

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

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SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Santa Gertrudis Independent School District
Name of School District

Kleberg
County

137-904
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and approved
- disapproved for the year ended August 31, 2014, at a meeting of the board of school trustees of such school district on the
28 day of January, 2015.

Catherine Montalvo

Signature of Board Secretary

[Signature]

Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees
Santa Gertrudis Independent School District
P.O. Box 592
Kingsville, Texas 78364

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Santa Gertrudis Independent School District (the "District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Gertrudis Independent School District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

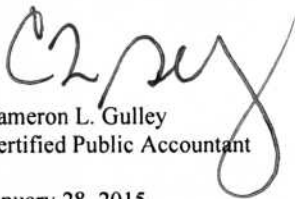
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule for the general fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules 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 my opinion, the combining and individual nonmajor fund financial statements and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the TEA required schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

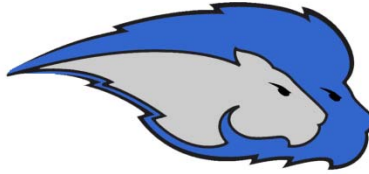
In accordance with *Government Auditing Standards*, I have also issued my report dated January 28, 2015, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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.



Cameron L. Gulley
Certified Public Accountant

January 28, 2015

Santa Gertrudis
School
P.O. Box 592
Kingsville, TX 78364
(361) 592-7582
Fax: (361) 592-2836



Santa Gertrudis
Academy High School
MSC 183
Kingsville, TX 78363
(361) 592-0058
Fax: (361) 592-5335

Santa Gertrudis ISD
P.O. Box 592
Kingsville, TX 78364
(361) 592-3937
Fax: (361) 592-2836
www.sgisd.net

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Santa Gertrudis Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2014. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

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 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt 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 12) 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 goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or 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 5. Its primary purpose 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 at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). 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 activity type:

Governmental activities - All of the District's basic services are reported here, including the 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 services.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 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 the No Child Left Behind Act 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).

Governmental funds - All of the District's basic services are reported in governmental funds. These use the 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 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 fund financial statements.

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 and Changes in Fiduciary Net Position on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance 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 analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Total net position of the District's governmental activities increased from \$8,216,486 to \$9,541,485. Unrestricted 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 - increased from \$2,635,784 to \$2,358,183 at August 31, 2014. Current assets of the District increased by \$1,136,422 which is due to increases in cash by over \$1.6 million offset by decreases in state receivables. Capital assets decreased by \$260,890 because of current year depreciation expense in excess of asset additions. Long-term liabilities decreased \$560,000 due to the current year principal payments on outstanding long-term debt. Other liabilities increased by \$110,533 due to increased payroll tax liabilities at the end of the year.

Table I
Santa Gertrudis Independent School District
Net Position

	Governmental Activities 2014	Governmental Activities 2013	Variance Increase/ (Decrease)
Current and other assets	\$ 4,062,932	\$ 2,926,510	\$ 1,136,422
Capital assets	11,092,274	11,353,164	(260,890)
Total assets	15,155,206	14,279,674	875,532
Long-term liabilities	5,275,000	5,835,000	(560,000)
Other liabilities	338,721	228,188	110,533
Total liabilities	5,613,721	6,063,188	(449,467)
Net position:			
Net investment in capital assets	5,803,295	5,502,580	300,715
Restricted for debt service	156,007	78,122	77,885
Unrestricted	3,582,183	2,635,784	946,399
Total net position	\$ 9,541,485	\$ 8,216,486	\$ 1,324,999

Table II
Santa Gertrudis Independent School District
Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 1,698,992	\$ 1,691,389	\$ 7,603
Operating grants and contributions	656,127	527,225	128,902
General Revenues:			
Maintenance and operations taxes	1,884,135	1,748,302	135,833
Debt service taxes	627,501	643,265	(15,764)
State aid - formula grants	4,084,886	3,427,372	657,514
Investment earnings	1,477	3,260	(1,783)
Miscellaneous	12,161	(27,851)	40,012
Total Revenues	8,965,279	8,012,962	952,317

Table II - Continued
 Santa Gertrudis Independent School District
 Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013	Variance Favorable/ (Unfavorable)
Expenses:			
Instruction, curriculum and media services	3,686,114	3,598,290	(87,824)
Instructional and school leadership	456,783	316,997	(139,786)
Student support services	449,065	469,994	20,929
Child nutrition	378,592	368,021	(10,571)
Extracurricular activities	543,637	508,595	(35,042)
General administration and intergovernmental charges	681,199	597,716	(83,483)
Plant maintenance, security & data processing	1,256,918	1,225,341	(31,577)
Community service	9,727	10,735	1,008
Debt service	178,245	203,204	24,959
Total Expenses	7,640,280	7,298,893	(341,387)
Increase in Net Position	1,324,999	714,069	610,930
Net Position - beginning of year	8,216,486	7,502,417	714,069
Net Position - end of year	\$ 9,541,485	\$ 8,216,486	\$ 1,324,999

The District's total revenues increased by \$952,317. Most of the revenue increase was driven by a 15% increase in enrollment for the year. The enrollment growth fueled an increase in state aid by over \$650,000. Additionally, property tax valuations were approximately 8% more than last year which raised tax revenues for the year by a net of \$120,000. Operating grants were higher only because of on behalf flow-thru state revenues accrued on the District's books as required by accounting pronouncements.

Overall, expenses of the District increased by \$341,387. The higher expenses were a result of increased instructional expenses related to the sharp rises in student population. Educational and technology supplies were the main contributor for the \$88,000 increase in instructional costs. Campus supplies and payroll cost increases resulted in nearly \$140,000 more expenses in instructional and school leadership. Fuel costs and transportation maintenance expenses were approximately \$21,000 less than last year for student support services. Food costs and related payroll were \$10,571 more than last year in child nutrition. General administrative professional fees and services resulted in \$83,000 more in expenses in that functional category. Lease fee agreement increases with Texas A&M University - Kingsville (along with facilities maintenance costs) totaled \$31,577 more than last year. Athletic uniform purchases and travel costs caused an increase of \$35,042 in extracurricular activities.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$3,724,822, an increase of \$1,019,286 from last year's fund balance of \$2,705,536. The primary reasons parallel the items described in the previous section with the exception of the debt principal payments classified as expenditures in the fund level financial statements and depreciation classified as an expense in the government-wide financial statements. See Exhibit C-2 for a reconciliation of the fund balances to net position highlighted above.

Over the course of the year, the Board of Trustees revised the District's budget only a few times. The most significant budget amendment was in the general fund debt service totaling \$253,000 for the early pay-off of existing debt. Additional significant budget amendments were in extracurricular activities for increased travel costs and supplies totaling \$72,000 and increased instructional expenses for supplies and technology improvements for \$39,000.

