

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF THE BOARD .....	1	
 FINANCIAL SECTION		
Independent Auditor’s Report .....	2-3	
Management’s Discussion and Analysis .....	4-8	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position .....	9	A-1
Statement of Activities.....	10	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds.....	11-12	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	13	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	14-15	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	16	C-4
Statement of Net Position - Proprietary Funds.....	17	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	18	D-2
Statement of Cash Flows - Proprietary Funds.....	19	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	E-1
Notes to the Financial Statements .....	21-37	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	38	F-1
<u>Other Supplementary Information</u>		
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable.....	39-40	G-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program.....	41	G-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	42	G-3
 COMPLIANCE AND INTERNAL CONTROLS SECTION		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	43-44	
Schedule of Findings and Questioned Costs.....	45	

CERTIFICATE OF THE BOARD

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Name of School District

PECOS  
County

186-903  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved \_\_\_ disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such School District  
(Check One)

on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Steve H. Garlock  
Signature of Board Secretary

\_\_\_\_\_  
Margaret G. Holmes  
Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Independent School District as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield 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 information on pages 4 through 8 and 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iraan-Sheffield Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the Iraan-Sheffield Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Iraan-Sheffield Independent School District's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

December 5, 2014

Board of Trustees  
Margaret G. Holmes – President  
Basiliso Ramirez – Vice President  
Steve Garlock – Secretary  
Mickey Jack Perry  
Lori Turk  
John Graham  
Joe Sconiers

## MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Iraan-Sheffield Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2014. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

### Financial Highlights

The District's assets exceeded its liabilities and deferred inflows of resources at the end of the current year by \$22,851,280 (net position). Of this amount, \$5,091,604 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$1,921,551 or 9%. This amount consists of a \$1,961,777 increase attributable to current year operations and a \$40,226 decrease attributable to prior period adjustments described in Note IV., J. to the financial statements. The District's statement of activities shows total revenues of \$26,140,550 and total expenses of \$24,178,773.

The total fund balance of the General Fund is \$1,361,303 which is a decrease of \$756,502 or 36% compared to the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

**Proprietary Funds** - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its employee health insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

**Net Position** - A summary of the District’s net position is presented below:

NET POSITION

	<u>Governmental Activities</u>	
	<u>August 31,</u>	
	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 9,995,353	\$ 21,091,369
Capital Assets	<u>28,935,269</u>	<u>22,800,038</u>
 Total Assets	 <u>\$ 38,930,622</u>	 <u>\$ 43,891,407</u>
 Long-Term Liabilities Outstanding	 \$ 13,839,378	 \$ 16,096,120
Other Liabilities	<u>1,967,590</u>	<u>6,565,833</u>
 Total Liabilities	 <u>\$ 15,806,968</u>	 <u>\$ 22,661,953</u>
 Deferred Inflows of Resources	 <u>\$ 272,374</u>	 <u>\$ 299,725</u>
 Net Position		
Net Investment in Capital Assets	\$ 16,597,176	\$ 13,241,873
Restricted	1,162,500	1,028,693
Unrestricted	<u>5,091,604</u>	<u>6,659,163</u>
 Total Net Position	 <u><u>\$ 22,851,280</u></u>	 <u><u>\$ 20,929,729</u></u>

A large portion of the District's net position (\$16,597,176) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$1,162,500) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,091,604) may be used to meet the District’s ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the District's net position by \$1,961,777 and \$1,978,631 for the fiscal years ended August 31, 2014 and 2013, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>Year Ended August 31,</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ 316,706	\$ 149,238
Operating Grants and Contributions	742,610	643,972
General Revenues		
Maintenance and Operations Taxes	20,248,475	21,705,228
Debt Service Taxes	2,100,124	2,900,359
State Aid - Formula Grants	1,891,627	490,437
Investment Earnings	22,757	47,145
Section 313 Agreement	716,985	655,192
Other	<u>101,266</u>	<u>69,485</u>
Total Revenues	<u>\$ 26,140,550</u>	<u>\$ 26,661,056</u>
Expenses		
Instruction and Instructional-Related Services	\$ 5,009,608	\$ 4,734,508
Instructional and School Leadership	764,792	656,228
Support Services - Student (Pupil)	1,417,091	1,540,431
Administrative Support Services	767,841	636,080
Support Services - Nonstudent Based	1,646,994	1,702,747
Debt Service	215,196	573,905
Intergovernmental Charges	<u>14,357,251</u>	<u>14,838,526</u>
Total Expenses	<u>\$ 24,178,773</u>	<u>\$ 24,682,425</u>
Change in Net Position	\$ 1,961,777	\$ 1,978,631
Net Position - Beginning	20,929,729	19,250,841
Prior Period Adjustments	<u>(40,226)</u>	<u>(299,743)</u>
Net Position - Ending	<u>\$ 22,851,280</u>	<u>\$ 20,929,729</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The District's governmental funds reported combined ending fund balances of \$2,586,324, a decrease of \$6,378,166 or 71% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,361,303. All of this balance is unassigned.

