

**SANTA FE INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL  
AND COMPLIANCE REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2014**

This page left blank intentionally.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014**

**TABLE OF CONTENTS**

<b>CERTIFICATE OF BOARD .....</b>	<b>1</b>	<b>-</b>
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report .....	5	-
Management's Discussion and Analysis.....	7	-
<b>Basic Financial Statements:</b>		
<b>Government-Wide Financial Statements:</b>		
Statement of Net Position .....	16	A-1
Statement of Activities .....	17	B-1
<b>Fund Financial Statements:</b>		
Balance Sheet – Governmental Funds .....	18	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	22	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	24	C-4
Statement of Net Position – Proprietary Funds.....	25	D-1
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds .....	26	D-2
Statement of Cash Flows – Proprietary Funds.....	27	D-3
Statement of Fiduciary Net Position – Fiduciary Funds .....	28	E-1
Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds .....	29	E-2
<b>Notes to the Financial Statements</b> .....	30	
<b>Required Supplementary Information:</b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund .....	50	F-1
Notes to Required Supplementary Information .....	51	
<b>Combining Schedules:</b>		
Combining Balance Sheet – Nonmajor Governmental Funds .....	54	G-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	58	G-2
<b>Compliance Schedules:</b>		
Schedule of Delinquent Taxes Receivable .....	64	H-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Child Nutrition Fund .....	66	H-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund .....	67	H-3
<b>FEDERAL AWARDS SECTION</b>		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71	-
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	73	-
Schedule of Findings and Questioned Costs.....	75	-
Schedule of Expenditures of Federal Awards.....	77	I-1
Notes to Schedule of Expenditures of Federal Awards .....	79	-

This page left blank intentionally.

**CERTIFICATE OF BOARD**

**Santa Fe Independent School District**  
Name of School District

**Galveston**  
County

**084-909**  
County-District

We, the undersigned, certify that the attached annual financial and compliance report of the above named school district were reviewed and   X   approved        disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 19th day of January, 2015.

Theresa A. Herzog  
Signature of Board Secretary

Billy R. Burns  
Signature of Board President

This page left blank intentionally.

## **FINANCIAL SECTION**

This page left blank intentionally.





## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
SANTA FE INDEPENDENT SCHOOL DISTRICT  
Santa Fe, Texas

### 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 Santa Fe Independent School District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 50 through 51, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and compliance schedules required by the Texas Education Agency are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, compliance schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining nonmajor fund financial statements, compliance schedules required by the Texas Education Agency, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Start & Busch, LLC

Baytown, Texas  
January 13, 2015

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

This section of the Santa Fe Independent School District's annual financial report presents the administration's discussion and analysis of the District's financial performance during the fiscal period ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The assets and deferred inflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year by \$25,471,653 (*net position*). Of this amount, \$11,140,673 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.

- The District's total net position decreased by \$415,450 during the current fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,480,650 an increase of \$1,628,733 in comparison with the prior year. The increase in governmental fund balances was due to an increase to the general and debt service funds and offset by a decrease in the capital projects fund balance.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$10,088,939 or 31% of total general fund expenditures.
- The District's bonded debt decreased by \$2,705,000 as a result of scheduled debt service payments made during the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1) are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining Governmental Fund Financial Statements, Proprietary Fund Financial Statements, and the Fiduciary Fund Financial Statements focus on individual parts of the government and they report the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general government services were funded in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the District's self-insurance workers' compensation program and print shop. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include Notes to the Financial Statements that explain in narrative form some of the information in the financial statements and also provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported as net position. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash was received or paid.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

The two government-wide statements report the District's net position and how they have changed. Net position represents the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base and changes in student enrollment.

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and instructional staff development, health services, and general administration.

### **Fund Financial Statements**

The fund financial statements (Exhibits C-1 through E-2) provide more detailed information about the District's most significant funds, but not the District as a whole. A fund is a group of accounts that the District uses to record specific sources of revenue and to track expenditures used for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

1. Governmental Funds – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide Exhibits C-2 and C-4 to explain the differences between them.
2. Proprietary Funds – The District utilizes an Internal Service Fund to account for its workers' compensation self-insurance plan and print shop. The General Fund is liable for all debts of this fund. All of the District's proprietary activities are reported in separate statements (Exhibits D-1, D-2 & D-3).
3. Fiduciary Funds – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statements (Exhibits E-1 & E-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### **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.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

required supplementary information compares the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund budget is presented as required supplementary information.

**Other Information**

The other supplementary information is presented immediately following the required supplementary information and includes schedules required by the Texas Education Agency.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred inflows of resources exceeded liabilities by \$25,471,653 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and accumulated depreciation), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**COMPARATIVE SCHEDULE OF NET POSITION**

*August 31, 2014 and 2013*

	Governmental Activities		Change
	2014	2013	2014-2013
Current and other assets	\$ 21,889,561	\$ 19,369,791	\$ 2,519,770
Capital assets and non current assets	77,808,257	82,629,164	(4,820,907)
<b>Total assets</b>	<u>99,697,818</u>	<u>101,998,955</u>	<u>(2,301,137)</u>
<b>Deferred outflows of resources</b>	<u>202,872</u>	<u>247,955</u>	<u>(45,083)</u>
Other liabilities	2,975,367	2,094,886	880,481
Long-term liabilities	<u>71,453,670</u>	<u>74,264,921</u>	<u>(2,811,251)</u>
<b>Total liabilities</b>	<u>74,429,037</u>	<u>76,359,807</u>	<u>(1,930,770)</u>
Net position:			
Net investment in capital assets	6,926,577	9,077,537	(2,150,960)
Restricted	7,404,403	6,589,076	815,327
Unrestricted	<u>11,140,673</u>	<u>10,220,490</u>	<u>920,183</u>
<b>Total net position</b>	<u>\$ 25,471,653</u>	<u>\$ 25,887,103</u>	<u>\$ (415,450)</u>

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2014	2013
Federal and state programs	\$ 1,283,966	\$ 700,712
Debt Services	5,530,250	5,475,517
Campus Activities	353,003	255,013
Other Purposes	<u>237,184</u>	<u>157,834</u>
	<u>\$ 7,404,403</u>	<u>\$ 6,589,076</u>

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

The remaining balance of unrestricted net position of \$11,140,673 may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District reports positive balances in all three categories of net position. The District's total net position decreased by \$415,450 during the current fiscal year.

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**

*August 31, 2014 and 2013*

	Governmental Activities		Change
	2014	2013	2014-2013
<b>Revenues</b>			
<b>Program revenues:</b>			
Charges for services	\$ 3,137,704	\$ 3,054,464	\$ 83,240
Operating grants & contributions	6,397,794	6,880,310	(482,516)
<b>General revenues:</b>			
Property taxes	15,402,271	15,208,328	193,943
State aid - formula grants	19,767,325	18,632,230	1,135,095
Grants and contributions not restricted	234,835	169,589	65,246
Investment earnings	81,050	82,660	(1,610)
Miscellaneous	338,791	58,266	280,525
<b>Total revenues</b>	<u>45,359,770</u>	<u>44,085,847</u>	<u>1,273,923</u>
<b>Expenses:</b>			
Instruction	20,940,248	19,964,734	975,514
Instructional resources and media services	328,254	308,159	20,095
Curriculum and instructional staff development	1,180,355	1,296,727	(116,372)
Instructional leadership	373,097	348,319	24,778
School leadership	1,960,369	1,907,659	52,710
Guidance, counseling, and evaluation services	1,089,530	983,243	106,287
Social work services	134,172	131,014	3,158
Health services	348,378	298,549	49,829
Student (pupil) transportation	1,936,136	2,020,403	(84,267)
Food services	2,391,373	2,510,883	(119,510)
Extracurricular activities	2,541,600	2,452,764	88,836
General administration	1,881,468	1,820,899	60,569
Facilities maintenance and operations	5,163,398	4,277,081	886,317
Security and monitoring services	485,769	437,625	48,144
Data processing services	821,340	432,026	389,314
Community services	124,151	131,729	(7,578)
Debt service - interest on long term debt	2,726,628	2,907,545	(180,917)
Debt service - bond issuance cost and fees	3,000	-	3,000
Payments to fiscal agent/member districts of shared services arrangements	1,345,954	1,411,203	(65,249)
<b>Total expenses</b>	<u>45,775,220</u>	<u>43,640,562</u>	<u>2,134,658</u>
Increase (decrease) in net position	(415,450)	445,285	(860,735)
<b>Net position, beginning</b>	<u>25,887,103</u>	<u>25,441,818</u>	<u>445,285</u>
<b>Net position, ending</b>	<u>\$ 25,471,653</u>	<u>\$ 25,887,103</u>	<u>\$ (415,450)</u>

**Governmental Activities**

Governmental activities decreased the District's net position by \$415,450. Revenues are generated primarily from the following three sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined (\$41,567,390), these represented 92 percent of total revenues. The remaining \$3,792,380 or 8 percent was generated from charges for services, investment earnings, and miscellaneous revenues.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

	Total	% of Total
	Revenues	Revenues
	2014	2014
Property taxes	\$ 15,402,271	34%
State aid - formula grants	19,767,325	44%
Operating grants & contributions	6,397,794	14%
Other revenue	<u>3,792,380</u>	<u>8%</u>
<b>Total Revenues</b>	<b><u>\$ 45,359,770</u></b>	<b><u>100%</u></b>

The primary functional expenses of the District were instruction, facilities maintenance and operations, debt service interest payments on long-term debt, extracurricular activities, and food services which represented 74 percent of total expenses. The remaining fourteen functional expenses represent less than 5 percent each of the total expenditures.