The District's General Fund balance of \$3,550,896 reported on pages 14 and 33 differs from the General Fund's budgetary fund balance of \$2,922,501 reported in the budgetary comparison schedule on page 33. This is principally due to revenues being approximately \$563,000 more than budgeted due to the increase in enrollment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the District had \$13,991,820 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a decrease of \$199,915 from last fiscal year. The following additions were made during the year:

Elementary playground improvements	\$ 9,900
2015 Bluebird bus	91,265
Administration building improvements	98,750
Total Asset Additions	\$ 199,915

Debt

The District had one outstanding long-term liability in the form of a bond (with a balance of \$5,275,000) obtained to finance a new elementary school. During the year, the District made bond payments totaling \$624,900 (\$450,000 in principal and \$174,900 in interest). Total annual payments vary from approximately \$521,000 to \$721,000 until final maturity in 2023. The District had fully retired one long-term liability in the form of a note payable (with a balance of \$0) for the purpose of financing maintenance and operations. During the year, the District made payments totaling \$114,950 (\$110,000 in principal and \$4,950 in interest).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should remain financially stable during the 2014-15 fiscal year. Revenues are budgeted to be \$7.01 million with projected increases in property tax revenues and state foundation revenues due to continued tax valuation and enrollment increases. Expenditures are budgeted to be \$7.08 million. The tax rate adopted by the board of trustees was set at \$1.3654 (a decrease of \$0.0214/\$100 from last year's rate). The fund balance is projected to approximate \$3,500,000 by August 31, 2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Santa Gertrudis Independent School District, P. O. Box 592, Kingsville, Texas 78364.

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BASIC FINANCIAL STATEMENTS

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SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Governmental Activities
<hr/>	
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,151,707
1120 Current Investments	2,498,626
1220 Property Taxes Receivable (Delinquent)	22,887
1230 Allowance for Uncollectible Taxes	(9,519)
1240 Due from Other Governments	343,448
1290 Other Receivables, net	4,137
1490 Other Current Assets	51,646
Capital Assets:	
1520 Buildings, Net	10,669,094
1530 Furniture and Equipment, Net	423,180
1000 Total Assets	<hr/> 15,155,206 <hr/>
LIABILITIES	
2110 Accounts Payable	121,842
2140 Interest Payable	13,979
2150 Payroll Deductions & Withholdings	90,457
2160 Accrued Wages Payable	110,099
2177 Due to Fiduciary Funds	142
2200 Accrued Expenses	2,202
Noncurrent Liabilities	
2501 Due Within One Year	475,000
2502 Due in More Than One Year	4,800,000
2000 Total Liabilities	<hr/> 5,613,721 <hr/>
NET POSITION	
3200 Net Investment in Capital Assets	5,803,295
3850 Restricted for Debt Service	156,007
3900 Unrestricted	3,582,183
3000 Total Net Position	<hr/> <hr/> \$ 9,541,485 <hr/> <hr/>

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 3,563,575	\$ 1,377,057	\$ 364,454	\$ (1,822,064)
12 Instructional Resources and Media Services	100,206	-	4,495	(95,711)
13 Curriculum and Staff Development	22,333	-	4,665	(17,668)
21 Instructional Leadership	103,576	-	23,318	(80,258)
23 School Leadership	353,207	-	20,785	(332,422)
31 Guidance, Counseling and Evaluation Services	127,043	-	4,781	(122,262)
33 Health Services	76,947	-	4,070	(72,877)
34 Student (Pupil) Transportation	245,075	-	8,423	(236,652)
35 Food Services	378,592	194,504	162,225	(21,863)
36 Extracurricular Activities	543,637	127,431	24,016	(392,190)
41 General Administration	621,966	-	20,493	(601,473)
51 Facilities Maintenance and Operations	1,084,222	-	8,905	(1,075,317)
52 Security and Monitoring Services	54,311	-	86	(54,225)
53 Data Processing Services	118,385	-	5,411	(112,974)
61 Community Services	9,727	-	-	(9,727)
72 Debt Service - Interest on Long Term Debt	178,245	-	-	(178,245)
99 Other Intergovernmental Charges	59,233	-	-	(59,233)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 7,640,280	\$ 1,698,992	\$ 656,127	\$ (5,285,161)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,884,135
DT	Property Taxes, Levied for Debt Service	627,501
SF	State Aid - Formula Grants	4,084,886
IE	Investment Earnings	1,477
MI	Miscellaneous Local and Intermediate Revenue	12,161
TR	Total General Revenues	6,610,160
CN	Change in Net Position	1,324,999
NB	Net Position - Beginning	8,216,486
NE	Net Position--Ending	\$ 9,541,485

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,022,806	\$ 128,901	\$ 1,151,707
1120 Investments - Current	2,498,626	-	2,498,626
1220 Property Taxes - Delinquent	19,982	2,905	22,887
1230 Allowance for Uncollectible Taxes (Credit)	(9,186)	(333)	(9,519)
1240 Receivables from Other Governments	231,414	112,034	343,448
1260 Due from Other Funds	63,369	-	63,369
1290 Other Receivables	-	4,137	4,137
1490 Other Current Assets	51,646	-	51,646
1000 Total Assets	<u>\$ 3,878,657</u>	<u>\$ 247,644</u>	<u>\$ 4,126,301</u>
LIABILITIES			
2110 Accounts Payable	\$ 117,879	\$ 3,963	\$ 121,842
2150 Payroll Deductions and Withholdings Payable	90,457	-	90,457
2160 Accrued Wages Payable	106,360	3,739	110,099
2170 Due to Other Funds	142	63,369	63,511
2200 Accrued Expenditures	2,127	75	2,202
2000 Total Liabilities	<u>316,965</u>	<u>71,146</u>	<u>388,111</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	10,796	2,572	13,368
2600 Total Deferred Inflows of Resources	<u>10,796</u>	<u>2,572</u>	<u>13,368</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	51,646	-	51,646
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	153,435	153,435
3600 Unassigned Fund Balance	3,499,250	20,491	3,519,741
3000 Total Fund Balances	<u>3,550,896</u>	<u>173,926</u>	<u>3,724,822</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,878,657</u>	<u>\$ 247,644</u>	<u>\$ 4,126,301</u>

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

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

Total Fund Balances - Governmental Funds	\$	3,724,822
1 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 \$13,791,905 and the accumulated depreciation was \$2,438,741. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		5,518,164
2 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 (decrease) net position.		759,915
3 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(460,805)
4 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 and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(611)
19 Net Position of Governmental Activities	\$	9,541,485

