
<u>-</u>	<u>-</u>	<u>57,453</u>
-	-	383,968
<u>-</u>	<u>-</u>	<u>383,968</u>
-	-	16,550
-	-	1,353,637
<u>147,064</u>	<u>152,415</u>	<u>152,415</u>
<u>147,064</u>	<u>152,415</u>	<u>1,522,602</u>
<u>\$ 147,064</u>	<u>\$ 152,415</u>	<u>\$ 1,964,023</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	1,224,955	18,756	432,075
5020	Total Revenues	<u>1,224,955</u>	<u>18,756</u>	<u>432,075</u>
EXPENDITURES:				
Current:				
0011	Instruction	936,232	18,452	413,673
0013	Curriculum and Instructional Staff Development	164,804	92	661
0021	Instructional Leadership	4,170	141	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	80,689	-	13,103
0034	Student (Pupil) Transportation	-	-	172
0036	Extracurricular Activities	-	-	4,466
0061	Community Services	39,060	71	-
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
6030	Total Expenditures	<u>1,224,955</u>	<u>18,756</u>	<u>432,075</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	274 Gear Up	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	194,922
44,057	141,901	72,412	419,293	94,840	-	-	-
44,057	141,901	72,412	419,293	94,840	-	-	194,922
43,239	94,993	58,844	419,293	16,002	-	-	194,922
818	36,753	13,568	-	78,172	-	-	-
-	-	-	-	-	-	-	-
-	10,155	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	666	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
44,057	141,901	72,412	419,293	94,840	-	-	194,922
-	-	-	-	-	-	-	-
-	-	-	-	-	11,881	-	-
-	-	-	-	-	-	2,168	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,881	\$ 2,168	\$ -

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	411 Technology Allotment	Total Nonmajor Special Revenue Funds	598 Debt Service Fund	698 Capital Projects Fund	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 3,777,511	\$ -
5800	State Program Revenues	-	194,922	-	-
5900	Federal Program Revenues	-	2,454,244	-	-
5020	Total Revenues	<u>-</u>	<u>2,649,166</u>	<u>3,777,511</u>	<u>-</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	2,201,605	-	-
0013	Curriculum and Instructional Staff Development	-	294,868	-	-
0021	Instructional Leadership	-	4,311	-	-
0023	School Leadership	-	10,155	-	-
0031	Guidance, Counseling and Evaluation Services	-	93,792	-	-
0034	Student (Pupil) Transportation	-	172	-	-
0036	Extracurricular Activities	-	4,466	-	-
0061	Community Services	-	39,797	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	1,773,464	-
0072	Interest on Long Term Debt	-	-	1,754,649	-
0073	Bond Issuance Cost and Fees	-	-	928	-
6030	Total Expenditures	<u>-</u>	<u>2,649,166</u>	<u>3,529,041</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	248,470	-
0100	Fund Balance - September 1 (Beginning)	-	11,881	1,105,167	5,351
1300	Increase (Decrease) in Fund Balance	<u>2,501</u>	<u>4,669</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 2,501</u>	<u>\$ 16,550</u>	<u>\$ 1,353,637</u>	<u>\$ 5,351</u>

699 Capital Projects Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 4	\$ 4	\$ 3,777,515
-	-	194,922
-	-	2,454,244
<u>4</u>	<u>4</u>	<u>6,426,681</u>
-	-	2,201,605
-	-	294,868
-	-	4,311
-	-	10,155
-	-	93,792
-	-	172
-	-	4,466
-	-	39,797
-	-	1,773,464
-	-	1,754,649
-	-	928
<u>-</u>	<u>-</u>	<u>6,178,207</u>
4	4	248,474
147,060	152,411	1,269,459
-	-	4,669
<u>\$ 147,064</u>	<u>\$ 152,415</u>	<u>\$ 1,522,602</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2014