	Total	% of Total
	Expenditures	Revenues
	2014	2014
Instruction	\$ 20,940,248	46%
Facilities maintenance and operations	5,163,398	11%
Debt service - interest on long term debt	2,726,628	6%
Extracurricular activities	2,541,600	6%
Food service	2,391,373	5%
Other expenses	<u>12,011,973</u>	<u>26%</u>
<b>Total Revenues</b>	<b><u>\$ 45,775,220</u></b>	<b><u>100%</u></b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, 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. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$17,480,650, an increase of \$1,628,733 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,088,939 while total fund balance reached \$10,883,335. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of August 31, 2014, these were 31% and 33%, respectively. Unassigned fund balance experienced an increase of \$881,215 over the prior year, which is due primarily to results of operation. Overall, total general fund balance increased by \$993,140 during the current fiscal year. This increase resulted from additional revenues that exceeded current year expenditures.

The debt service fund has a total fund balance of \$5,405,862, all of which is reserved for the payment of debt service. The net increase in the debt service fund balance during the current year was \$565,189 primarily due to additional revenues during the year.

The capital projects fund has a total fund balance of \$757, all of which is reserved for authorized construction and technology projects/enhancements. The net decrease in fund balance was \$70,655, which resulted from continued construction project expenditures during the year.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	BUDGET	
	Original	Final
Total revenues	\$ 32,505,244	\$ 32,525,244
Total expenditures	32,192,014	33,177,716
<b>Net change in fund balance</b>	<b>\$ 313,230</b>	<b>\$ (652,472)</b>

The District adopted a surplus budget for fiscal year 2014. With updated information, the District amended its budget decreasing its projected surplus. Actual revenues for the general fund exceeded budgetary estimates by approximately \$510 thousand, of which \$410 thousand was related to additional state revenues. Expenditures were less than budgetary estimates by approximately \$620 thousand, of which \$218 thousand was attributed to reduced payroll costs; contracted services were approximately \$214 thousand less than budget; and other operating expenditures were approximately \$188 thousand less than budget due to fiscal conservatism. Overall, the general fund exceeded its final budget estimate by approximately \$1.2 million resulting in an increase in general fund balance of approximately \$1 million for the year.

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

The District's investment in capital assets for its governmental type activities as of August 31, 2014 includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) decreased during the current year by \$4,820,907. The following table summarizes the investment in capital assets as of August 31, 2014 and 2013.

	2014	2013
Land	\$ 1,449,331	\$ 1,449,331
Buildings and improvements	100,268,674	100,188,291
Furniture and equipment	18,431,559	18,243,928
	120,149,564	119,881,550
Accumulated depreciation	(42,341,307)	(37,252,386)
<b>Net capital assets</b>	<b>\$ 77,808,257</b>	<b>\$ 82,629,164</b>

Additional information on the District's capital assets can be found in the notes to the financial statements.



**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

**Long-Term Liabilities**

As of August 31, 2014, the District had \$70,680,000 in bonded debt outstanding, a decrease of \$2,705,000 from the previous year. The District's Series 2012, Series 2011, Series 2010, Series 2010A and Series 2010B Bonds carry a rating of "AAA" from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") based on the Permanent School Fund Guarantee. The District's Series 2009 Bonds carry a rating of "A2/Stable Outlook" and "AA-/Stable", respectively, from Moody's and S&P based upon a municipal bond insurance policy issued by Assured Guaranty Municipal Corporation. All of the District's outstanding bonds have an underlying rating of "A1" and "AA-", respectively, from Moody's and S&P.

Changes in bonded debt outstanding, for the year ended August 31, 2014 are as follows:

Outstanding 9/1/2013	Issued	Retired	Outstanding 8/31/2014
\$ 73,385,000	\$ -	\$ (2,705,000)	\$ 70,680,000

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Indicators, both financial and non-financial, that will impact the District in the immediate future are:

- Student enrollment has increased by .41% in 2014-2015 vs. 2013-2014.
- The District's 2014-2015 refined average daily attendance was budgeted to be 4,264.99 which represented a .31% increase from the prior year.
- Taxable property values in the District have increased approximately 6.17% over the prior year. The average taxable value of a residence in Santa Fe has shown a five-year upward trend in appraised values, increasing from an average taxable value in 2009 of \$96,124 to \$114,807 in 2014. Looking forward it is estimated that new construction will increase the 2014 total taxable values by 1.27%.
- The maintenance and operations tax rate for fiscal year 2015 is \$1.04 while the debt service rate is \$.3958 for a total rate of \$1.4358. The debt service rate decreased .0132 cents from the prior year.
- Operating expenses per student in the District's general fund were \$7,166 for 2013-14. This represents a increase from the 2012-13 amount of \$6,532. Operating expenses per student for the 2014-15 year are projected to be \$7,362.

These indicators were taken into account when adopting the 2014-15 general fund and interest and sinking fund (debt service) budgets. The Santa Fe Independent School District general fund adopted budget for 2014 – 2015 is as follows:

General Fund Budget	Original
Budgeted Revenues	\$ 34,161,626
Budgeted Expenditures	34,148,022
<b>Budget Surplus</b>	<b>\$ 13,604</b>

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2014**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of Santa Fe Independent School District with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Department at Santa Fe Independent School District, 4133 Warpath Drive, Santa Fe, TX 77510. You may also view previous year's financial reports on the District's website at [www.sfid.org](http://www.sfid.org).

This page left blank intentionally.

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

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 10,829,125
1120 Current Investments	7,146,134
1220 Property Taxes Receivable (Delinquent)	2,159,560
1230 Allowance for Uncollectible Taxes	(963,200)
1240 Due from Other Governments	1,983,771
1290 Other Receivables, net	34,806
1300 Inventories	13,798
1410 Prepayments	685,567
Capital Assets:	
1510 Land	1,449,331
1520 Buildings, Net	69,822,111
1530 Furniture and Equipment, Net	6,536,815
1000 Total Assets	99,697,818
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	202,872
1700 Total Deferred Outflows of Resources	202,872
<b>LIABILITIES</b>	
2110 Accounts Payable	1,290,073
2150 Payroll Deductions & Withholdings	5,809
2160 Accrued Wages Payable	1,125,109
2180 Due to Other Governments	434
2200 Accrued Expenses	110,043
2300 Unearned Revenue	443,899
Noncurrent Liabilities	
2501 Due Within One Year	2,873,364
2502 Due in More Than One Year	68,580,306
2000 Total Liabilities	74,429,037
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	6,926,577
3820 Restricted for Federal and State Programs	1,283,966
3850 Restricted for Debt Service	5,530,250
3870 Restricted for Campus Activities	353,003
3890 Restricted for Other Purposes	237,184
3900 Unrestricted	11,140,673
3000 Total Net Position	\$ 25,471,653