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

SANTA GERTRUDIS 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	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 3,311,030	\$ 922,573	\$ 4,233,603
5800	State Program Revenues	4,262,448	147,678	4,410,126
5900	Federal Program Revenues	-	316,552	316,552
5020	Total Revenues	<u>7,573,478</u>	<u>1,386,803</u>	<u>8,960,281</u>
EXPENDITURES:				
Current:				
0011	Instruction	3,098,740	197,321	3,296,061
0012	Instructional Resources and Media Services	87,601	6,623	94,224
0013	Curriculum and Instructional Staff Development	12,932	4,665	17,597
0021	Instructional Leadership	81,328	18,520	99,848
0023	School Leadership	257,445	81,072	338,517
0031	Guidance, Counseling and Evaluation Services	111,966	-	111,966
0033	Health Services	69,205	-	69,205
0034	Student (Pupil) Transportation	280,612	3,026	283,638
0035	Food Services	-	362,948	362,948
0036	Extracurricular Activities	506,433	10,881	517,314
0041	General Administration	588,764	385	589,149
0051	Facilities Maintenance and Operations	1,089,732	-	1,089,732
0052	Security and Monitoring Services	53,697	-	53,697
0053	Data Processing Services	110,269	-	110,269
0061	Community Services	6,580	2,417	8,997
Debt Service:				
0071	Principal on Long Term Debt	110,000	450,000	560,000
0072	Interest on Long Term Debt	4,950	174,900	179,850
Capital Outlay:				
0081	Facilities Acquisition and Construction	98,750	-	98,750
Intergovernmental:				
0099	Other Intergovernmental Charges	59,233	-	59,233
6030	Total Expenditures	<u>6,628,237</u>	<u>1,312,758</u>	<u>7,940,995</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>945,241</u>	<u>74,045</u>	<u>1,019,286</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	6,219	6,219
8911	Transfers Out (Use)	(6,219)	-	(6,219)
7080	Total Other Financing Sources (Uses)	<u>(6,219)</u>	<u>6,219</u>	<u>-</u>
1200	Net Change in Fund Balances	939,022	80,264	1,019,286
0100	Fund Balance - September 1 (Beginning)	<u>2,611,874</u>	<u>93,662</u>	<u>2,705,536</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 3,550,896</u>	<u>\$ 173,926</u>	<u>\$ 3,724,822</u>

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

SANTA GERTRUDIS 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	\$	1,019,286
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 (decrease) net position.		759,915
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.		(460,805)
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 and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		6,603
Change in Net Position of Governmental Activities	\$	1,324,999

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ (1,448)	\$ 15,764
Investments - Current	16,606	-
Due from Other Funds	-	142
Total Assets	15,158	\$ 15,906
LIABILITIES		
Due to Student Groups	-	\$ 15,906
Total Liabilities	-	\$ 15,906
NET POSITION		
Restricted for Scholarships	15,158	
Total Net Position	\$ 15,158	

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

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

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 2,517
Total Additions	<u>2,517</u>
DEDUCTIONS:	
Other Operating Costs	<u>17,200</u>
Total Deductions	<u>17,200</u>
Change in Net Position	(14,683)
Total Net Position - September 1 (Beginning)	<u>29,841</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 15,158</u></u>

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

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED AUGUST 31, 2014

I. Summary of significant accounting policies

Santa Gertrudis Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; 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 public elementary and secondary education within the jurisdiction of Santa Gertrudis Independent School District (the "District"). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity." There are no component units included 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 all of the District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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. Examples include tuition paid by students not residing in the district, school lunch charges, etc. 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 under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary 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. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating.

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. Property taxes are recognized as revenues in the year for which they are levied. 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 taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. 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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental Funds:

2. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
3. **Debt Service Fund** – The debt service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Fiduciary Funds:

4. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.
5. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the "Santa Gertrudis Student Activity Fund."

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. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended in the period incurred.

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

4. The District's policy does not permit employees to accumulate unused vacation and sick pay benefits. Therefore, there is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District 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.

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>Asset:</u>	<u>Years</u>
Buildings	25
Building Improvements	25
Vehicles	10
Equipment	7
Technology Equipment	5

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

7. Governmental fund balances are characterized into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

District policies concerning fund balances are as follows:

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees.

Fund Balance of the District may be committed for a specific source by formal action of the Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board of Trustees.

When it is appropriate for fund balance to be assigned, only the Board of Trustees has the authority to assign fund balance by formal action by the board.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At August 31, 2014, the District's general fund balances were nonspendable, restricted, committed or assigned as follows:

Non-spendable fund balance	\$ 51,646.
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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 to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. Stewardship, compliance, and accountability

A. Budgetary data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final

amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J4 and J5.

The following procedures are followed in establishing budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. 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. At least ten days' public notice of the meeting must be given.
 3. Prior to September 1, 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. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
 4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. There were no appropriated or nonappropriated budget special revenue funds at the end of the current fiscal year.
- B. Excess of expenditures over appropriations by more than \$2,500 (as reported on Exhibits G-1 and J-4):

Function 21 - Instructional Leadership	\$ 10,096.
Function 31 - Guidance, Counseling and Evaluation Services	\$ 10,856.
Function 35 - Food Services	\$ 9,948.
Function 41 - General Administration	\$ 43,504.
Function 51 - Facilities Maintenance and Operations	\$ 18,082.
Function 53 - Data Processing Services	\$ 6,869.
Function 99 - Other Governmental Charges	\$ 3,233.

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

District Policies and Legal and 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 those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount 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 credit risk for deposits.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

District Policies and Legal and 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. 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.

As of August 31, 2014, the District had the following investments.

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
Investment Pool	\$2,498,626	\$2,498,626			
Total	\$2,498,626	\$2,498,626			

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

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2014, the District's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This included securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

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 31 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 tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

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

Fund	Due From	Due To	Purpose	Current?
General Fund	\$ 63,369	\$ 142	Short-term advance	Yes
Agency Fund	142		Short-term advance	Yes
Nonmajor Special Revenue Fund		56,939	Short-term advance	Yes
Nonmajor Debt Service Fund		6,430	Short-term advance	Yes
Total	<u>\$ 63,511</u>	<u>\$ 63,533</u>		

Interfund transfers for the year ended August 31, 2014 consisted of the following individual amounts:

Fund	Transfers In	Transfers Out	Purpose
Nonmajor Special Revenue Fund	\$ 6,219		Food service operating deficit
General Fund		\$ 6,219	Food service operating deficit
Total	<u>\$ 6,219</u>	<u>\$ 6,219</u>	

E. Disaggregation of receivables and payables

Receivables at August 31, 2014 were as follows:

	Property Taxes	Other Government	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 19,982	\$ 231,414		\$ 251,396
Nonmajor Governmental Funds	2,905	112,034	\$ 4,137	119,076
Total Governmental Activities	<u>\$ 22,887</u>	<u>\$ 343,448</u>	<u>\$ 4,137</u>	<u>\$ 370,472</u>

Payables at August 31, 2014 were as follows:

	Accounts	Salaries and Benefits	Total Payables
Governmental Activities:			
General Fund	\$ 117,879	\$ 198,944	\$ 316,823
Nonmajor Governmental Funds	3,963	3,814	7,777
Total Governmental Activities	<u>\$ 121,842</u>	<u>\$ 202,758</u>	<u>\$ 324,600</u>