Special Revenue Funds \$1,790. This balance is committed for campus activities.

Debt Service Fund \$1,223,231. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$26,617,900, and the final amended budget was \$27,102,900 which represents a \$485,000 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by decreases in Student (Pupil) Transportation (\$184,000) and Facilities Maintenance and Operations (\$243,000) and by increases in Facilities Acquisition and Construction (\$300,000) and Contracted Instructional Services Between Schools (\$825,000).

The District has adopted a budget for the General Fund in the amount of \$23,312,385 for the fiscal year 2015, which is a decrease of \$3,790,515 from the fiscal year 2014.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2014.

**Long-Term Debt** - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2014.

### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kevin Allen, Superintendent, Iraan-Sheffield Independent School District, P.O. Box 486, Iraan, TX 79744-0486.

Basic Financial Statements

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Temporary Investments	\$ 9,669,537
1220 Property Taxes - Delinquent	356,635
1230 Allowance for Uncollectible Taxes	(120,496)
1240 Due from Other Governments	89,677
Capital Assets:	
1510 Land	24,530
1520 Buildings, Net	18,455,798
1530 Furniture and Equipment, Net	783,270
1580 Construction in Progress	9,671,671
1000 Total Assets	38,930,622
<b>LIABILITIES</b>	
2110 Accounts Payable	1,542,140
2140 Interest Payable	87,000
2160 Accrued Wages Payable	195,781
2180 Due to Other Governments	102,611
2300 Unearned Revenue	40,058
Noncurrent Liabilities	
2501 Due Within One Year	2,240,570
2502 Due in More Than One Year	11,598,808
2000 Total Liabilities	15,806,968
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Gain on Refunding	272,374
2600 Total Deferred Inflows of Resources	272,374
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	16,597,176
3850 Restricted for Debt Service	1,162,500
3900 Unrestricted	5,091,604
3000 Total Net Position	\$ 22,851,280

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 4,795,468	\$ 61,291	\$ 505,712	\$ (4,228,465)
12 Instructional Resources and Media Services	101,410	-	3,330	(98,080)
13 Curriculum and Instructional Staff Development	112,730	-	26,015	(86,715)
23 School Leadership	764,792	-	26,304	(738,488)
31 Guidance, Counseling, and Evaluation Services	202,581	-	6,889	(195,692)
33 Health Services	100,868	-	3,575	(97,293)
34 Student (Pupil) Transportation	211,184	-	2,898	(208,286)
35 Food Services	377,771	38,202	111,562	(228,007)
36 Extracurricular Activities	524,687	4,767	11,848	(508,072)
41 General Administration	767,841	139,294	19,057	(609,490)
51 Facilities Maintenance and Operations	1,253,453	73,152	22,659	(1,157,642)
53 Data Processing Services	393,541	-	2,761	(390,780)
72 Debt Service - Interest on Long-Term Debt	214,605	-	-	(214,605)
73 Debt Service - Bond Issuance Cost and Fees	591	-	-	(591)
91 Contracted Instructional Services Between Schools	13,915,060	-	-	(13,915,060)
93 Payments Related to Shared Services Arrangements	140,752	-	-	(140,752)
97 Payments to Tax Increment Fund	191,539	-	-	(191,539)
99 Other Intergovernmental Charges	109,900	-	-	(109,900)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 24,178,773	\$ 316,706	\$ 742,610	\$ (23,119,457)