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

SANTA FE 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	6	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	\$ 20,940,248	\$ 354,390	\$ 2,567,328	\$ (18,018,530)
12 Instructional Resources and Media Services	328,254	-	14,499	(313,755)
13 Curriculum and Instructional Staff Development	1,180,355	-	255,456	(924,899)
21 Instructional Leadership	373,097	-	26,330	(346,767)
23 School Leadership	1,960,369	-	97,530	(1,862,839)
31 Guidance, Counseling and Evaluation Services	1,089,530	-	263,024	(826,506)
32 Social Work Services	134,172	-	8,279	(125,893)
33 Health Services	348,378	-	17,764	(330,614)
34 Student (Pupil) Transportation	1,936,136	240,325	91,036	(1,604,775)
35 Food Services	2,391,373	1,364,944	911,632	(114,797)
36 Extracurricular Activities	2,541,600	1,167,480	36,231	(1,337,889)
41 General Administration	1,881,468	-	70,762	(1,810,706)
51 Facilities Maintenance and Operations	5,163,398	10,565	130,934	(5,021,899)
52 Security and Monitoring Services	485,769	-	25,480	(460,289)
53 Data Processing Services	821,340	-	25,235	(796,105)
61 Community Services	124,151	-	7,184	(116,967)
72 Debt Service - Interest on Long Term Debt	2,726,628	-	1,705,698	(1,020,930)
73 Debt Service - Bond Issuance Cost and Fees	3,000	-	-	(3,000)
93 Payments to Fiscal Agent/Member Districts of SSA	1,345,954	-	143,392	(1,202,562)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 45,775,220	\$ 3,137,704	\$ 6,397,794	(36,239,722)

Data  
Control  
Codes

General Revenues:

Taxes:		
MT	Property Taxes, Levied for General Purposes	11,062,713
DT	Property Taxes, Levied for Debt Service	4,339,558
SF	State Aid - Formula Grants	19,767,325
GC	Grants and Contributions not Restricted	234,835
IE	Investment Earnings	81,050
MI	Miscellaneous Local and Intermediate Revenue	338,791
TR	Total General Revenues	35,824,272
CN	Change in Net Position	(415,450)
NB	Net Position - Beginning	25,887,103
NE	Net Position - Ending	\$ 25,471,653

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

SANTA FE 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 Cash Equivalents	\$ 6,233,533	\$ 2,369,782	\$ 757
1120 Investments - Current	4,094,504	3,051,630	-
1220 Property Taxes - Delinquent	1,721,408	438,152	-
1230 Allowance for Uncollectible Taxes (Credit)	(767,800)	(195,400)	-
1240 Receivables from Other Governments	1,023,030	-	-
1260 Due from Other Funds	636,335	-	-
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1410 Prepayments	685,567	-	-
1000 Total Assets	<u>\$ 13,626,577</u>	<u>\$ 5,664,164</u>	<u>\$ 757</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 311,244	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	5,809	-	-
2160 Accrued Wages Payable	1,061,191	-	-
2170 Due to Other Funds	26,799	-	-
2180 Due to Other Governments	4	-	-
2300 Unearned Revenues	384,587	15,550	-
2000 Total Liabilities	<u>1,789,634</u>	<u>15,550</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	953,608	242,752	-
2600 Total Deferred Inflows of Resources	<u>953,608</u>	<u>242,752</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	685,567	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	757
3480 Retirement of Long-Term Debt	-	5,405,862	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	108,829	-	-
3600 Unassigned Fund Balance	10,088,939	-	-
3000 Total Fund Balances	<u>10,883,335</u>	<u>5,405,862</u>	<u>757</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,626,577</u>	<u>\$ 5,664,164</u>	<u>\$ 757</u>

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	1,875,819	\$	10,479,891
	-		7,146,134
	-		2,159,560
	-		(963,200)
	960,741		1,983,771
	22,876		659,211
	34,806		34,806
	13,798		13,798
	-		685,567
<u>\$</u>	<u>2,908,040</u>	<u>\$</u>	<u>22,199,538</u>
\$	972,913	\$	1,284,157
	-		5,809
	63,918		1,125,109
	636,321		663,120
	430		434
	43,762		443,899
<u></u>	<u>1,717,344</u>	<u></u>	<u>3,522,528</u>
	-		1,196,360
<u></u>	<u>-</u>	<u></u>	<u>1,196,360</u>
	13,798		13,798
	-		685,567
	779,974		779,974
	-		757
	-		5,405,862
	93,912		93,912
	303,012		303,012
	-		108,829
	-		10,088,939
<u></u>	<u>1,190,696</u>	<u></u>	<u>17,480,650</u>
<u>\$</u>	<u>2,908,040</u>	<u>\$</u>	<u>22,199,538</u>

This page left blank intentionally.



SANTA FE 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>	\$	17,480,650
<b>1</b> The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.		237,184
<b>2</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$120,149,564 and the accumulated depreciation is \$42,341,307. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position. (See Note 6.)		77,808,257
<b>3</b> Long-term liabilities, including bonds payable and compensated absences, are not payable in the current period and therefore are not reported in the governmental funds. The effect of long-term liabilities is a decrease net position. (See Note 7.)		(71,453,670)
<b>4</b> Recognizing deferred revenue (property taxes) as revenue in the government-wide statements to convert from the modified accrual basis of accounting to the accrual basis of accounting. The effect is to increase net position.		1,196,360
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred defeasance costs associated with refunded debt, eliminating interfund transactions, and prepaid expenses. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		202,872
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>25,471,653</b>

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

SANTA FE 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
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 12,041,411	\$ 4,378,001	\$ 39
5800 State Program Revenues	21,272,278	1,705,698	-
5900 Federal Program Revenues	234,835	-	-
5020 Total Revenues	<u>33,548,524</u>	<u>6,083,699</u>	<u>39</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	16,733,181	-	-
0012 Instructional Resources and Media Services	287,739	-	-
0013 Curriculum and Instructional Staff Development	819,666	-	-
0021 Instructional Leadership	316,350	-	-
0023 School Leadership	1,715,818	-	-
0031 Guidance, Counseling and Evaluation Services	732,377	-	-
0032 Social Work Services	117,612	-	-
0033 Health Services	305,379	-	-
0034 Student (Pupil) Transportation	1,697,167	-	-
0035 Food Services	1,459	-	-
0036 Extracurricular Activities	1,197,953	-	-
0041 General Administration	1,501,588	-	-
0051 Facilities Maintenance and Operations	4,547,788	-	-
0052 Security and Monitoring Services	425,813	-	-
0053 Data Processing Services	863,534	-	-
0061 Community Services	91,264	-	-
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	-	2,705,000	-
0072 Interest on Long Term Debt	-	2,810,510	-
0073 Bond Issuance Cost and Fees	-	3,000	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	-	-	70,693
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	1,202,562	-	-
6030 Total Expenditures	<u>32,557,250</u>	<u>5,518,510</u>	<u>70,693</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>991,274</u>	<u>565,189</u>	<u>(70,654)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7912 Sale of Real and Personal Property	5,800	-	-
7915 Transfers In	1	-	-
8911 Transfers Out (Use)	(3,935)	-	(1)
7080 Total Other Financing Sources (Uses)	<u>1,866</u>	<u>-</u>	<u>(1)</u>
1200 Net Change in Fund Balances	993,140	565,189	(70,655)
0100 Fund Balance - September 1 (Beginning)	<u>9,890,195</u>	<u>4,840,673</u>	<u>71,412</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,883,335</u>	<u>\$ 5,405,862</u>	<u>\$ 757</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,603,359	\$ 19,022,810
828,780	23,806,756
2,358,363	2,593,198
<u>5,790,502</u>	<u>45,422,764</u>
1,672,145	18,405,326
-	287,739
215,003	1,034,669
10,697	327,047
2,591	1,718,409
222,677	955,054
-	117,612
-	305,379
-	1,697,167
2,191,578	2,193,037
1,029,948	2,227,901
147,658	1,649,246
-	4,547,788
-	425,813
125	863,659
17,564	108,828
-	2,705,000
-	2,810,510
-	3,000
-	70,693
<u>143,392</u>	<u>1,345,954</u>
<u>5,653,378</u>	<u>43,799,831</u>
<u>137,124</u>	<u>1,622,933</u>
-	5,800
3,935	3,936
-	(3,936)
<u>3,935</u>	<u>5,800</u>
141,059	1,628,733
<u>1,049,637</u>	<u>15,851,917</u>
<u>\$ 1,190,696</u>	<u>\$ 17,480,650</u>

SANTA FE 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>	\$	1,628,733
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		79,350
 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2014 capital outlays is to increase (decrease) net position. (See Note 6.)		369,813
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(5,190,720)
 Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt). In addition, bond components such as premium, discount, etc. are deferred and amortized over the life of the issuance in the statement of activities. Certain liabilities for compensated absences are recognized as expenditures in the funds when the amounts are liquidated with expendable available financial resources. However, they are reported as expenses in the statement of activities when the liability is incurred. The net effect is to increase (decrease) net position. (See Note 7.)		2,811,251
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(113,877)
 <b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(415,450)</b>

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

SANTA FE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2014

	Governmental Activities -
	Total Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 349,234
Due from Other Funds	3,923
Total Assets	<u>353,157</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	5,916
Due to Other Funds	14
Accrued Expenses	110,043
Total Liabilities	<u>115,973</u>
<b>NET POSITION</b>	
Unrestricted Net Position	<u>237,184</u>
Total Net Position	<u><u>\$ 237,184</u></u>