F. Capital asset activity

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

	Balance 8/31/13	Additions	Deletions	Balance 8/31/14
Governmental activities:				
Buildings and leasehold improvements	\$ 12,444,080	\$ 98,750		\$ 12,542,830
Furniture and equipment	1,347,825	101,165		1,448,990
Totals	13,791,905	199,915		13,991,820
Less accum depreciation for:				
Buildings and leasehold improvements	1,539,282	334,454		1,873,736
Furniture and equipment	899,459	126,351		1,025,810
Total accum depreciation	2,438,741	460,805		2,899,546
Governmental activities capital assets, net	<u>\$ 11,353,164</u>	<u>\$ (260,890)</u>		<u>\$ 11,092,274</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 267,514
Instructional resources and media services	5,982
Curriculum and staff development	4,736
Instructional leadership	3,728
School leadership	14,690
Guidance, counseling, and evaluation services	15,077
Health services	7,742
Student transportation	52,702
Food services	15,644
Extracurricular activities	26,323
General administration	32,817
Plant maintenance and operations	4,390
Security and monitoring service	614
Data processing services	8,116
Community services	730
Total depreciation expense - governmental activities	<u><u>\$ 460,805</u></u>

G. Loans payable

The District accounts for long-term debts for maintenance purposes through the General Fund. Long-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as non-current liabilities and principal payments as expenditures in the fund financial statements and reductions in liabilities in the government-wide financial statements. As shown in the following table, the District had the following long-term debt.

	Interest Rate Payable	Balance 8/31/13	Additions	Retirements	Balance 8/31/14
Time Warrants, Series 2009	4.50%	\$ 110,000		\$ 110,000	\$ 0
Totals		\$ 110,000		\$ 110,000	\$ 0

H. Bonds payable

Bonded indebtedness of the District is accounted for in the Statement of Net Position and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund for the schoolhouse bond and principal and interest expenditures are accounted for in the General Fund for the capital lease obligations.

A summary of changes in general long-term debt for the year ended August 31, 2014 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 8/31/13	Issued	Retired	Amounts Outstanding 8/31/14
School building bonds, series 2008	3.18%	\$7,500,000	\$5,725,000		\$ 450,000	\$5,275,000
			\$5,725,000		\$ 450,000	\$5,275,000

I. Commitments under operating leases

The District executed two operating lease agreements at the end of the fiscal year for facility rentals for the next five year as follows:

Beginning for the 2012-13 academic year, the District entered into an operating lease agreement with Texas A&M University - Kingsville for athletic facilities rental and usage. The lease term is for five (5) years due in annual payments on September 15, 2012 of \$80,000 and continuing through the end of the 2016-17 academic year. The lease can be canceled at the end of each one-year period without penalty with notice provided the other party by July 15th of the then-current year. Future operating lease obligations are as follows:

Academic Year	Amount
2014-15	\$ 80,000
2015-16	80,000
2016-17	80,000
Total Lease Obligation	\$ 240,000

Beginning August 1, 2012, the District entered into an operating lease agreement with Texas A&M University - Kingsville (the "lessor") for rental and usage of a 71,648 square foot instructional facility. The lease term is for five (5) years with an initial lease of \$113,120 escalating 4% each year thereafter. Additionally, for renovations made by the lessor, secondary rents are due for the facility payable semi-annually over a 10-year period. If the original lease is terminated before the 10-year amortization period of the secondary rents are completed, all remaining unpaid rents for the secondary lease will become due and payable. Future operating lease obligations for the lease are as follows:

Academic Year	Primary Lease	Secondary Lease	Total Lease
---------------	---------------	-----------------	-------------

2014-15	\$ 122,351	\$ 95,630	\$ 217,981
2015-16	127,245	95,994	223,239
2016-17	132,335	93,264	225,599
2017-18	0	95,533	95,533
2018-19	0	95,615	95,615
2019-20	0	94,602	94,602
2020-21	0	94,496	94,496
2021-22	0	94,295	94,295
Total Lease Obligation	<u>\$ 381,931</u>	<u>\$ 759,429</u>	<u>\$ 1,141,360</u>

J. Debt service requirements - bonds and capital leases

Future debt service requirements are as follows:

Year Ended August 31,	General Obligations		Loans Payable		Total Requirements
	Principal	Interest	Principal	Interest	
2015	\$ 475,000	\$ 160,193			\$ 635,193
2016	500,000	144,690			644,690
2017	525,000	128,393			653,393
2018	550,000	111,300			661,300
2019	580,000	93,333			673,333
2020-2023	2,645,000	173,548			2,818,548
Totals	<u>\$ 5,725,000</u>	<u>\$ 811,457</u>			<u>\$ 6,086,457</u>

K. Accumulated unpaid vacation and sick leave benefits

N/A.

L. Defined benefit pension plan

Plan Description. The District contributes to the Teacher Retirements System of Texas (the “TRS”), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sect. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature pursuant to the following state fund policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state

contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Contribution rates and contributions for fiscal years 2014-12 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum. On-behalf payments by the State have been recognized as equal revenues and expenditures by the District, in the amounts of \$209,384, \$120,378 and \$165,259 (net of District statutory minimum and federal grant contributions of \$52,844, \$117,520 and \$36,340 for each respective year) for the years ended August 31, 2014, 2013 and 2012, respectively.

Contribution Rates and Contribution Amounts					
Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$ 248,886	6.8%	\$ 262,228	\$ 49,916
2013	6.4%	\$ 237,898	6.4%	\$ 237,898	\$ 115,969
2012	6.4%	\$ 215,058	6.0%	\$ 201,599	\$ 31,363

M. 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 premiums of \$352 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. Latest financial statements for TRS - Care are available for the year ended August 31, 2014, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

N. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 5,725,000		\$ 450,000	\$ 5,275,000	\$ 475,000
Loans Payable	110,000		110,000	0	N/A
Total	\$ 5,835,000	\$ 0	\$ 560,000	\$ 5,275,000	\$ 475,000

O. Unearned revenues

None.

P. Due from state and federal agencies

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 summarized below. Except for funds directly received from the U.S. Department of Education, all federal grants are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Total
General Fund	\$ 231,414		\$ 231,414
Nonmajor Governmental Funds		\$ 59,576	59,576
Net Total Receivables	\$ 231,414	\$ 59,576	\$ 290,990

Q. Revenue from local and intermediate sources

During the current year, revenues from local and intermediate sources consisted of the following:

Description	General Fund	Nonmajor Funds	Private Purpose Trust Fund	Total
Property taxes (including penalties and interest)	\$1,880,123	\$626,182		\$2,506,305
Services to other districts	1,376,818			1,376,818
Food sales		194,504		194,504
Investment income	1,393	84	\$17	1,494
Co-curricular student activities	28,657	98,775		127,432
Other income	24,039	3,028	2,500	29,567
Total	\$3,311,030	\$922,573	\$2,517	\$4,236,120

R. School district retiree health plan

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school employee contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2012.