Data  
Control  
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	20,248,475
DT	Property Taxes, Levied for Debt Service	2,100,124
SF	State Aid - Formula Grants	1,891,627
IE	Investment Earnings	22,757
MI	Miscellaneous Local and Intermediate Revenue	818,251
TR	Total General Revenues	25,081,234
CN	Change in Net Position	1,961,777
NB	Net Position - Beginning	20,929,729
PA	Prior Period Adjustment	(40,226)
NE	Net Position - Ending	\$ 22,851,280

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Temporary Investments	\$ 2,240,651	\$ 1,223,297	\$ 789,689
1220 Property Taxes - Delinquent	331,796	24,839	-
1230 Allowance for Uncollectible Taxes	(116,900)	(3,596)	-
1240 Due from Other Governments	62,906	-	-
1260 Due from Other Funds	-	525	14,147
1000 Total Assets	<u>\$ 2,518,453</u>	<u>\$ 1,245,065</u>	<u>\$ 803,836</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 596,651	\$ -	\$ 803,836
2160 Accrued Wages Payable	189,843	-	-
2170 Due to Other Funds	14,081	591	-
2180 Due to Other Governments	102,611	-	-
2300 Unearned Revenue	39,068	-	-
2000 Total Liabilities	<u>942,254</u>	<u>591</u>	<u>803,836</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	214,896	21,243	-
2600 Total Deferred Inflows of Resources	<u>214,896</u>	<u>21,243</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	1,223,231	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	1,361,303	-	-
3000 Total Fund Balances	<u>1,361,303</u>	<u>1,223,231</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,518,453</u>	<u>\$ 1,245,065</u>	<u>\$ 803,836</u>

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

Other Funds	Total Governmental Funds
\$ 26,242	\$ 4,279,879
-	356,635
-	(120,496)
26,771	89,677
-	14,672
<u>\$ 53,013</u>	<u>\$ 4,620,367</u>
\$ 44,295	\$ 1,444,782
5,938	195,781
-	14,672
-	102,611
990	40,058
<u>51,223</u>	<u>1,797,904</u>
-	236,139
-	236,139
-	1,223,231
1,790	1,790
-	1,361,303
<u>1,790</u>	<u>2,586,324</u>
<u>\$ 53,013</u>	<u>\$ 4,620,367</u>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	2,586,324
<b>1</b> The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		5,292,300
<b>2</b> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including notes and 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.		6,334,207
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.		9,291,261
<b>4</b> The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(966,506)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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.		313,694
<b>19 Net Position of Governmental Activities</b>	\$	22,851,280

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 21,200,405	\$ 2,250,987	\$ 4,056
5800 State Program Revenues	2,164,507	-	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>23,364,912</u>	<u>2,250,987</u>	<u>4,056</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,829,836	-	-
0012 Instructional Resources and Media Services	85,764	-	-
0013 Curriculum and Instructional Staff Development	81,767	-	-
0023 School Leadership	653,776	-	-
0031 Guidance, Counseling, and Evaluation Services	174,020	-	-
0033 Health Services	87,067	-	-
0034 Student (Pupil) Transportation	202,626	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	465,841	-	-
0041 General Administration	695,319	-	-
0051 Facilities Maintenance and Operations	1,169,145	-	-
0053 Data Processing Services	386,971	-	-
Debt Service:			
0071 Principal on Long-Term Debt	359,524	1,830,000	-
0072 Interest on Long-Term Debt	12,010	280,150	-
0073 Bond Issuance Cost and Fees	-	591	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,295,191	-	5,789,725
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	13,915,060	-	-
0093 Payments to Fiscal Agent of SSA	140,752	-	-
0097 Payments to Tax Increment Fund	191,539	-	-
0099 Other Intergovernmental Charges	109,900	-	-
6030 Total Expenditures	<u>23,856,108</u>	<u>2,110,741</u>	<u>5,789,725</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(491,196)</u>	<u>140,246</u>	<u>(5,785,669)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	13,556
8911 Transfers Out (Use)	(211,430)	-	-
7080 Total Other Financing Sources (Uses)	<u>(211,430)</u>	<u>-</u>	<u>13,556</u>
1200 Net Change in Fund Balances	(702,626)	140,246	(5,772,113)
0100 Fund Balance - September 1 (Beginning)	2,117,805	1,069,335	5,772,113
1300 Increase (Decrease) in Fund Balance	(53,876)	13,650	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,361,303</u>	<u>\$ 1,223,231</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ 78,651	\$ 23,534,099
76,725	2,241,232
393,005	393,005
548,381	26,168,336
359,863	4,189,699
2,680	88,444
23,767	105,534
-	653,776
-	174,020
-	87,067
-	202,626
343,828	343,828
19,564	485,405
-	695,319
-	1,169,145
-	386,971
-	2,189,524
-	292,160
-	591
-	7,084,916
-	13,915,060
-	140,752
-	191,539
-	109,900
749,702	32,506,276
(201,321)	(6,337,940)
197,874	211,430
-	(211,430)
197,874	-
(3,447)	(6,337,940)
5,237	8,964,490
-	(40,226)
\$ 1,790	\$ 2,586,324