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

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

	Governmental Activities -
	Total Internal Service Funds
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 219,392
State Program Revenues	416
Total Operating Revenues	219,808
<b>OPERATING EXPENSES:</b>	
Payroll Costs	1,933
Professional and Contracted Services	16,736
Supplies and Materials	31,503
Other Operating Costs	90,286
Total Operating Expenses	140,458
Operating Income	79,350
Total Net Position - September 1 (Beginning)	157,834
Total Net Position - August 31 (Ending)	\$ 237,184

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

SANTA FE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 215,886
Cash Payments for Insurance Claims	(195,246)
Cash Payments for Other Operating Expenses	(1,692)
Net Cash Provided by Operating Activities	<hr/> 18,948 <hr/>
Net Increase in Cash and Cash Equivalents	18,948
Cash and Cash Equivalents at Beginning of Year	<hr/> 330,286 <hr/>
Cash and Cash Equivalents at End of Year	\$ 349,234 <hr/> <hr/>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 79,350
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(3,923)
Increase (decrease) in Accounts Payable	2,765
Increase (decrease) in Accrued Expenses	(54,788)
Increase (decrease) in Due to Other Funds	(4,456)
Net Cash Provided by Operating Activities	<hr/> \$ 18,948 <hr/> <hr/>

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

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

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,666	\$ 55,391
Total Assets	<u>6,666</u>	<u>\$ 55,391</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 15,260
Payroll Deductions and Withholdings Payable	-	17,287
Due to Student Groups	-	22,844
Total Liabilities	<u>-</u>	<u>\$ 55,391</u>
<b>NET POSITION</b>		
Held in Trust for Private Purposes	<u>6,666</u>	
Total Net Position	<u>\$ 6,666</u>	

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



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

	Private Purpose Trust Fund
<hr/>	
DEDUCTIONS:	
Other Operating Costs	\$ 1,000
Total Deductions	<u>1,000</u>
Change in Net Position	(1,000)
Total Net Position - September 1 (Beginning)	<u>7,666</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 6,666</u></u>

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

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Santa Fe Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

**Reporting entity** - The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 61, "*The Financial Reporting Entity*": *Omnibus - an amendment of GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The District's basic financial statements consist of government-wide statements and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements** – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District as a whole. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements** – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds, which are presented in separate columns. Nonmajor funds are aggregated and presented in a single column. Separate financial statements are provided for proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the District: governmental, proprietary, and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The

**SANTA FE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in another fund are included here.
- The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- The *capital projects funds* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and equipment purchases.
- Nonmajor governmental funds account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

#### **Proprietary Funds**

The District utilizes internal service fund accounts for workers' compensation services provided to other funds and/or employees of the District on a cost reimbursement basis. Proprietary funds distinguish operating revenue and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds for self-funded workers' compensation services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District. The District continues to fully provide for incurred but not reported costs for workers' compensation claims through the establishment of undiscounted liability accounts. As of August 31, 2014, undiscounted liabilities totaled \$110,043 and net position of the workers' compensation fund totaled \$230,168. See Note 16 for additional discussion of the District's self-insurance plan. Furthermore, in 2013 the District created an internal print shop that is accounted for within the internal service fund on a cost reimbursement basis. The District's printing services include, but are not limited to, photocopying materials, supplies, and services.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

#### **Fiduciary Funds**

The *private purpose trust fund* is used to account for donations of scholarship funds received by the District for awards to current and former students for post-secondary education purposes.

The District utilizes *agency funds* to account for activities of student groups and other organizational activities received by the District in a custodial capacity that do not constitute District property. Financial resources of agency

**SANTA FE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

funds are recorded as assets and liabilities; therefore, those funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

**Measurement Focus**

**Government-Wide Financial Statements** - The government-wide financial statements are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

**Fund Financial Statements** - Governmental fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets and deferred outflows of resources, current liabilities and deferred inflows of resources, and fund balances are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-exchange Transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Grant revenues and interest associated with the current fiscal period are all 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 District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. Tax revenues are considered available when collected.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**Deferred or Unearned Revenues**

Deferred or unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to finance fiscal year 2014 operations, are recorded as deferred inflows of resources in the fund financial statements. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue in both the government-wide and fund financial statements.

In governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

**Budgetary Data**

The Board adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Child Nutrition Fund (which is included in the Special Revenue Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits F-1, H-2, and H-3.

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

- a) Prior to August 20, the District prepares an operating budget for the next succeeding fiscal year beginning September 1. The budget includes proposed expenditures and the means of financing them.
- b) A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day’s public notice of the meeting must be given.
- c) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
- e) Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

**Deposits and Investments**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value based on quoted market prices at August 31, 2014. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

**SANTA FE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**Interfund Assets/Liabilities**

In the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Due from/(to) other funds”. Interfund balances within governmental activities are eliminated on the government-wide statement of net position. See Note 5 for additional discussion of interfund receivables and payables.

**Capital Assets**

Capital assets, which include land, buildings and improvements, and furniture and equipment are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives: (See Note 6.)

<u>Assets</u>	<u>Years</u>
Buildings and improvements	9-30
Furniture and equipment	5-10

**Deferred Expenditures/Expenses**

Certain payments to vendors reflect costs applicable to the next fiscal period and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

**Long-Term Obligations**

The District’s long-term obligations consist of bonded indebtedness and compensated absences. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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 rate method. Bonds payable are reported net of the applicable bond premium or discount.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements will include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred charge on refunding in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**SANTA FE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports unavailable property tax revenue in the fund financial statements.

**Compensated Absences**

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported as long-term liabilities on the statement of net position.

Because District employees' contracts are based on the number of days worked, vacation benefits are not applicable for paraprofessionals and professionals. Manual trades employees are eligible for vacation but vacation days do not accumulate or vest.

Upon retirement, eligible full-time employees of the District can be paid benefits from accumulated "state personal leave" days. To be compensated for such days, the employee must meet Teacher Retirement System guidelines, and the vested state personal leave days will be paid at the employee's current daily rate. Qualifying employees may be paid for up to fifty full days of state personal leave. The liability for accrued, vested amounts is reported in the Statement of Net Position (Exhibit A-1). (See Note 7.)

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- *Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- *Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered *Nonspendable* as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

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

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Administration to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the funding formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate as of August 31 will change and those changes could be material.

**Data Control Codes**

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.



**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**3. DEPOSITS AND INVESTMENTS**

A summary of the District's cash and investments at August 31, 2014 are shown below:

	Cash and Deposits	Investment Pools	Total Cash & Cash Equivalents	Current Investments	Total Cash & Investment
Governmental funds:					
General fund	\$ (2,543,820)	\$ 8,777,353	\$ 6,233,533	\$ 4,094,504	\$ 10,328,037
Debt service fund	1,870,826	498,956	2,369,782	3,051,630	5,421,412
Capital projects fund	757	-	757	-	757
Nonmajor governmental fund	1,875,819	-	1,875,819	-	1,875,819
Total governmental funds	1,203,582	9,276,309	10,479,891	7,146,134	17,626,025
Proprietary Funds	349,234	-	349,234	-	349,234
Fiduciary funds	62,057	-	62,057	-	62,057
Total cash and investments	\$ 1,614,873	\$ 9,276,309	\$ 10,891,182	\$ 7,146,134	\$ 18,037,316

The following table includes investment type, portfolio balance, maturity, credit rating, and percentage of investment by portfolio balance:

	Carrying Amount	Fair Value	Maturity	Credit Rating	% Invested
Cash and deposits	\$ 1,614,873	\$ 1,614,873	n/a	n/a	
Investments:					
Investment pools:					
Texas Term	273,976	273,976	< 60 days	AAAm	2%
Lone Star	9,002,333	9,002,333	< 60 days	AAA/AAAm	55%
Certificate of deposit	1,002,646	1,002,646	3/31/2015	n/a	6%
Certificate of deposit	2,048,984	2,048,984	9/12/2014	n/a	12%
Certificate of deposit	2,085,702	2,085,702	11/14/2014	n/a	13%
Certificate of deposit	1,000,000	1,000,000	8/7/2015	n/a	6%
Certificate of deposit	1,008,802	1,008,802	9/2/2015	n/a	6%
	16,422,443	16,422,443			100%
Total cash and investments	\$ 18,037,316	\$ 18,037,316			

**Deposits**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities that comply with state law and these securities are held for safekeeping and trust with the depository bank's agent bank. The pledged securities are approved by the TEA and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Alternatively, the depository bank may collateralize deposits with an irrevocable letter of credit in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract.