Contribution Rates and Contribution Amounts

Year	Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 25,066	1.00%	\$ 38,563	0.55%	\$ 21,210
2013	0.65%	\$ 24,162	0.50%	\$ 18,586	0.55%	\$ 20,445
2012	0.65%	\$ 21,842	1.00%	\$ 32,749	0.55%	\$ 18,482

Federal Government Retiree Drug Subsidy - Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2014, 2013 and 2012 were \$11,567, \$11,193 and \$9,681, respectively.

Early Retiree Reinsurance Program. The Early Retiree Reinsurance Program (“ERRP”) is a provision of the Patient Protection and Affordable Care Act (“PPACA”) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An “early retiree” is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program was not available to TRS for the fiscal years ended August 31, 2014 or 2013; therefore there was no allocation required for 2014. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2014, 2013 and 2012 were \$0, \$0 and \$9,155 respectively.

S. Litigation

N/A.

T. Construction and other significant commitments and contingencies

N/A.

U. Joint ventured shared-service arrangements

The District participates in an interlocal agreement, authorized by the Interlocal Cooperation Act, Texas Government Code Section 791, with Driscoll Independent School District (“DISD”) for the operation of the Academy High School (“AHS”). Under the tuition transfer agreement (“TTA”), the District will be the fiscal agent and the responsible district for AHS in all matters. The TTA originally started on August 1, 2002. However, a new agreement was signed in July, 2014, and is in effect until June 30, 2015.

DISD, pursuant to the provisions of Texas Education Code 25.038, 25.039, and 19 Tex. Admin. Code 61.1012, will pay tuition to the District for its resident students to attend AHS. The annual tuition amount will be negotiated by and agreed to by the superintendents. This amount will allow for the most financially beneficial amount for both districts but will not exceed the maximum tuition limit set by TEA. Upon determination of the actual dollar amount per student for a given school year, the superintendents of the part districts shall inform the respective boards of trustees of the tuition amount per student, and the boards shall ratify the tuition amount for that school year.

The tuition amount are made in installment payments from DISD to the District. Periodic tuition payments are initially paid based upon the tuition amount determined and ratified as stated above times the number of DISD resident students enrolled in AHS. AHS enrollment as of the twelfth class day of each year of this agreement will be used to determine the applicable percentages for each year. Tuition will be adjusted at the end of each school year to reflect the actual number of DISD students enrolled.

V. Subsequent events

In January, 2015 the District came to an agreement whereby Driscoll ISD would no longer make periodic tuition fee payments annually for its students to attend the District. Total estimated loss in revenues beginning the 2015-16 fiscal year is estimated to approximate \$1.0 million. The District is currently investigating other options for future funding as a result of the projected loss in revenues.

W. Related organizations

The District is located on the Santa Gertrudis Division of the King Ranch. Six board members are employees or spouses of employees of the ranch. The District's leases real estate at a nominal fee on which its elementary and junior high campus is located.

X. Maintenance of effort

N/A.

REQUIRED SUPPLEMENTARY INFORMATION

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SANTA GERTRUDIS 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)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,212,290	\$ 3,212,290	\$ 3,311,030	\$ 98,740
5800	State Program Revenues	3,798,509	3,798,509	4,262,448	463,939
5020	Total Revenues	7,010,799	7,010,799	7,573,478	562,679
EXPENDITURES:					
Current:					
0011	Instruction	3,093,760	3,132,760	3,098,740	34,020
0012	Instructional Resources and Media Services	97,020	97,020	87,601	9,419
0013	Curriculum and Instructional Staff Development	12,800	12,800	12,932	(132)
0021	Instructional Leadership	71,232	71,232	81,328	(10,096)
0023	School Leadership	265,100	265,100	257,445	7,655
0031	Guidance, Counseling and Evaluation Services	96,810	101,110	111,966	(10,856)
0033	Health Services	77,940	77,940	69,205	8,735
0034	Student (Pupil) Transportation	316,900	316,900	280,612	36,288
0036	Extracurricular Activities	462,050	534,250	506,433	27,817
0041	General Administration	538,720	545,260	588,764	(43,504)
0051	Facilities Maintenance and Operations	1,071,650	1,071,650	1,089,732	(18,082)
0052	Security and Monitoring Services	56,000	56,000	53,697	2,303
0053	Data Processing Services	103,400	103,400	110,269	(6,869)
0061	Community Services	8,800	8,800	6,580	2,220
Debt Service:					
0071	Principal on Long Term Debt	110,000	110,000	110,000	-
0072	Interest on Long Term Debt	4,950	4,950	4,950	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	135,000	135,000	98,750	36,250
Intergovernmental:					
0099	Other Intergovernmental Charges	56,000	56,000	59,233	(3,233)
6030	Total Expenditures	6,578,132	6,700,172	6,628,237	71,935
1100	Excess of Revenues Over Expenditures	432,667	310,627	945,241	634,614
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(6,219)	(6,219)
1200	Net Change in Fund Balances	432,667	310,627	939,022	628,395
0100	Fund Balance - September 1 (Beginning)	2,611,874	2,611,874	2,611,874	-
3000	Fund Balance - August 31 (Ending)	\$ 3,044,541	\$ 2,922,501	\$ 3,550,896	\$ 628,395

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COMBINING SCHEDULES

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-
1240 Receivables from Other Governments	-	2,241	-
1290 Other Receivables	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 2,241</u>	<u>\$ -</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	2,197	-
2170 Due to Other Funds	-	-	-
2200 Accrued Expenditures	-	44	-
2000 Total Liabilities	<u>-</u>	<u>2,241</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	-	-
3600 Unassigned Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 2,241</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,494	\$ 21,494
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,522	-	-	45,813	-	-	-	59,576
4,137	-	-	-	-	-	-	4,137
<u>\$ 15,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,494</u>	<u>\$ 85,207</u>
\$ 3,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,963
1,542	-	-	-	-	-	-	3,739
10,123	-	-	45,813	-	-	1,003	56,939
31	-	-	-	-	-	-	75
<u>15,659</u>	<u>-</u>	<u>-</u>	<u>45,813</u>	<u>-</u>	<u>-</u>	<u>1,003</u>	<u>64,716</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	20,491	20,491
-	-	-	-	-	-	20,491	20,491
<u>\$ 15,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,494</u>	<u>\$ 85,207</u>

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SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 107,407	\$ 128,901
1220 Property Taxes - Delinquent	2,905	2,905
1230 Allowance for Uncollectible Taxes (Credit)	(333)	(333)
1240 Receivables from Other Governments	52,458	112,034
1290 Other Receivables	-	4,137
1000 Total Assets	<u>\$ 162,437</u>	<u>\$ 247,644</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 3,963
2160 Accrued Wages Payable	-	3,739
2170 Due to Other Funds	6,430	63,369
2200 Accrued Expenditures	-	75
2000 Total Liabilities	<u>6,430</u>	<u>71,146</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue - Property Taxes	<u>2,572</u>	<u>2,572</u>
2600 Total Deferred Inflows of Resources	<u>2,572</u>	<u>2,572</u>
FUND BALANCES		
Restricted Fund Balance:		
3480 Retirement of Long-Term Debt	153,435	153,435
3600 Unassigned Fund Balance	-	20,491
3000 Total Fund Balances	<u>153,435</u>	<u>173,926</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 162,437</u>	<u>\$ 247,644</u>