IRAAN-SHEFFIELD 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(6,337,940)
The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		(74,807)
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 capital outlays and debt principal payments is to increase (decrease) net position.		9,291,261
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.		(966,506)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, 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.		49,769
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,961,777</b>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Temporary Investments	\$ 5,389,658
Total Assets	<u>5,389,658</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	97,358
Total Liabilities	<u>97,358</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>5,292,300</u>
Total Net Position	<u><u>\$ 5,292,300</u></u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 811,644
Total Operating Revenues	<u>811,644</u>
OPERATING EXPENSES:	
Professional and Contracted Services	891,168
Total Operating Expenses	<u>891,168</u>
Operating Income (Loss)	<u>(79,524)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	<u>4,716</u>
Total Nonoperating Revenues (Expenses)	<u>4,716</u>
Change in Net Position	(74,808)
Total Net Position - September 1 (Beginning)	<u>5,367,108</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 5,292,300</u></u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 811,644
Cash Payments for Other Operating Expenses	(941,268)
Net Cash Used for Operating Activities	(129,624)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	4,716
Net Decrease in Cash and Cash Equivalents	(124,908)
Cash and Cash Equivalents at Beginning of Year	5,514,566
Cash and Cash Equivalents at End of Year	\$ 5,389,658
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (79,524)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	1,762
Increase (Decrease) in Accounts Payable	(51,862)
Net Cash Used for Operating Activities	\$ (129,624)

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2014

	Agency Fund
<hr/>	
ASSETS	
Cash and Temporary Investments	\$ 9,720
Total Assets	<u>\$ 9,720</u>
LIABILITIES	
Accounts Payable	\$ 406
Due to Student Groups	9,314
Total Liabilities	<u>\$ 9,720</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Iraan-Sheffield Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the 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 District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Iraan-Sheffield Independent School District (the primary government). There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds 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 in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The proprietary funds 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 period in which they are incurred and become measurable.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a self-insured employee health insurance program.

Agency Funds account for the activities of funds which are the property of student groups.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

**E. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

**F. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

**G. Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles	7-12
Furniture and Equipment	6-15

**H. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Long-Term Obligations - Continued**

In the fund financial statements, 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.

**I. Compensated Absences**

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

**J. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

**K. Fund Balances/Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represent the net position available for future operations.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**L. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

**M. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and 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. That policy must address the following areas: (1) safety of principal

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. 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, and (10) 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk - Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

**Concentration of Credit Risk:** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2014, all of the District's investments are in external investment pools.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2014, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

**Foreign Currency Risk:** Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2014, approximates fair value and consisted of the following:

Cash in Bank	\$ 458,301
Lone Star Investment Pool	3,190,849
TexPool	5,514,105
LOGIC	<u>516,002</u>
Total Cash and Temporary Investments	<u><u>\$ 9,679,257</u></u>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 38,883	\$ 0	\$ 24,023	\$ 62,906
Special Revenue Funds	0	26,771	0	26,771
Totals	\$ 38,883	\$ 26,771	\$ 24,023	\$ 89,677