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 739,785	\$ 2,489,819	\$ 56,652	\$ 98,839	\$ 3,385,095
Total Assets	<u>739,785</u>	<u>2,489,819</u>	<u>56,652</u>	<u>98,839</u>	<u>3,385,095</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	-	-	37,616	37,616
Due to Other Funds	80,307	-	-	-	80,307
Accrued Expenses	-	22,794	-	15	22,809
Total Liabilities	<u>80,307</u>	<u>22,794</u>	<u>-</u>	<u>37,631</u>	<u>140,732</u>
NET POSITION					
Unrestricted Net Position	\$ 659,478	\$ 2,467,025	\$ 56,652	\$ 61,208	\$ 3,244,363
Total Net Position	<u>\$ 659,478</u>	<u>\$ 2,467,025</u>	<u>\$ 56,652</u>	<u>\$ 61,208</u>	<u>\$ 3,244,363</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
OPERATING REVENUES:					
Local and Intermediate Sources	\$ 153,381	\$ 1,544,285	\$ 13,574	\$ 201,455	\$ 1,912,695
State Program Revenues	-	-	380	-	380
Total Operating Revenues	<u>153,381</u>	<u>1,544,285</u>	<u>13,954</u>	<u>201,455</u>	<u>1,913,075</u>
OPERATING EXPENSES:					
Payroll Costs	47,069	-	7,177	208,543	262,789
Professional and Contracted Services	2,289	-	-	-	2,289
Supplies and Materials	15,441	-	-	-	15,441
Other Operating Costs	988	2,018,139	-	-	2,019,127
Capital Outlay	14,521	-	-	-	14,521
Total Operating Expenses	<u>80,308</u>	<u>2,018,139</u>	<u>7,177</u>	<u>208,543</u>	<u>2,314,167</u>
Operating Income (Loss)	73,073	(473,854)	6,777	(7,088)	(401,092)
Total Net Position - September 1 (Beginning)	<u>586,405</u>	<u>2,940,879</u>	<u>49,875</u>	<u>68,296</u>	<u>3,645,455</u>
Total Net Position - August 31 (Ending)	<u>\$ 659,478</u>	<u>\$ 2,467,025</u>	<u>\$ 56,652</u>	<u>\$ 61,208</u>	<u>\$ 3,244,363</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	751	753	771	798	Total Internal Service Funds
	Transport.	Insurance	Catering	Workers' Compensation	
Cash Flows from Operating Activities:					
Cash Received from User Charges	\$ 153,380	\$ 1,544,285	\$ 13,573	\$ 201,454	\$ 1,912,692
Cash Received from Other Funds	-	-	42,905	-	42,905
Cash Payments to Employees for Services	-	-	(6,796)	-	(6,796)
Cash Payments to Other Funds	(42,905)	-	-	-	(42,905)
Cash Payments for Other Operating Expenses	-	(2,018,139)	-	(170,926)	(2,189,065)
Net Cash Provided by (Used for) Operating Activities	110,475	(473,854)	49,682	30,528	(283,169)
Net Increase (Decrease) in Cash and Cash Equivalents	110,475	(473,854)	49,682	30,528	(283,169)
Cash and Cash Equivalents at Beginning of Year	629,310	2,963,673	6,970	68,311	3,668,264
Cash and Cash Equivalents at End of Year	\$ 739,785	\$ 2,489,819	\$ 56,652	\$ 98,839	\$ 3,385,095
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss):	\$ 73,073	\$ (473,854)	\$ 6,777	\$ (7,088)	\$ (401,092)
Effect of Increases and Decreases in Current Assets and Liabilities:					
Decrease (increase) in Due from Other Funds	-	-	42,905	-	42,905
Increase (decrease) in Accounts Payable	-	-	-	37,616	37,616
Increase (decrease) in Due to Other Funds	37,402	-	-	-	37,402
Net Cash Provided by (Used for) Operating Activities	\$ 110,475	\$ (473,854)	\$ 49,682	\$ 30,528	\$ (283,169)