SANTA GERTRUDIS 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	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	637	69,049	479
5020 Total Revenues	<u>637</u>	<u>69,049</u>	<u>479</u>
EXPENDITURES:			
Current:			
0011 Instruction	637	69,049	479
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-
0021 Instructional Leadership	-	-	-
0023 School Leadership	-	-	-
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0041 General Administration	-	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
6030 Total Expenditures	<u>637</u>	<u>69,049</u>	<u>479</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ 194,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,826	\$ 296,330
7,916	-	-	-	63,839	700	-	72,455
154,309	7,915	31,610	52,553	-	-	-	316,552
356,729	7,915	31,610	52,553	63,839	700	101,826	685,337
-	-	10,064	52,553	63,839	700	-	197,321
-	-	-	-	-	-	6,623	6,623
-	4,665	-	-	-	-	-	4,665
-	-	18,520	-	-	-	-	18,520
-	3,250	-	-	-	-	77,822	81,072
-	-	3,026	-	-	-	-	3,026
362,948	-	-	-	-	-	-	362,948
-	-	-	-	-	-	10,881	10,881
-	-	-	-	-	-	385	385
-	-	-	-	-	-	2,417	2,417
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
362,948	7,915	31,610	52,553	63,839	700	98,128	687,858
(6,219)	-	-	-	-	-	3,698	(2,521)
6,219	-	-	-	-	-	-	6,219
-	-	-	-	-	-	3,698	3,698
-	-	-	-	-	-	16,793	16,793
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,491	\$ 20,491

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SANTA GERTRUDIS 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	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 626,243	\$ 922,573
5800 State Program Revenues	75,223	147,678
5900 Federal Program Revenues	-	316,552
5020 Total Revenues	<u>701,466</u>	<u>1,386,803</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	197,321
0012 Instructional Resources and Media Services	-	6,623
0013 Curriculum and Instructional Staff Development	-	4,665
0021 Instructional Leadership	-	18,520
0023 School Leadership	-	81,072
0034 Student (Pupil) Transportation	-	3,026
0035 Food Services	-	362,948
0036 Extracurricular Activities	-	10,881
0041 General Administration	-	385
0061 Community Services	-	2,417
Debt Service:		
0071 Principal on Long Term Debt	450,000	450,000
0072 Interest on Long Term Debt	174,900	174,900
6030 Total Expenditures	<u>624,900</u>	<u>1,312,758</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	76,566	74,045
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	6,219
1200 Net Change in Fund Balance	76,566	80,264
0100 Fund Balance - September 1 (Beginning)	<u>76,869</u>	<u>93,662</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 153,435</u>	<u>\$ 173,926</u>

SANTA GERTRUDIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2014

	BALANCE SEPTEMBER 1 2013	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2014
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 5,477	\$ 124,076	\$ 113,789	\$ 15,764
Due From Other Funds	142	-	-	142
Total Assets	<u>\$ 5,619</u>	<u>\$ 124,076</u>	<u>\$ 113,789</u>	<u>\$ 15,906</u>
Liabilities:				
Due to Student Groups	<u>\$ 5,619</u>	<u>\$ 124,076</u>	<u>\$ 113,789</u>	<u>\$ 15,906</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 5,477	\$ 124,076	\$ 113,789	\$ 15,764
Due From Other Funds	142	-	-	142
Total Assets	<u>\$ 5,619</u>	<u>\$ 124,076</u>	<u>\$ 113,789</u>	<u>\$ 15,906</u>
Liabilities:				
Due to Student Groups	<u>\$ 5,619</u>	<u>\$ 124,076</u>	<u>\$ 113,789</u>	<u>\$ 15,906</u>

REQUIRED TEA SCHEDULES

SANTA GERTRUDIS 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	1.500000	0.000000	230,758,066
2007	1.370000	0.000000	268,349,050
2008	1.040000	0.000000	204,883,748
2009	1.040000	0.290000	177,643,558
2010	1.040000	0.327230	180,898,864
2011	1.040000	0.345700	180,350,957
2012	1.040000	0.415700	149,138,322
2013	1.040000	0.382500	166,833,377
2014 (School year under audit)	1.040000	0.386800	175,952,280
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
\$ 4,643	\$ -	\$ -	\$ -	\$ 217	\$ 4,860
3,612	-	3,526	-	-	86
1,833	-	-	-	-	1,833
32	-	-	-	-	32
148	-	89	25	-	34
1,481	-	-	-	-	1,481
1,900	-	-	-	-	1,900
1,980	-	33	13	-	1,934
3,306	-	1,255	461	-	1,590
-	2,502,921	1,870,253	623,652	121	9,137
<u>\$ 18,935</u>	<u>\$ 2,502,921</u>	<u>\$ 1,875,156</u>	<u>\$ 624,151</u>	<u>\$ 338</u>	<u>\$ 22,887</u>

SANTA GERTRUDIS 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)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 177,000	\$ 177,000	\$ 194,504	\$ 17,504
5800	State Program Revenues	3,000	3,000	7,916	4,916
5900	Federal Program Revenues	170,000	170,000	154,309	(15,691)
5020	Total Revenues	350,000	350,000	356,729	6,729
EXPENDITURES:					
0035	Food Services	350,000	353,000	362,948	(9,948)
6030	Total Expenditures	350,000	353,000	362,948	(9,948)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,000)	(6,219)	(3,219)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	6,219	6,219
1200	Net Change in Fund Balances	-	(3,000)	-	3,000
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ (3,000)	\$ -	\$ 3,000

SANTA GERTRUDIS 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)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 624,900	\$ 624,900	\$ 626,243	\$ 1,343
5800	State Program Revenues	-	-	75,223	75,223
5020	Total Revenues	624,900	624,900	701,466	76,566
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	450,000	450,000	450,000	-
0072	Interest on Long Term Debt	174,900	174,900	174,900	-
6030	Total Expenditures	624,900	624,900	624,900	-
1200	Net Change in Fund Balances	-	-	76,566	76,566
0100	Fund Balance - September 1 (Beginning)	76,869	76,869	76,869	-
3000	Fund Balance - August 31 (Ending)	\$ 76,869	\$ 76,869	\$ 153,435	\$ 76,566

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OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Cameron L. Gulley

CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
cgulley@txol.net

Independent Auditor's Report

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

Board of Trustees
Santa Gertrudis Independent School District
P.O. Box 592
Kingsville, Texas 78364

I 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Gertrudis 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 my report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

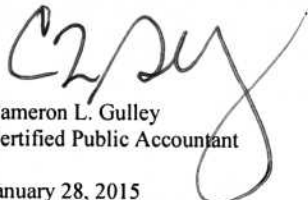
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I identified deficiencies in internal control that I consider to be material weaknesses listed as items 2013-1 thru 2013-3 on the accompanying Schedule of Findings and Questioned Costs. However, other material weaknesses may exist that have not been identified. I also identified other items that were reported but not considered material weaknesses or significant deficiencies listed as items 2014-1 and 2014-2 on the accompanying Schedule of Findings and Questioned Costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Gertrudis Independent School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* listed as item 2013-4 on the accompanying Schedule of Findings and Questioned Costs. However, it is not considered a material weakness or significant deficiency as defined above.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.