At August 31, 2014, the carrying amount of the District's deposits (cash and certificate of deposits) was \$8,761,007 and the bank balance was \$8,997,179. The District's cash deposits at August 31, 2014 were entirely covered by FDIC insurance, by pledged collateral held by the depository bank's agent bank in the District's name or irrevocable letters of credit.

**Investments**

The Public Funds Investment Act (Act) 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 and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio, (7) maximum average dollar-weighted maturity allowed

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

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) securities lending programs, (6) repurchase agreements, (7) bankers acceptances, (8) mutual funds, (9) investment pools, and (10) guaranteed investment contracts.

Texas Term (Local Government Investment Pool) and Lone Star (Lone Star Investment Pool) are local government investment "pools" organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Texas Term and Lone Star are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District's management believes that it has complied with the requirements of the Act and with local policies.

**Credit Risk**

State law and the District's investment policy limit investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The credit quality ratings for the District's investments were in compliance with the Act. At year end, the District was not significantly exposed to credit risk.

**Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

**Concentration of Credit Risk**

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. At year end, the District was not exposed to concentration of credit risk.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days. In addition, the District shall not directly invest in an individual security maturing more than twelve months from the date of purchase. At year end, the District was not significantly exposed to interest rate risk.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**4. RECEIVABLES**

Receivables as of year-end for the District's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 946,375	\$ 267,954	\$ -	\$ 1,214,329
Property taxes - penalty & interest	775,033	170,198	-	945,231
Subtotal - property taxes	1,721,408	438,152	-	2,159,560
Due from other governments	1,023,030	-	960,741	1,983,771
Other receivables	-	-	34,806	34,806
Gross receivables	2,744,438	438,152	995,547	4,178,137
Less: allowance for doubtful accounts	(767,800)	(195,400)	-	(963,200)
Total net receivables	<u>\$ 1,976,638</u>	<u>\$ 242,752</u>	<u>\$ 995,547</u>	<u>\$ 3,214,937</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenues reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes (General Fund)	\$ 953,608	\$ -	\$ 953,608
Delinquent property taxes (Debt Service Fund)	242,752	-	242,752
Funds received prior to meeting all eligibility requirements:			
State allotments (General Fund)	-	384,587	384,587
State allotments (Debt Service Fund)	-	15,550	15,550
Grant revenue (Nonmajor Governmental Funds)	-	43,762	43,762
Total unearned revenue	<u>\$ 1,196,360</u>	<u>\$ 443,899</u>	<u>\$ 1,640,259</u>

**Property Taxes**

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. 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 assessed value of the property tax roll, upon which the levy for the 2013-14 fiscal year was based, was \$1,018 million.

The tax rates assessed for the year ended August 31, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.409 per \$100 valuation, respectively, for a total of \$1.449 per \$100 valuation.

Current tax collections for the year ended August 31, 2014 were 98% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. The property taxes receivable allowance is equal to approximately 45% of outstanding property taxes receivables at August 31, 2014. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Uncollectible personal property taxes are periodically reviewed and written off. Under Sec. 3305 of the Texas Property Code, the District can cancel and remove from the delinquent tax roll, tax on real property that has been delinquent for more than 20 years or tax on personal property that has been delinquent for more than 10 years if there is no pending litigation concerning the delinquent taxes at the time of cancellation and removal.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**Due from Other Governments**

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

Fund	State Grants & Entitlements	Federal Grants	Total
General	\$ 1,023,030	\$ -	\$ 1,023,030
Nonmajor	232,184	728,557	960,741
<b>Total</b>	<u>\$ 1,255,214</u>	<u>\$ 728,557</u>	<u>\$ 1,983,771</u>

**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. The composition of interfund balances as of August 31, 2014 is as follows:

Fund	Receivable	Payable
General Fund:		
Nonmajor Governmental Funds	\$ 636,321	\$ 22,876
Proprietary Funds	14	3,923
Nonmajor Governmental Funds:		
General Fund	\$ 22,876	\$ 636,321
Proprietary Funds:		
General Fund	\$ 3,923	\$ 14

District activities in the Nonmajor Governmental Funds (Special Revenue Funds) include expenditures paid from a centralized-pooled operating bank account maintained in the General Fund. Since all cash transactions flow through this account, each fund carries a receivable/payable balance with the General Fund. This balance will be repaid within one year.

**6. CAPITAL ASSETS**

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

Governmental activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,449,331	\$ -	\$ -	\$ -	\$ 1,449,331
Construction in progress	-	-	-	-	-
Total Capital Assets, not depreciated	1,449,331	-	-	-	1,449,331
Capital assets, being depreciated:					
Buildings and improvements	100,188,291	80,383	-	-	100,268,674
Furniture and equipment	18,243,928	289,430	(101,799)	-	18,431,559
Total Capital Assets, being depreciated	118,432,219	369,813	(101,799)	-	118,700,233
Less accumulated depreciation for:					
Buildings and improvements	(27,238,691)	(3,207,872)	-	-	(30,446,563)
Furniture and equipment	(10,013,695)	(1,982,848)	101,799	-	(11,894,744)
Total accumulated depreciation	(37,252,386)	(5,190,720)	101,799	-	(42,341,307)
Capital assets, net	<u>\$ 82,629,164</u>	<u>\$ (4,820,907)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,808,257</u>

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 2,591,558
12	Instructional resources and media services	40,515
13	Curriculum and instructional staff development	145,686
21	Instructional leadership	46,050
23	School leadership	241,960
31	Guidance, counseling, & evaluation services	134,476
32	Social work services	16,560
33	Health services	42,999
34	Student (pupil) transportation	238,969
35	Food services	308,790
36	Extracurricular activities	313,699
41	General administration	232,222
51	Facilities maintenance and operations	640,350
52	Security and monitoring services	59,956
53	Data processing services	121,607
61	Community services	<u>15,323</u>
	Total depreciation expense - governmental activities	<u>\$ 5,190,720</u>

**7. LONG-TERM LIABILITIES**

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for construction and equipping of school facilities and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as current interest and capital appreciation bonds with various amounts of principal maturing each year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the District is \$104,187,336. The District's outstanding debt of \$70,680,000 less the reserve for the retirement of the debt of \$5,513,249 totals \$65,166,751 leaving a legal debt margin of \$39,020,585.

There are a number of limitations and restrictions contained in the general obligation debt indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2014.

Bonded debt as of August 31, 2014 is as follows:

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding 08/31/14
Unlimited tax school building bonds, series 2009	3.0%-5.0%	2/15/34	\$ 25,810,000	\$ 25,030,000
Unlimited tax qualified school construction bonds, taxable series 2010	0%	2/15/26	7,100,000	5,690,000
Unlimited tax school building bonds, series 2010A	2.5%-4.3%	2/15/34	13,835,000	13,765,000
Unlimited tax refunding bonds, series 2010B	2.0%-3.0%	2/15/19	2,400,000	1,505,000
Unlimited tax school building bonds, series 2011	2.0%-5.125%	2/15/34	18,290,000	18,160,000
Unlimited tax refunding bonds, series 2012	2.0%-2.5%	2/15/19	7,955,000	6,530,000
				<u>\$ 70,680,000</u>

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

The District's long-term liabilities consist of bond indebtedness and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund. Changes in long-term liabilities for the year ended August 31, 2014 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<b>Bonds payable:</b>					
Unlimited tax school building bonds, series 2009	\$ 25,555,000	\$ -	\$ (525,000)	\$ 25,030,000	\$ 540,000
Unlimited tax qualified school construction bonds, taxable series 2010	6,160,000	-	(470,000)	5,690,000	470,000
Unlimited tax school building bonds, series 2010A	13,785,000	-	(20,000)	13,765,000	20,000
Unlimited tax refunding bonds, series 2010B	1,805,000	-	(300,000)	1,505,000	310,000
Unlimited tax school building bonds, series 2011	18,225,000	-	(65,000)	18,160,000	65,000
Unlimited tax refunding bonds, series 2012	<u>7,855,000</u>	<u>-</u>	<u>(1,325,000)</u>	<u>6,530,000</u>	<u>1,350,000</u>
	73,385,000	-	(2,705,000)	70,680,000	2,755,000
<b>Deferred amounts:</b>					
Accrued interest	115,846	2,518	-	118,364	118,364
Accumulated accretion on capital appreciation bonds	152,216	4,203	(55,000)	101,419	-
Premium on issuance of bonds	855,370	-	(98,719)	756,651	-
Discount on issuance of bonds	<u>(369,375)</u>	<u>-</u>	<u>18,033</u>	<u>(351,342)</u>	<u>-</u>
Total bonds payable	74,139,057	6,721	(2,840,686)	71,305,092	2,873,364
<b>Other liabilities:</b>					
Compensated absences	<u>125,864</u>	<u>32,426</u>	<u>(9,712)</u>	<u>148,578</u>	<u>-</u>
Total other liabilities	125,864	32,426	(9,712)	148,578	-
Governmental activities long-term liabilities	<u>\$ 74,264,921</u>	<u>\$ 39,147</u>	<u>\$ (2,850,398)</u>	<u>\$ 71,453,670</u>	<u>\$ 2,873,364</u>