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	BALANCE SEPTEMBER 1 2013	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2014
AGENCY FUND FOR TAX COLLECTIONS				
Assets:				
Cash and Temporary Investments	\$ 87,098	\$ -	\$ 30	\$ 87,068
Other Receivables	5,152	-	-	5,152
Total Assets	<u>\$ 92,250</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 92,220</u>
Liabilities:				
Accounts Payable	\$ 2,643	\$ -	\$ -	\$ 2,643
Due to Other Governments	3,993	-	-	3,993
Accrued Expenses	85,614	-	30	85,584
Total Liabilities	<u>\$ 92,250</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 92,220</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 166,982	\$ 385,165	\$ 369,569	\$ 182,578
Liabilities:				
Due to Student Groups	\$ 166,982	\$ 385,165	\$ 369,569	\$ 182,578
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 254,080	\$ 385,165	\$ 369,599	\$ 269,646
Other Receivables	5,152	-	-	5,152
Total Assets	<u>\$ 259,232</u>	<u>\$ 385,165</u>	<u>\$ 369,599</u>	<u>\$ 274,798</u>
Liabilities:				
Accounts Payable	\$ 2,643	\$ -	\$ -	\$ 2,643
Due to Other Governments	3,993	-	-	3,993
Due to Student Groups	166,982	385,165	369,569	182,578
Accrued Expenses	85,614	-	30	85,584
Total Liabilities	<u>\$ 259,232</u>	<u>\$ 385,165</u>	<u>\$ 369,599</u>	<u>\$ 274,798</u>

REQUIRED TEA SCHEDULES

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 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	1.287468	0.068652	2,272,519,044
2007	1.181598	0.118587	2,610,218,760
2008	0.095180	0.109834	3,143,998,835
2009	0.957289	0.104345	3,564,745,406
2010	0.948934	0.112700	3,538,555,214
2011	0.967254	0.114380	3,711,066,791
2012	0.981859	0.099775	3,718,610,445
2013	0.981190	0.100450	3,708,535,983
2014 (School year under audit)	0.980820	0.100814	3,696,511,368
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
\$ 1,206,251	\$ -	\$ 26,843	\$ 1,941	\$ (17,590)	\$ 1,159,877
148,128	-	3,911	209	(1,198)	142,810
168,456	-	9,021	905	(1,192)	157,338
193,172	-	22,808	2,632	(2,689)	165,043
269,823	-	60,669	6,613	(740)	201,801
434,780	-	92,213	10,952	2,028	333,643
610,069	-	195,750	23,148	3,491	394,662
815,155	-	350,704	35,638	5,047	433,860
1,147,450	-	618,604	63,330	9,915	475,431
-	39,365,757	34,638,974	3,560,382	18,065	1,184,466
<u>\$ 4,993,284</u>	<u>\$ 39,365,757</u>	<u>\$ 36,019,497</u>	<u>\$ 3,705,750</u>	<u>\$ 15,137</u>	<u>\$ 4,648,931</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 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 - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 60,100	\$ 60,100	\$ 48,665	\$ (11,435)
5800 State Program Revenues	80,667	80,667	98,685	18,018
5900 Federal Program Revenues	1,871,725	1,871,725	1,735,792	(135,933)
5020 Total Revenues	<u>2,012,492</u>	<u>2,012,492</u>	<u>1,883,142</u>	<u>(129,350)</u>
EXPENDITURES:				
Current:				
0035 Food Services	<u>2,012,492</u>	<u>2,023,519</u>	<u>1,866,325</u>	<u>157,194</u>
6030 Total Expenditures	<u>2,012,492</u>	<u>2,023,519</u>	<u>1,866,325</u>	<u>157,194</u>
1200 Net Change in Fund Balances	-	(11,027)	16,817	27,844
0100 Fund Balance - September 1 (Beginning)	<u>149,197</u>	<u>149,197</u>	<u>149,197</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 149,197</u>	<u>\$ 138,170</u>	<u>\$ 166,014</u>	<u>\$ 27,844</u>

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
 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 - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,530,133	\$ 3,530,133	\$ 3,777,511	\$ 247,378
5020 Total Revenues	3,530,133	3,530,133	3,777,511	247,378
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	3,530,133	1,773,484	1,773,464	20
0072 Interest on Long Term Debt	-	1,754,649	1,754,649	-
0073 Bond Issuance Cost and Fees	-	2,000	928	1,072
6030 Total Expenditures	3,530,133	3,530,133	3,529,041	1,092
1200 Net Change in Fund Balances	-	-	248,470	248,470
0100 Fund Balance - September 1 (Beginning)	1,105,167	1,105,167	1,105,167	-
3000 Fund Balance - August 31 (Ending)	\$ 1,105,167	\$ 1,105,167	\$ 1,353,637	\$ 248,470

FEDERAL AWARDS SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Board of Trustees
Point Isabel Independent School District

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 Point Isabel 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, 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 the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Point Isabel 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Bann & Hill, LLP

Brownsville, Texas
January 16, 2015



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Board of Trustees
Port Isabel Independent School District

Report on Compliance for Each Major Federal Program

We have audited Point Isabel Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

Pattillo, Sam Hill, C.C.P.