**C. Interfund Transfers**

1. The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Major Debt Service Fund	\$ 0	\$ 525	Remit Taxes
Major Capital Projects Fund	0	13,556	Deficit Fund Balance
	\$ 0	\$ 14,081	
Major Capital Projects Fund			
General Fund	\$ 13,556	\$ 0	Deficit Fund Balance
Major Debt Service Fund	591	0	Remiburse fees
	\$ 14,147	\$ 0	
Major Debt Service Fund			
Major Capital Projects Fund	\$ 0	\$ 591	Remiburse fees
General Fund	525	0	Remit Taxes
	\$ 525	\$ 591	
Totals	\$ 14,672	\$ 14,672	

All amounts due are expected to be repaid within one year.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Interfund Transfers - Continued**

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 197,874	Operating Transfer
General Fund	Major Capital Projects Fund	<u>13,556</u>	Operating Transfer
		<u>\$ 211,430</u>	

**D. Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 24,530	\$ 0	\$ 0	\$ 24,530
Buildings and Improvements	21,081,936	6,353,014	0	27,434,950
Furniture and Equipment	2,355,453	16,821	0	2,372,274
Construction in Progress	<u>8,939,769</u>	<u>6,765,682</u>	<u>6,033,780</u>	<u>9,671,671</u>
Total Capital Assets	<u>\$ 32,401,688</u>	<u>\$ 13,135,517</u>	<u>\$ 6,033,780</u>	<u>\$ 39,503,425</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (8,213,507)	\$ (765,645)	\$ 0	\$ (8,979,152)
Furniture and Equipment	<u>(1,388,143)</u>	<u>(200,861)</u>	<u>0</u>	<u>(1,589,004)</u>
Total Accumulated Depreciation	<u>\$ (9,601,650)</u>	<u>\$ (966,506)</u>	<u>\$ 0</u>	<u>\$ (10,568,156)</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,800,038</u>	<u>\$ 12,169,011</u>	<u>\$ 6,033,780</u>	<u>\$ 28,935,269</u>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 570,911
Instructional Resources and Media Services	12,072
Curriculum and Instructional Staff Development	6,773
School Leadership	103,971
Guidance, Counseling, and Evaluation Services	26,782
Health Services	12,906
Student (Pupil) Transportation	8,484
Food Services	29,510
Extracurricular Activities	37,422
General Administration	68,745
Facilities Maintenance and Operations	76,975
Data Processing Services	<u>11,955</u>
Total	<u><u>\$ 966,506</u></u>

**E. Deferred Inflows of Resources**

The statement of net position and the balance sheet report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as inflows of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category on the statement of net position, deferred gain on bond refunding, which is amortized over the life of the refunding bonds. The District has another type of item that qualifies for reporting in this category on the balance sheet, unavailable revenue - property taxes.

**F. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Fund	Total
State Grants	\$ 39,068	\$ 990	\$ 40,058

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Commitments Under Noncapitalized Leases**

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2014, as follows:

<u>Year Ending</u> <u>August 31,</u>	
2015	\$ 24,633
2016	16,031
2017	13,163
2018	13,163
2019	<u>3,684</u>
Total Minimum Rentals	<u>\$ 70,674</u>

Rental expenditures during the year ended August 31, 2014, were \$28,624.

**H. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended August 31, 2014:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Maintenance Tax Note	\$ 4,014,237	\$ 0	\$ 359,524	\$ 3,654,713	\$ 360,570
Capital Appreciation Bonds	726,040	39,169	0	765,209	0
Current Interest Bonds	1,405,000	0	1,250,000	155,000	155,000
Unlimited Tax Refunding Bonds	9,230,000	0	580,000	8,650,000	1,725,000
Unamortized Bond Premium	<u>720,843</u>	<u>0</u>	<u>106,387</u>	<u>614,456</u>	<u>0</u>
Totals	<u>\$ 16,096,120</u>	<u>\$ 39,169</u>	<u>\$ 2,295,911</u>	<u>\$ 13,839,378</u>	<u>\$ 2,240,570</u>

The District's outstanding maintenance tax note payable is as follows:

Iraan-Sheffield Independent School District Maintenance Tax Note, Series 2009. Issued for the purpose of renovation and repair of facilities and to enhance energy conservation, as authorized by Texas Education Code, Section 45.108, in the original amount of \$5,081,000. Due in variable installments through March 15, 2024, payable from the General Fund with an interest rate of .3% .