Debt service requirements to maturity are as follows:

Year Ended August 31,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2015	\$ 2,755,000	\$ 2,760,385	\$ 5,515,385
2016	2,810,000	2,701,498	5,511,498
2017	2,930,000	2,588,385	5,518,385
2018	3,000,000	2,516,648	5,516,648
2019	3,080,000	2,437,848	5,517,848
2020-2024	15,005,000	10,743,648	25,748,648
2025-2029	18,205,000	7,540,010	25,745,010
2030-2034	<u>22,895,000</u>	<u>2,854,551</u>	<u>25,749,551</u>
	<u>\$ 70,680,000</u>	<u>\$ 34,142,973</u>	<u>\$ 104,822,973</u>

**Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it has no arbitrage liability as of August 31, 2014.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**8. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Local real & personal property taxes	\$ 11,124,029	\$ 4,347,036	\$ -	\$ -	\$ 15,471,065
Investment income	46,049	30,835	39	4,127	81,050
Co-curricular student activities	89,562	-	-	1,077,918	1,167,480
Insurance recovery	309,352	-	-	-	309,352
Food sales	-	-	-	1,364,944	1,364,944
Tuition & fees	326,985	-	-	-	326,985
Other	145,434	130	-	156,370	301,934
	<u>\$ 12,041,411</u>	<u>\$ 4,378,001</u>	<u>\$ 39</u>	<u>\$ 2,603,359</u>	<u>\$ 19,022,810</u>

The District receives approximately 52% of total governmental revenues from the State of Texas.

**9. GENERAL FUND FEDERAL REVENUE SOURCES**

Federal revenues accounted for in the general fund consisted of the following:

Medicaid SHARS	<u>\$ 234,835</u>
	<u>\$ 234,835</u>

**10. OPERATING LEASE**

At August 31, 2014, the District had no significant operating leases. Total rental expense under all operating leases for fiscal year 2014 was approximately \$145,000.

**11. PENSION PLAN**

*Plan Description.* The 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, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2014-2012 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.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

Contribution Rates and Contribution Amounts					
Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
8/31/2014	6.4%	\$ 1,533,994	6.800%	\$ 1,251,096	\$ 280,098
8/31/2013	6.4%	1,482,632	6.400%	1,139,081	258,048
8/31/2012	6.4%	1,467,011	6.000%	1,090,765	212,489

**12. RETIREE HEALTH PLAN**

*Plan Description.* The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 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 are shown in the table below for the fiscal years 2014-2012:

Contributions Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
8/31/2014	0.65%	\$ 155,795	1.00%	\$ 229,797	0.55%	\$ 131,799
8/31/2013	0.65%	150,581	0.50%	110,383	0.55%	127,419
8/31/2012	0.65%	148,994	1.00%	218,975	0.55%	126,072

**13. MEDICARE PART D ON-BEHALF PAYMENTS**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments made on behalf of the District for fiscal years 2014, 2013, and 2012 were \$64,339, \$61,067, and \$59,924, respectively.

**14. OTHER POST EMPLOYMENT BENEFITS**

The District does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA) and TRS-Care described above (Note 12). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the District.



**SANTA FE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2014**

**15. JOINT VENTURES - SHARED SERVICES ARRANGEMENTS**

The District participates in a Shared Service Arrangement (“SSA”), which provides educational services for students to member districts. In addition to the District, other member districts include Friendswood ISD, Galveston ISD, La Marque ISD, Dickinson ISD, and Texas City ISD. All services are provided by the fiscal agent (Dickinson ISD). The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in a SSA, which provides electricity for more than 140 members across the state participating in the program. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent manager is responsible for all financial activities of the SSA.

The District is the fiscal agent for a SSA, which provides food purchasing services for various member districts. All services are provided by the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund 458, (School Purchasing Alliance Cooperative) using Model 3 in the SSA section of FASRG. Expenditures spent by the District were \$140,449 for the year ended August 31, 2014.

**16. RISK MANAGEMENT**

**General**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; unemployment; injuries to employees; and natural disasters. During fiscal year 2014, the District purchased commercial insurance for claims related to all risks. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

**Health Insurance**

The District participates in the Teacher Retirement System of Texas Active Care health care coverage program. This program is a statewide program for public education employees established by the 77<sup>th</sup> Texas Legislature.

**Workers’ Compensation**

In prior years, the District participated in a public entity risk pool for workers’ compensation benefits, which was self-funded from accumulated assets and was provided directly from the District. All claims were submitted, processed, and approved by a third party administrator acting as agent for the District. The plan was documented by contractual agreement.

During its participation in the self-funded plan, the District was protected against unanticipated catastrophic individual loss by stop-loss coverage carried through a commercial insurer or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage in effect was for annual individual claims exceeding \$225,000.

The accrued liability for Workers’ Compensation self-insurance of \$110,043 includes an estimate for claims incurred but not reported. This liability, reported in the proprietary fund as of August 31, 2014, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not necessarily result in an exact amount.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

Accrued liability for the workers' compensation fund represents unpaid claims and expenses on previously filed claims.

The following is a summary of the change in the balance of claims liabilities for workers' compensation for the years ended August 31, 2014 and 2013, respectively:

	2014	2013
Unpaid claims, beginning of the year	\$ 164,831	\$ 258,307
Incurred claims (including IBNR's)	(25,733)	(5,738)
Claim payments	(29,055)	(87,738)
Unpaid claims, end of the year	\$ 110,043	\$ 164,831

The District purchased workers' compensation coverage through Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$1,000,000 for years 2014-2015. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves.

The members of Deep East Texas Self Insurance Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to more than cover more than 100% of all liabilities.

**Unemployment**

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 obligation for payment of contribution.

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 and have been filed with the Texas Department of Insurance in Austin.

**17. CONTINGENT LIABILITIES**

The District is a party to various legal actions none of which is believed by the Administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for contingencies.

The District participates in numerous State and Federal grant programs that 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 collectability of any related receivable at August 31, 2014 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.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2014**

**18. ENCUMBRANCES AND COMMITMENTS**

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate accounts are checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes.

Prior to the end of the year, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at year end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, outstanding encumbrances are not considered expenditures for the fiscal year, only a commitment to expend resources. If the school district allows encumbrances to lapse, even though it plans to honor encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually reappropriated in the following year’s budget. Open encumbrances at fiscal year end are included in restricted, committed, or assigned fund balance, as appropriate.

At August 31, 2014, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

Encumbrances Included in the Following Fund Balance:

Fund	Restricted	Committed	Assigned	Total
General	\$ -	\$ -	\$ 108,829	\$ 108,829
Nonmajor Governmental Funds	<u>3,560</u>	<u>12,356</u>	<u>-</u>	<u>15,916</u>
Total	<u>\$ 3,560</u>	<u>\$ 12,356</u>	<u>\$ 108,829</u>	<u>\$ 124,745</u>

**19. RELATED ORGANIZATIONS**

The Santa Fe Texas Education Foundation, Inc. (“Foundation”), a non-profit entity which was organized in 2010 to provide funds for District education programs, is a “related organization” as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation.

**20. INSTRUCTIONAL MATERIALS ALLOTMENT**

In May 2011, Senate Bill 6, repealed the technology allotment used by Texas schools and created an Instructional Materials Allotment (IMA) for the purchase of instructional materials, technology equipment, and technology related services. Under IMA, instructional material purchases must be made through TEA’s online requisition system. Instructional materials purchased from IMA totaling \$773,354 are recorded as revenues and expenditures/expenses in the financial statements.

**21. SUBSEQUENT EVENTS**

In preparing the financial statements, the District has evaluated subsequent events through January 13, 2015, the date the financials were available to be issued. The District is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.

This page left blank intentionally.