Brownsville, Texas
January 16, 2015

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

I. Summary of the Auditors' Results:

The type of auditors' report on financial statements:	Unmodified
Regarding internal control over financial reporting:	
a. Material weakness(es) identified:	None
b. Significant deficiency(ies) identified that are not considered to be material weaknesses:	None reported
c. Noncompliance which is material to the financial statements:	None
d. Regarding internal control over major programs:	
Material weakness(es) identified:	None reported
Significant deficiency(ies) identified that are not considered to be material weaknesses:	None
e. Type of auditors' report on compliance with major programs:	Unmodified
f. Any audit findings which are required to be reported in accordance with OMB Circular A-133, Sec. 510(a):	No
g. Major programs are as follows:	Special Education Cluster CFDA 84.027A/84.173A
	Child Nutrition Cluster CFDA 10.550/10.555/10.559
h. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
i. Low risk auditee:	Yes

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

None reported

III. Findings and Questioned Costs for Federal Awards.

None reported

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

Not Applicable

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

Not Applicable.

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FISCAL YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE/	(2) Federal CFDA Number	(3) Pass Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Region One - ESC:</i>			
GEAR UP	84.334A	P334A990027-03	\$ 94,840
Total Passed Through Region One ESC			<u>94,840</u>
<i>Passed Through State Department of Education:</i>			
ESEA Title I, Part A Improving Basic Programs*	84.010A	14610101031909	<u>1,224,955</u>
ESEA Title I, Part C, - Migratory Children	84.011A	14615001031909	<u>18,756</u>
IDEA - Part B, Formula*	84.027A	146600010319096600	<u>432,075</u>
IDEA - Part B, Preschool*	84.173A	146610010319096610	<u>5,955</u>
Carl D. Perkins Basic Formula Grant	84.048A	14420006031909	<u>44,057</u>
Texas 21st Century Learning Centers	84.287C	126950147110046	<u>419,293</u>
ESEA Title III-Part A, Language	84.365A	14671001031909	<u>72,412</u>
ESEA Title II-Part A, Teacher/Principal	84.367A	14694501031909	<u>141,901</u>
Total Passed Through State Department of Education			<u>2,359,404</u>
TOTAL DEPARTMENT OF EDUCATION			<u>2,454,244</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Texas Department of Health & Human Services:</i>			
Medicaid Administrative Claiming Program (MAC)	93.778	529-07-0157-00273	<u>24,942</u>
Total Passed Through Texas Dept. of Health & Human Services			<u>24,942</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>24,942</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency:</i>			
School Breakfast Program* (Note A)	10.553	71400701	616,909
National School Lunch Program* (Note A)	10.555	71300701	1,005,844
Food Distribution* (Note A)	10.555	031-909	<u>113,039</u>
Total Passed Through Texas Education Agency			<u>1,735,792</u>
<i>Passed Through State Dept. of Human Services:</i>			
Summer Feeding Program (Note A)	10.559	031-909	<u>54,754</u>
Total Passed Through State Dept. of Human Services			<u>54,754</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,790,546</u>
TOTAL EXPENDITURE OF FEDERAL AWARDS			<u>\$ 4,269,732</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

(Note A) \$616,909 of School Breakfast Program, \$1,005,844 of National School Lunch Program, \$54,754 of Summer Feeding Program and \$113,039 of Food Distribution is in the General Fund.

POINT ISABEL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

1. 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.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Private Purpose Trust 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, the Private Purpose Trust Funds and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

SCHOOLS FIRST QUESTIONNAIRE

Point Isabel Independent School District

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.	196323