Cameron L. Gulley
Certified Public Accountant

January 28, 2015

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

Finding	Statement of Condition	Material Weakness?	Questioned Costs
2013-1	<p>Internal Control Structure - Bank Accounts Were Not Reconciled to General Ledger</p> <p>The District's cash balances related to the following accounts were not reconciled to the general ledger at any time during the year under audit</p> <p><u>Status:</u> The cash accounts were again not reconciled to the general ledger at August 31, 2014. See continuation finding 2013-1 on the accompanying Schedule of Findings and Questioned Costs.</p>	Yes.	None.
2013-2	<p>Internal Control Structure - Overpayment of Teacher Retirement Statutory Minimum Payments</p> <p>The District's above statutory minimum contributions were not calculated correctly resulting in overpayment of state retirement contributions for above statutory minimum salaries.</p> <p><u>Status:</u> The District continued to overpay the above statutory minimum payments for the first four months of the year under audit. As of the date of the audit report, none of the overpayments have been recovered. However, attempts are being made to recover the overpayments. See continuation finding on the accompanying Schedule of Findings and Questioned Costs.</p>	Yes.	Unknown.
2013-3	<p>Internal Control Structure - Failure to Make Payroll Tax Deposits Timely (Or At All)</p> <p>The District failed to make numerous payroll tax deposits either timely or at all in accordance with guidelines established by <i>Internal Revenue Service Circular E</i>.</p> <p><u>Status:</u> The District again failed to make all its payroll tax deposits timely for the current year under audit. As of August 31, 2014 the District owed approximately \$92,000 in unpaid payroll tax deposits. See continuation finding on the accompanying Schedule of Findings and Questioned Costs.</p>	Yes.	None.
2013-4	<p>State Compliance - Failure to properly meet expenditure requirement for state mandated program revenues</p> <p>The District did not expend all of those revenues in accordance with the minimum expenditure requirements for the following program areas: gifted & talented, career & technology and bilingual education.</p> <p><u>Status:</u> The District again failed to meet the minimum expenditure requirement for several program areas. See continuation finding on the accompanying Schedule of Findings and Questioned Costs.</p>	No.	None.

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

I. Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness(es) identified?	Yes. 2013-1, 2013-2 and 2013-3.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

B. Federal Awards

N/A.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

2013-1 Internal Control Structure - Bank Accounts Were Not Reconciled to General Ledger (continuation finding)

Criteria Proper internal control standards require that bank accounts be reconciled timely and accurately to the general ledger and that adequate internal controls are in place to safeguard assets.

Statement of Condition During the year under audit, the District's cash balances related to the following accounts were not reconciled to the general ledger at any time during the year under audit. Following are the net variances found at August 31, 2014:

Account	Audited Balance	General Ledger Balance	Audit Difference
Checking - general operating account	\$ 1,022,157	\$ 1,417,234	\$ (395,077)
Checking - student activity club account	37,258	28,591	8,667
Checking - interest and sinking account	107,407	107,390	17
Checking - Laureles scholarship account	(948)	(1,448)	500
Total	\$ 1,165,874	\$ 1,551,767	\$ (385,893)

Questioned Costs None.

Cause and Effect The District failed to reconcile its cash accounts for the entire year under audit. Many debit card transactions were not recorded into the general ledger or were posted to the wrong account. Debt service draft transactions totaling approximately \$112,000 were not recorded. The final lease payment drafted to Texas A&M Kingsville was not recorded totaling \$95,000. Numerous payroll transactions were not posted properly (including payroll tax and teacher retirement deposits). Approximately \$10,000 in student activity check transactions were not recorded in the correct fund or account.

Recommendations I recommend that the District establish a policy that all bank and investment accounts be reconciled monthly and that those reconciliation reports be presented to the board of trustees each month for review. Such a procedure should improve the efficiency and internal control structure within the District and should improve the financial reporting of cash and investments.

2013-2 Internal Control Structure - Overpayment of Teacher Retirement Statutory Minimum Payments (continuation finding)

Criteria Proper internal control standards require accurate and timely payroll and retirement reporting standards. Districts within the State of Texas participating in the Teacher Retirement System (“TRS”) are required to submit state matching retirement contributions (6.8% for the 2013-14 fiscal year) on those salaries which exceed the state statutory minimum salary structure.

Statement of Condition During the year under audit, the District’s statutory minimum contributions not filed correctly for the months of September through December, 2013. Additionally, the prior year overpayments and erroneously filed reports were not corrected as listed below.

Fiscal Year	State Matching Contribution Rate	Erroneously Reported Above Statutory Minimum Contributions	Correctly Calculated Statutory Minimum Contributions	Over-reported Statutory Minimum Contribution Amounts
2011-12	6.00%	\$ 8,097	\$ 2,030	\$ 6,067
2012-13	6.40%	\$ 115,969	\$ 26,224	\$ 89,745
2013-14	6.80%	\$ 33,884	\$ 8,330	\$ 25,554
Total		\$ 157,950	\$ 36,584	\$ 121,366

Questioned Costs Unknown.

Cause and Effect The District’s problem occurred because it did not load its payroll tables correctly at the beginning of the fiscal year. As a result, the system calculated incorrect above-statutory minimum salaries for the years listed above.

Related to item 2013-1 above, the issue is primarily due to not understanding the overall financial system of the District. Rather than reviewing the financial data for accuracy and integrity, the numbers are just accepted as they are without research, analysis and reconciliation. The cause of the inferred error is most likely due to payroll data being input incorrectly at the beginning of the year (i.e. contract type, days to be earned in contract year, etc.) which would cause the computer system to generate erroneous above-statutory-minimum calculations throughout the year.

Recommendations I recommend that the District review its internal control policies and procedures for payroll processing to ensure that all payroll data is accurately filed and reported. A simple review such as the above rudimentary analysis will indicate potential payroll problems and irregularities on a timely basis.

I also recommend that the District re-file all its 2011-12, 2012-13 and 2013-14 TRS statutory-minimum reports for potential refunds of the inferred TRS deposit overpayments. It should also review the current year payroll data to verify that the same problem is not continuing to occur for the 2014-15 fiscal year.

2013-3 Internal Control Structure - Failure to Make Payroll Tax Deposits Timely (continuation finding)

Criteria *Internal Revenue Service Circular E* provides guidance for proper payment of payroll tax deposits of its employees.