**REQUIRED SUPPLEMENTARY INFORMATION**

SANTA FE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE 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	\$ 11,442,939	\$ 11,976,738	\$ 12,041,411	\$ 64,673
5800 State Program Revenues	20,862,305	20,862,305	21,272,278	409,973
5900 Federal Program Revenues	200,000	200,000	234,835	34,835
5020 Total Revenues	32,505,244	33,039,043	33,548,524	509,481
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	17,126,752	16,940,929	16,733,181	207,748
0012 Instructional Resources and Media Services	282,325	293,182	287,739	5,443
0013 Curriculum and Instructional Staff Development	798,202	822,694	819,666	3,028
0021 Instructional Leadership	320,590	330,050	316,350	13,700
0023 School Leadership	1,709,974	1,734,944	1,715,818	19,126
0031 Guidance, Counseling and Evaluation Services	754,505	761,406	732,377	29,029
0032 Social Work Services	126,799	126,799	117,612	9,187
0033 Health Services	310,893	310,893	305,379	5,514
0034 Student (Pupil) Transportation	1,744,821	1,713,983	1,697,167	16,816
0035 Food Services	-	10,000	1,459	8,541
0036 Extracurricular Activities	1,117,626	1,208,267	1,197,953	10,314
0041 General Administration	1,518,824	1,544,987	1,501,588	43,399
0051 Facilities Maintenance and Operations	3,989,405	4,671,608	4,547,788	123,820
0052 Security and Monitoring Services	384,363	484,073	425,813	58,260
0053 Data Processing Services	550,161	885,127	863,534	21,593
0061 Community Services	93,524	93,524	91,264	2,260
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	1,363,250	1,245,250	1,202,562	42,688
6030 Total Expenditures	32,192,014	33,177,716	32,557,250	620,466
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	313,230	(138,673)	991,274	1,129,947
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	5,800	5,800
7915 Transfers In	-	-	1	1
8911 Transfers Out (Use)	-	(20,000)	(3,935)	16,065
7080 Total Other Financing Sources (Uses)	-	(20,000)	1,866	21,866
1200 Net Change in Fund Balances	313,230	(158,673)	993,140	1,151,813
0100 Fund Balance - September 1 (Beginning)	9,890,195	9,890,195	9,890,195	-
3000 Fund Balance - August 31 (Ending)	\$ 10,203,425	\$ 9,731,522	\$ 10,883,335	\$ 1,151,813

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
AUGUST 31, 2014**

The District adopts an “appropriated budget” for the General Fund, Debt Service Fund, and Child Nutrition Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ending August 31, 2014.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principals and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2013. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods and purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are canceled or appropriately provided for in the subsequent year’s budget.

This page left blank intentionally.



## **COMBINING SCHEDULES**

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

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	180	173,577	348,555
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	<b>Total Assets</b>	<u>\$ 180</u>	<u>\$ 173,577</u>	<u>\$ 348,555</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ -	\$ 47,435
2160	Accrued Wages Payable	-	12,756	20,442
2170	Due to Other Funds	180	160,821	280,678
2180	Due to Other Governments	-	-	-
2300	Unearned Revenues	-	-	-
2000	<b>Total Liabilities</b>	<u>180</u>	<u>173,577</u>	<u>348,555</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3490	Other Restricted Fund Balance	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 180</u>	<u>\$ 173,577</u>	<u>\$ 348,555</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	388 Innovative Education Grants
\$ -	\$ 914,622	\$ 84	\$ -	\$ -	\$ -	\$ 5,428	\$ -
105,779	16,173	2,328	57,117	11,535	-	-	2,061
-	3,935	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	13,798	-	-	-	-	-	-
<u>\$ 105,779</u>	<u>\$ 948,528</u>	<u>\$ 2,412</u>	<u>\$ 57,117</u>	<u>\$ 11,535</u>	<u>\$ -</u>	<u>\$ 5,428</u>	<u>\$ 2,061</u>
\$ -	\$ 129,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	23,373	1,408	4,877	-	-	-	-
105,779	1,742	1,004	52,240	11,535	-	-	2,061
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,428	-
<u>105,779</u>	<u>154,756</u>	<u>2,412</u>	<u>57,117</u>	<u>11,535</u>	<u>-</u>	<u>5,428</u>	<u>2,061</u>
-	13,798	-	-	-	-	-	-
-	779,974	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>793,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 105,779</u>	<u>\$ 948,528</u>	<u>\$ 2,412</u>	<u>\$ 57,117</u>	<u>\$ 11,535</u>	<u>\$ -</u>	<u>\$ 5,428</u>	<u>\$ 2,061</u>

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

Data Control Codes	390 (LEP) Early Childhood Summer Prog.	397 Advanced Placement Incentives	404 Student Success Initiative	410 Instructional Materials Allotment	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 1,582	\$ 4,387	\$ 1,871	\$ 104,896
1240	Receivables from Other Governments	-	-	-	230,542
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 1,582</u>	<u>\$ 4,387</u>	<u>\$ 1,871</u>	<u>\$ 335,438</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 310,386
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	830	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	1,582	4,387	1,041	25,052
2000	<b>Total Liabilities</b>	<u>1,582</u>	<u>4,387</u>	<u>1,871</u>	<u>335,438</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,582</u>	<u>\$ 4,387</u>	<u>\$ 1,871</u>	<u>\$ 335,438</u>

415 Kindergarten and Pre-K Grants	429 Other State Special Revenue Funds	458 SSA-Purch. Alliance CO-OP	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 544	\$ 390,041	\$ 352,316	\$ 100,048	\$ 1,875,819
1,642	-	-	-	-	960,741
-	22	18,919	-	-	22,876
-	-	27,112	687	7,007	34,806
-	-	-	-	-	13,798
<u>\$ 1,642</u>	<u>\$ 566</u>	<u>\$ 436,072</u>	<u>\$ 353,003</u>	<u>\$ 107,055</u>	<u>\$ 2,908,040</u>
\$ -	\$ -	\$ 436,072	\$ 49,379	\$ -	\$ 972,913
-	-	-	-	-	63,918
1,642	-	-	612	7,007	636,321
-	430	-	-	-	430
-	136	-	-	6,136	43,762
<u>1,642</u>	<u>566</u>	<u>436,072</u>	<u>49,991</u>	<u>13,143</u>	<u>1,717,344</u>
-	-	-	-	-	13,798
-	-	-	-	-	779,974
-	-	-	-	93,912	93,912
-	-	-	303,012	-	303,012
-	-	-	303,012	93,912	1,190,696
<u>\$ 1,642</u>	<u>\$ 566</u>	<u>\$ 436,072</u>	<u>\$ 353,003</u>	<u>\$ 107,055</u>	<u>\$ 2,908,040</u>

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

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	-	368,004	818,258
5020	Total Revenues	<u>-</u>	<u>368,004</u>	<u>818,258</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	-	359,624	260,357
0013	Curriculum and Instructional Staff Development	-	6,596	192,991
0021	Instructional Leadership	-	85	735
0023	School Leadership	-	746	600
0031	Guidance, Counseling and Evaluation Services	-	953	220,183
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	-
<b>Intergovernmental:</b>				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	143,392
6030	Total Expenditures	<u>-</u>	<u>368,004</u>	<u>818,258</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	388 Innovative Education Grants
\$ -	\$ 1,369,071	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	49,838	-	-	-	-	-	-
105,779	861,794	37,087	120,992	10,838	6,802	-	-
105,779	2,280,703	37,087	120,992	10,838	6,802	-	-
105,779	-	35,987	106,817	991	-	-	-
-	-	625	4,932	8,189	-	-	-
-	-	-	1,843	908	6,802	-	-
-	-	75	-	750	-	-	-
-	-	400	731	-	-	-	-
-	2,191,578	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	6,669	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
105,779	2,191,578	37,087	120,992	10,838	6,802	-	-
-	89,125	-	-	-	-	-	-
-	3,935	-	-	-	-	-	-
-	93,060	-	-	-	-	-	-
-	700,712	-	-	-	-	-	-
\$ -	\$ 793,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	390 (LEP) Early Childhood Summer Prog.	397 Advanced Placement Incentives	404 Student Success Initiative	410 Instructional Materials Allotment	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	773,354
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>773,354</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	-	-	-	773,354
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>773,354</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



415 Kindergarten and Pre-K Grants	429 Other State Special Revenue Funds	458 SSA-Purch. Alliance CO-OP	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 140,449	\$ 1,077,918	\$ 15,921	\$ 2,603,359
-	-	-	29	5,559	828,780
-	-	-	-	-	2,358,363
-	-	140,449	1,077,947	21,480	5,790,502
-	-	-	-	427	1,672,145
-	-	-	-	1,670	215,003
-	-	-	-	324	10,697
-	-	-	-	420	2,591
-	-	-	-	410	222,677
-	-	-	-	-	2,191,578
-	-	-	1,029,948	-	1,029,948
-	-	140,449	-	540	147,658
-	-	-	-	125	125
-	-	-	-	17,564	17,564
-	-	-	-	-	143,392
-	-	140,449	1,029,948	21,480	5,653,378
-	-	-	47,999	-	137,124
-	-	-	-	-	3,935
-	-	-	47,999	-	141,059
-	-	-	255,013	93,912	1,049,637
\$ -	\$ -	\$ -	\$ 303,012	\$ 93,912	\$ 1,190,696

This page left blank intentionally.