\$ 3,654,713

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**H. Long-Term Debt - Continued**

The District's outstanding bond issues are as follows:

Iraan-Sheffield Independent School District Unlimited Tax School Building Bonds, Series 2010, Capital Appreciation Bonds. Issued for school building construction in the original amount of \$624,997. The bonds are carried at the original amount plus accreted interest of \$140,212. The bonds are payable August 15, 2016, in one payment of \$850,000 which will include accreted interest of \$225,004. The yield to maturity is 2.48%.	\$ 765,209
Iraan-Sheffield Independent School District Unlimited Tax School Building Bonds, Series 2010, Current Interest Bonds. Issued for school building construction in the original amount of \$14,375,000. Due in variable installments through August 15, 2025, with interest rates of 3% to 4%.	155,000
Iraan-Sheffield Independent School District Unlimited Tax Refunding Bonds, Series 2013. Issued to refund a portion of the Unlimited Tax School Building Bonds, Series 2010 and to pay the costs associated with the sale and issuance of the bonds. Issued in the original amount of \$9,230,000. Due in variable installments through August 15, 2025, with interest rates of 2% to 3%.	<u>8,650,000</u>
Total Bonds Payable	<u><u>\$ 9,570,209</u></u>

The combined annual debt service requirements are as follows:

Year Ending August 31,	Maintenance Tax Note		Capital Appreciation Bonds		Current Interest Bonds		Unlimited Tax Refunding Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 360,570	\$ 10,964	\$ 0	\$ 0	\$ 155,000	\$ 4,650	\$ 1,725,000	\$ 226,400	\$ 2,482,584
2016	361,651	9,883	624,997	225,003	0	0	0	191,900	1,413,434
2017	362,736	8,798	0	0	0	0	685,000	191,900	1,248,434
2018	363,825	7,709	0	0	0	0	710,000	171,350	1,252,884
2019	364,916	6,618	0	0	0	0	725,000	150,050	1,246,584
2020-2024	1,841,015	16,602	0	0	0	0	3,945,000	448,250	6,250,867
2025	0	0	0	0	0	0	860,000	17,200	877,200
Totals	\$ 3,654,713	\$ 60,574	\$ 624,997	\$ 225,003	\$ 155,000	\$ 4,650	\$ 8,650,000	\$ 1,397,050	\$ 14,771,987

**I. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**J. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 20,216,941	\$ 0	\$ 2,247,874	\$ 0	\$ 22,464,815
Other Local Sources	977,767	34,392	3,113	4,056	1,019,328
Cocurricular, Enterprising Services, or Activities	4,767	44,259	0	0	49,026
Intermediate Sources	930	0	0	0	930
Totals	<u>\$ 21,200,405</u>	<u>\$ 78,651</u>	<u>\$ 2,250,987</u>	<u>\$ 4,056</u>	<u>\$ 23,534,099</u>

**IV. OTHER INFORMATION**

**A. Pension Plan**

Plan Description - The Iraan-Sheffield Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 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. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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 downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; and (2) A state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**A. Pension Plan - Continued**

Contribution rates and contribution amounts for fiscal years 2014-2012 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 and on salaries paid from federal grants.

Fiscal Year	Member		State On-Behalf		District
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$ 285,479	6.8%	\$ 245,127	\$ 58,194
2013	6.4%	288,142	6.4%	233,132	55,010
2012	6.4%	293,510	6.0%	275,165	58,603

**B. Retiree Health Plan**

Plan Description - The Iraan-Sheffield Independent School 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). TRS-Care 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. 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 contribution amounts for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 28,994	1.0%	\$ 44,600	0.55%	\$ 24,533
2013	0.65%	29,381	0.5%	22,601	0.55%	24,861
2012	0.65%	29,810	1.0%	45,861	0.55%	25,223

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 201

**IV. OTHER INFORMATION - Continued**

**B. Retiree Health Plan - Continued**

The Medicare 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 Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2014-2012 are shown in the table below:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2014	\$ 12,052
2013	11,939
2012	11,490