Statement of Condition The District failed to make numerous payroll tax deposits either timely in accordance with guidelines established by *Internal Revenue Service Circular E*. Specifically, the payroll deposits for the periods June 25, 2014, July 24, 2014, August 8, 2014 and August 11, 2014 were not filed until September, 2014.

Questioned Costs None.

Cause and Effect The cause and effect of either not making the payroll tax deposits timely was due to turnover in the business office at about the time that the payroll tax deposits were not made timely. Once discovered, the deposits were made immediately.

Recommendations The District should formally review its internal control policies and procedures to identify the systemic failures which went undetected during the year under audit. A change in the internal control policy may be necessary to require secondary review and confirmation that all payroll tax deposits were made by an individual independent of the payroll processing function.

2013-4 State Compliance - Failure to Properly Meet Expenditure Requirement for State Mandated Program Revenues (continuation finding)

Criteria State law requires that for each mandated program revenue entitlement received that at least 52% to 58% of the entitlement (each entitlement expenditure requirement varies) must be expended in areas that directly relate to the program activity.

Statement of Condition During the year under audit, the District received mandated funding from mandated programs with the represented expenditure requirements represented in the table below. However, as the table indicates, the District did not expend all of those revenues in accordance with the minimum expenditure requirements. In particular, gifted & talented, compensatory education and bilingual education mandated program revenues were not expended in accordance with the minimum expenditure requirements.

Mandated Program Revenue	Amount Received	Amount Expended	Unexpended Allotment
Gifted & Talented (must expend 55% of allotment)	\$ 22,028	\$ 6,205	\$ 15,823
Career & Technology (must expend 58% of allotment)	\$ 281,797	\$ 204,051	N/A
Special Education (must expend 52% of allotment)	\$ 119,557	\$ 64,526	N/A
Compensatory Education (must expend 52% of allotment)	\$ 289,861	\$ 86,632	\$ 64,096
Bilingual Education (must expend 52% of allotment)	\$ 2,990	\$ 961	\$ 594

Questioned Costs None.

Cause and Effect The cause of not fully expending the mandated program allotments was due to not properly budgeting the expenditures in accordance with the amount of state funding received. The District budgeted to adequately expend the program revenues but failed to meet their budgetary amounts.

Recommendation The District should review its program areas of instruction and ensure that expenditures are properly allocated and expended for which they are funded in accordance with the district/campus improvement plans as well as from the state mandated funding formula.

2014-1 Internal Control Structure - Poor Controls Over Use of Debit Card

Criteria Internal control policies of the District require that proper procedures be followed for use of District debit cards.

Statement of Condition During the year under audit, there was evidence of abuse of use of the District debit card during at least one period of time during the summer months. In July, 2014 a total of \$281 in debit card transactions were made in the states of Tennessee and Virginia by a former school employee. By the appearance of the charges to the District's Club account, they appeared to be at convenience stations and also at a Walmart store.

Questioned Costs \$281.

Cause and Effect The cause of the discrepancies for the apparently personal use of the card is not known. The employee was subsequently released of her duties, but the funds have not yet been refunded back to the District.

Recommendations The District carefully monitor the custodial responsibilities of those charged with using District debit cards. Any abuse should result in immediate suspension from future use of debit cards at a minimum.

2014-2 Internal Control Structure - Approved Budget Exceeded in Seven Functional Categories - General and Food Service Funds

Criteria State law requires that public school districts and all governmental entities adopt a budget prior to the expenditure of funds and that budget amendments must be made prior to the expenditure of funds where the originally adopted budget is projected to be insufficient to cover projected expenditure needs.

Statement of Condition During the year under audit, there were seven functional categories that exceeded the District's final amended budget by more than \$2,500 listed as follows from the General and Food Service Funds (see Exhibits G-1 and J-4).

Function 21 - Instructional Leadership	\$ 10,096.
Function 31 - Guidance, Counseling and Evaluation Services	\$ 10,856.
Function 35 - Food Services	\$ 9,948.
Function 41 - General Administration	\$ 43,504.
Function 51 - Facilities Maintenance and Operations	\$ 18,082.
Function 53 - Data Processing Services	\$ 6,869.
Function 99 - Other Governmental Charges	\$ 3,233.

Questioned Costs None. All expenditures were approved by the District's board of trustees. However, budget amendments were not made prior to the approval of the expenditure of funds.

Cause and Effect The cause of the budget overage was due to the significant accounting reconciliation issues discovered during the course of the audit.

Recommendations I recommend that the District analyze its expenditures on a monthly basis in comparison to its originally adopted budget and make budget amendments (as necessary) whenever actual expenditures are projected to exceed the budgeted amounts for each respective functional category on a timely basis. Encumbrances for all outstanding invoices should be considered in relation to budgetary amounts. If those outstanding encumbrances exceed the budget, then amendments should be made before authorization of expenditures

III. Findings and Questioned Costs for Federal Awards

N/A.

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

2013-1 The District will consider establishing a policy that all bank and investment accounts be reconciled monthly and that those reconciliation reports be presented to the board of trustees each month for review. The District has also begun outsourcing its business services with an outside consultant.

Contact representative: Mary Springs, superintendent
P.O. Box 592
Kingsville, Texas 78364
(361) 592-7582

2013-2 The District has begun the process of filing corrected reports with TRS for the statutory minimum overpayments.

Contact representative: Mary Springs, superintendent
P.O. Box 592
Kingsville, Texas 78364
(361) 592-7582

2013-3 The District will review its payroll processing internal controls and make changes to ensure that payroll tax deposits are remitted timely. The District has also begun to cross-train employees within the business office to create a layer of redundancy to help reduce the number of errors in the payroll processing function. The outside training that has begun to be established should also help remedy the payroll tax deposit issue.

Contact representative: Mary Springs, superintendent
P.O. Box 592
Kingsville, Texas 78364
(361) 592-7582

2013-4 The District will review its areas of instruction to ensure that they are properly funded in accordance with the funding allocation to the various mandated program areas.

Contact representative: Mary Springs, superintendent
P.O. Box 592
Kingsville, Texas 78364
(361) 592-7582

2014-1 The District has taken steps to recover the monies used personally with the school's debit card. We also keep strict custody of all cards and they are only issued with an approved purchase order for the amount of use.

Contact representative: Mary Springs, superintendent
P.O. Box 592
Kingsville, Texas 78364
(361) 592-7582

2014-2 The District will analyze its expenditures on a monthly basis in comparison to its originally adopted budget and make budget amendments (as necessary) whenever actual expenditures are projected to exceed the budgeted amounts for each respective functional category on a timely basis.

Contact representative: Mary Springs, superintendent
P.O. Box 592
Kingsville, Texas 78364
(361) 592-7582

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SCHOOLS FIRST QUESTIONNAIRE

Santa Gertrudis 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?	Yes
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.	