## **COMPLIANCE SCHEDULES**

SANTA FE 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	1.450000	0.120000	808,339,882
2007	1.325000	0.120000	674,720,804
2008	1.040000	0.120000	928,063,887
2009	1.040000	0.120000	965,512,670
2010	1.040000	0.290200	923,661,705
2011	1.040000	0.379200	995,071,378
2012	1.040000	0.455000	986,549,660
2013	1.040000	0.413900	998,635,670
2014 (School year under audit)	1.040000	0.409000	1,018,499,379
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 331,715	\$ -	\$ 26,096	\$ 6,300	\$ (9,114)	\$ 290,205
45,942	-	5,488	454	(997)	39,003
56,599	-	8,408	762	(795)	46,634
51,843	-	6,980	805	(686)	43,372
60,781	-	9,802	1,131	(686)	49,162
79,350	-	17,624	4,918	(423)	56,385
115,157	-	26,468	9,650	1,465	80,504
161,767	-	48,929	21,407	1,744	93,175
367,942	-	145,041	57,723	(17,934)	147,244
-	14,758,056	10,570,893	4,157,207	338,689	368,645
<u>\$ 1,271,096</u>	<u>\$ 14,758,056</u>	<u>\$ 10,865,729</u>	<u>\$ 4,260,357</u>	<u>\$ 311,263</u>	<u>\$ 1,214,329</u>

See Note 4 on page 39 for reconciliation to Exhibit C-1.

SANTA FE 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		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,290,491	\$ 1,355,491	\$ 1,369,071	\$ 13,580
5800 State Program Revenues	38,000	38,000	49,838	11,838
5900 Federal Program Revenues	842,374	842,374	861,794	19,420
5020 Total Revenues	<u>2,170,865</u>	<u>2,235,865</u>	<u>2,280,703</u>	<u>44,838</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0035 Food Services	<u>2,170,864</u>	<u>2,329,580</u>	<u>2,191,578</u>	<u>138,002</u>
6030 Total Expenditures	<u>2,170,864</u>	<u>2,329,580</u>	<u>2,191,578</u>	<u>138,002</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1	(93,715)	89,125	182,840
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>-</u>	<u>20,000</u>	<u>3,935</u>	<u>(16,065)</u>
1200 Net Change in Fund Balances	1	(73,715)	93,060	166,775
0100 Fund Balance - September 1 (Beginning)	<u>700,712</u>	<u>700,712</u>	<u>700,712</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 700,713</u>	<u>\$ 626,997</u>	<u>\$ 793,772</u>	<u>\$ 166,775</u>

SANTA FE 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		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 4,258,607	\$ 4,258,607	\$ 4,378,001	\$ 119,394
5800 State Program Revenues	1,809,016	1,809,016	1,705,698	(103,318)
5020 Total Revenues	6,067,623	6,067,623	6,083,699	16,076
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	2,705,000	2,705,000	2,705,000	-
0072 Interest on Long Term Debt	2,810,510	2,810,510	2,810,510	-
0073 Bond Issuance Cost and Fees	10,000	10,000	3,000	7,000
6030 Total Expenditures	5,525,510	5,525,510	5,518,510	7,000
1200 Net Change in Fund Balances	542,113	542,113	565,189	23,076
0100 Fund Balance - September 1 (Beginning)	4,840,673	4,840,673	4,840,673	-
3000 Fund Balance - August 31 (Ending)	\$ 5,382,786	\$ 5,382,786	\$ 5,405,862	\$ 23,076

This page left blank intentionally.



**FEDERAL AWARDS SECTION**

This page left blank intentionally.



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

To the Board of Trustees  
SANTA FE INDEPENDENT SCHOOL DISTRICT  
Santa Fe, Texas

We have audited, in accordance with the U.S. generally accepted auditing standards 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 Santa Fe Independent School District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Start & Busch, LLC

Baytown, Texas  
January 13, 2015



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

To the Board of Trustees  
SANTA FE INDEPENDENT SCHOOL DISTRICT  
Santa Fe, Texas

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

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

### **Management's Responsibility**

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

### **Auditors' Responsibility**

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

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

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

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

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

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

are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

  
Start & Busch, LLC

Baytown, Texas  
January 13, 2015

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

---

**Section I - Summary of Auditors' Results**

---

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                      yes           X           no

Significant deficiencies identified that are not considered to be material weaknesses?                      yes           X           none reported

Noncompliance material to financial statements noted:                      yes           X           no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?                      yes           X           no

Significant deficiencies identified that are not considered to be material weaknesses?                      yes           X           none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?           None          

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027; 84.173	Special Education Cluster
84.010	Title I, Part A Cluster

Dollar threshold used to distinguish between type A and type B programs:           \$ 300,000          

Auditee qualified as low-risk auditee?           X           yes                      no

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

**II. FINANCIAL STATEMENT FINDINGS**

None Noted.

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None Noted.

**IV. STATUS OF PRIOR YEAR FINDING**

2013-1 Excess Expenditures over Appropriations

*Recommendation:* The District should review all expenditures during the year to ensure that any necessary budget amendments are brought to the Board of Trustees for approval before August 31.

*Action Taken:* The District will closely monitor expenditures during the year to ensure the final budget amendment provides for all actual expenditures.

*Anticipated Completion Date:* Completed August 2014.

**V. CORRECTIVE ACTION PLAN**

None Noted.

Please contact John VanDever, Interim Chief Financial Officer, at 409-925-9020 with any questions regarding this corrective action plan.



SANTA FE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region IV Education Service Center</u>			
Title III, Part A - English Language Acquisition	84.365	S365A120043	\$ 10,838
Total Passed Through Region IV Education Service Center			\$ 10,838
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010	14610101084909	\$ 355,017
*ESEA, Title I, Part A - Improving Basic Programs	84.010	15610101084909	12,987
Total CFDA Number 84.010			368,004
Total Title I, Part A Cluster			368,004
*IDEA - Part B, Formula	84.027	146600010849096600	797,816
*IDEA - Part B, Formula	84.027	156600010849096600	20,442
*IDEA - Part B, Discretionary	84.027	14660006084909	105,779
Total CFDA Number 84.027			924,037
*IDEA - Part B, Preschool	84.173	146610010849096610	27,747
*IDEA - Part B, Preschool	84.173	156610010849096610	1,062
Total CFDA Number 84.173			28,809
Total Special Education Cluster (IDEA)			952,846
Career and Technical - Basic Grant	84.048	14420006084909	35,259
Career and Technical - Basic Grant	84.048	15420006084909	1,828
Total CFDA Number 84.048			37,087
ESEA, Title II, Part A, Teacher/Principal Training	84.367	14694501084909	116,115
ESEA, Title II, Part A, Teacher/Principal Training	84.367	15694501084909	4,877
Total CFDA Number 84.367			120,992
Total Passed Through State Department of Education			\$ 1,478,929
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 1,489,767</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	084909	\$ 6,802
Total Passed Through Texas Dept of Human Services			\$ 6,802
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 6,802</b>

SANTA FE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 186,283
*National School Lunch Program - Cash Assistance	10.555	71301401	577,745
*National School Lunch Prog. - Non-Cash Assistance	10.555	084909	97,766
Total CFDA Number 10.555			<u>675,511</u>
Total Child Nutrition Cluster			<u>861,794</u>
Total Passed Through the State Department of Agriculture			<u>\$ 861,794</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 861,794</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,358,363</u></u>

\*Clustered Programs

See Notes to Schedule of Expenditures of Federal Awards.

**SANTA FE INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**Note 1 – Basis of Accounting**

The District accounts for all awards under federal programs in the General and certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e, both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

**Note 2 – Reconciliation to Basic Financial Statements**

The following is a reconciliation of federal program revenues reported on Exhibit C-3:

Schedule of federal expenditures (Exhibit I-1)	\$ 2,358,363
Medicaid SHARS federal revenue accounted for in the General Fund	<u>234,835</u>
Federal program revenues (Exhibit C-3)	<u>\$ 2,593,198</u>

SCHOOLS FIRST QUESTIONNAIRE

Santa Fe Independent School District

Fiscal Year 2014

---

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	101419