**C. Health Care Coverage**

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Internal Service Fund. The District makes contributions for staff members' coverage, and staff members are required to make contributions for dependent coverage. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended August 31, 2014, to \$35,000 for any individual participant and an aggregate limit equal to \$744,790.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2014, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities are as follows:

	<u>Year Ended August 31,</u>	
	<u>2014</u>	<u>2013</u>
Unpaid Claims - Beginning	\$ 121,995	\$ 79,093
Incurred Claims	591,666	704,327
Claim Payments	<u>(645,858)</u>	<u>(661,425)</u>
Unpaid Claims - Ending	<u>\$ 67,803</u>	<u>\$ 121,995</u>

**D. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

**E. Property and Liability Programs**

During the year ended August 31, 2014, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**E. Property and Liability Programs - Continued**

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available on the TASB Risk Management Fund website.

**F. Unemployment Compensation Coverage**

During the year ended August 31, 2014, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available on the TASB Risk Management Fund website.

**G. Workers' Compensation Insurance**

During the year ended August 31, 2014, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2013, the Fund carries a discounted reserve of \$57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**G. Workers' Compensation Insurance - Continued**

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available on the TASB Risk Management Fund website.

**H. Contingencies**

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

**I. Shared Services Arrangement**

The District participates in a shared services arrangement for special education with four other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The McCamey Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District expended \$140,752 to the shared services arrangement during the current year.

**J. Adjustments to Fund Balances/Net Position**

The fund balances of the General Fund and the Debt Service Fund have been increased (decreased) by the following adjustments:

General Fund	
To Record Settle Up of Prior Year's State Foundation Revenues	\$ (17,615)
To Record Settle Up of Prior Year's Recapture Payments	(38,148)
To Record Various Adjustments	<u>1,887</u>
Total	<u><u>\$ (53,876)</u></u>
Debt Service Fund	
To Record a Refund of Debt Issuance Costs	<u><u>\$ 13,650</u></u>

The net position decreased a net \$40,226 when combined with the above adjustments.

**K. Economic Concentration**

The District receives more than half of its ad valorem tax revenues from an oil company and three wind farm companies.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**L. Commitment**

At the fiscal year end, the District had uncompleted construction projects for renovations to various District facilities that were originally funded with bond proceeds. All bond proceeds have been expended. The remainder of the construction projects, \$1,170,839, will be funded from the General Fund.

**M. Subsequent Events**

The District's management has evaluated subsequent events through December 5, 2014, the date which the financial statements were available for issue.

Required Supplementary Information

IRAAN-SHEFFIELD 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		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 21,035,000	\$ 21,035,000	\$ 21,200,405	\$ 165,405
5800 State Program Revenues	2,206,945	2,206,945	2,164,507	(42,438)
5020 Total Revenues	23,241,945	23,241,945	23,364,912	122,967
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,028,650	4,044,650	3,829,836	214,814
0012 Instructional Resources and Media Services	104,700	112,700	85,764	26,936
0013 Curriculum and Instructional Staff Development	91,450	106,450	81,767	24,683
0023 School Leadership	663,275	709,275	653,776	55,499
0031 Guidance, Counseling, and Evaluation Services	243,025	200,025	174,020	26,005
0033 Health Services	115,875	112,875	87,067	25,808
0034 Student (Pupil) Transportation	434,150	250,150	202,626	47,524
0036 Extracurricular Activities	668,075	570,075	465,841	104,234
0041 General Administration	838,500	803,500	695,319	108,181
0051 Facilities Maintenance and Operations	1,508,800	1,265,800	1,169,145	96,655
0053 Data Processing Services	486,400	518,400	386,971	131,429
Debt Service:				
0071 Principal on Long-Term Debt	380,000	402,000	359,524	42,476
0072 Interest on Long-Term Debt	20,000	20,000	12,010	7,990
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,510,000	1,810,000	1,295,191	514,809
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	14,500,000	15,325,000	13,915,060	1,409,940
0093 Payments to Fiscal Agent of SSA	225,000	180,000	140,752	39,248
0097 Payments to Tax Increment Fund	300,000	222,000	191,539	30,461
0099 Other Intergovernmental Charges	200,000	150,000	109,900	40,100
6030 Total Expenditures	26,317,900	26,802,900	23,856,108	2,946,792
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,075,955)	(3,560,955)	(491,196)	3,069,759
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(300,000)	(300,000)	(211,430)	88,570
1200 Net Change in Fund Balances	(3,375,955)	(3,860,955)	(702,626)	3,158,329
0100 Fund Balance - September 1 (Beginning)	2,117,805	2,117,805	2,117,805	-
1300 Increase (Decrease) in Fund Balance	(53,876)	(53,876)	(53,876)	-
3000 Fund Balance - August 31 (Ending)	\$ (1,312,026)	\$ (1,797,026)	\$ 1,361,303	\$ 3,158,329

Other Supplementary Information

IRAAN-SHEFFIELD 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	981,952,913
2007	1.370000	0.000000	1,190,688,630
2008	1.040000	0.000000	1,326,240,780
2009	1.040000	0.000000	1,832,831,737
2010	1.040000	0.000000	1,618,532,692
2011	1.040000	0.000000	1,871,571,154
2012	1.040000	0.130000	1,786,378,974
2013	1.040000	0.130000	Various
2014 (School year under audit)	1.060000	0.110000	Various
1000 TOTALS			

The assessed value for the 2014 Maintenance and Operations is \$1,994,085,390 and Debt Service is \$2,121,761,760. The adjustment for 2014 reflects discounts allowed for early payment.

(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
\$ 97,039	\$ -	\$ 8,800	\$ -	\$ (22,855)	\$ 65,384
13,813	-	2,402	-	-	11,411
8,569	-	1,971	-	(285)	6,313
6,018	-	1,284	-	-	4,734
9,045	-	1,589	-	-	7,456
10,704	-	1,930	-	-	8,774
19,222	-	3,541	-	(1,893)	13,788
71,681	-	7,577	967	(2,803)	60,334
170,538	-	76,396	10,350	(4,248)	79,544
-	22,959,148	20,030,006	2,229,574	(600,671)	98,897
<u>\$ 406,629</u>	<u>\$ 22,959,148</u>	<u>\$ 20,135,496</u>	<u>\$ 2,240,891</u>	<u>\$ (632,755)</u>	<u>\$ 356,635</u>

IRAAAN-SHEFFIELD 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	\$ 25,000	\$ 25,000	\$ 34,392	\$ 9,392
5800 State Program Revenues	1,000	1,000	1,298	298
5900 Federal Program Revenues	95,000	95,000	110,264	15,264
5020 Total Revenues	121,000	121,000	145,954	24,954
EXPENDITURES:				
Current:				
0035 Food Services	371,750	433,750	343,828	89,922
6030 Total Expenditures	371,750	433,750	343,828	89,922
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,750)	(312,750)	(197,874)	114,876
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	300,000	300,000	197,874	(102,126)
1200 Net Change in Fund Balances	49,250	(12,750)	-	12,750
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ 49,250	\$ (12,750)	\$ -	\$ 12,750

IRAAN-SHEFFIELD 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	\$ 2,302,500	\$ 2,302,500	\$ 2,250,987	\$ (51,513)
5020 Total Revenues	2,302,500	2,302,500	2,250,987	(51,513)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,000,000	2,061,000	1,830,000	231,000
0072 Interest on Long-Term Debt	300,000	300,000	280,150	19,850
0073 Bond Issuance Cost and Fees	-	-	591	(591)
6030 Total Expenditures	2,300,000	2,361,000	2,110,741	250,259
1200 Net Change in Fund Balances	2,500	(58,500)	140,246	198,746
0100 Fund Balance - September 1 (Beginning)	1,069,335	1,069,335	1,069,335	-
1300 Increase (Decrease) in Fund Balance	13,650	13,650	13,650	-
3000 Fund Balance - August 31 (Ending)	\$ 1,085,485	\$ 1,024,485	\$ 1,223,231	\$ 198,746

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Independent School District as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of This Report**

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

*Eckert & Company, LLP*

December 5, 2014

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2014

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Iraan-Sheffield Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Iraan-Sheffield Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**B. Findings - Financial Statements Audit**

None

**C. Findings - State Compliance**

None