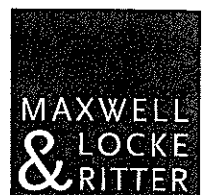


**MANOR INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2014**



MANOR INDEPENDENT SCHOOL DISTRICT

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MANOR INDEPENDENT SCHOOL DISTRICT

Annual Financial Report

Year Ended June 30, 2014

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CERTIFICATE OF BOARD

Manor Independent School District

Name of School District

Travis

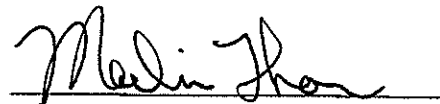
County

227907

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 15 day of December, 2014.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 303 East Main Street

Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Manor Independent School District:

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 Manor Independent School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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 June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As described in Note 17 and Note 18 to the financial statements, the District's government-wide and fund financial statements as of and for the year ended June 30, 2013 have been restated to correct certain misstatements. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 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.

Maxwell Locke + Pitter LLP

Austin, Texas
December 11, 2014

MANOR INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Manor Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2014. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position at June 30, 2014 was approximately \$45.5 million.
- The fund balance for the General Fund at June 30, 2014 was approximately \$18.8 million, a decrease of approximately \$0.5 million from the prior year, as restated. The decrease was primarily due to an increase in expenditures from a growth of student enrollment in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements 2.) fund financial statements and 3.) notes to the basic financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet provides a reconciliation to facilitate the comparison between total fund balances and net position of governmental activities. There is a reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities on page 17.

The District maintains numerous governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements and Schedules section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. 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 a separate Statement of Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Basic 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.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to the Basic Financial Statements. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection, food service, and grant expenditures is also presented.

Government-wide Financial Analysis

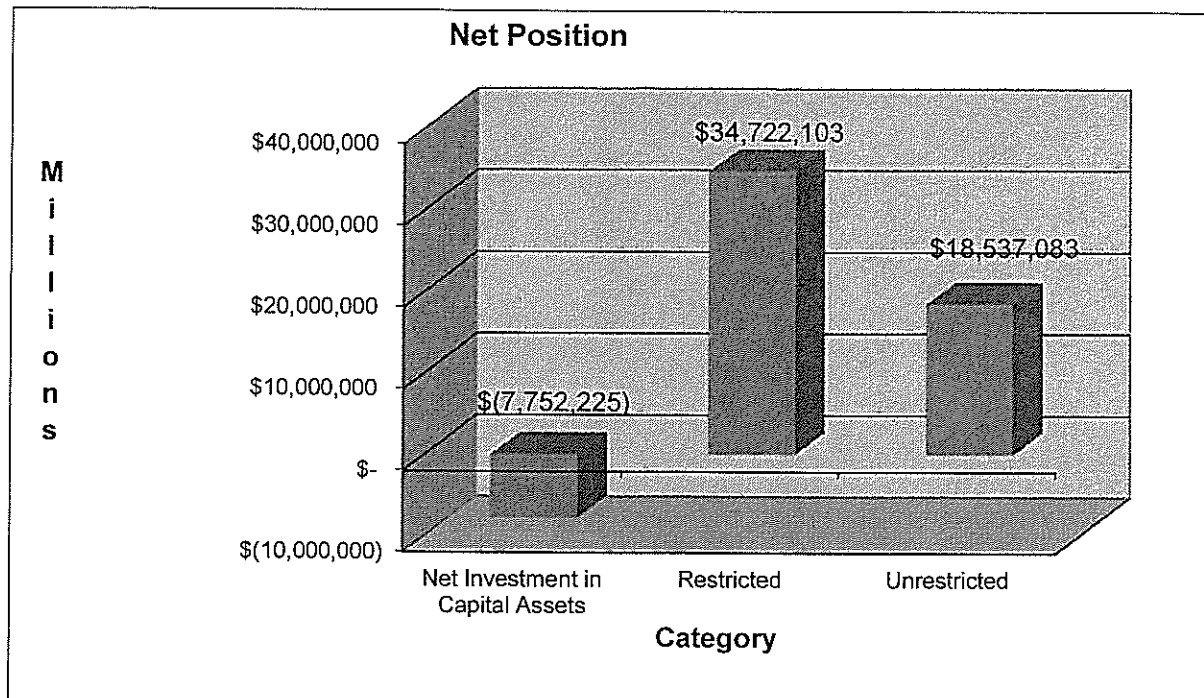
Net position may serve over time as a useful indicator of the District's financial position. At June 30, 2014, net position was \$45,506,961, an increase of \$5,623,078 as compared to net position at June 30, 2013, as restated.

Net position at June 30, 2014 as compared to at June 30, 2013, as restated, can be presented as follows:

Manor Independent School District's Net Position

	Governmental Activities as of	
	June 30, 2013	June 30, 2014
Current assets:		
Cash and temporary investments	\$ 73,296,425	\$ 72,979,263
Property taxes, net	1,291,501	1,309,693
Due from other governments, as restated	10,478,916	10,894,443
Other receivables, as restated	64,856	357
Prepaid items	30,752	30,751
Total current assets, as restated	85,162,450	85,214,507
Non-current assets -		
Capital assets, net of accumulated depreciation	173,879,789	169,761,538
Total assets, as restated	\$ 259,042,239	\$ 254,976,045
Deferred outflows of resources, as restated	\$ 4,831,194	\$ 2,292,111
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,585,208	\$ 6,873,309
Bonds and capital lease payable	5,850,000	5,920,554
Bond interest payable	4,381,820	3,602,985
Unearned revenue, as restated	6,290,195	869,464
Total current liabilities, as restated	23,107,223	17,266,312
Long-term liabilities:		
Bonds and capital lease payable, as restated	199,515,282	192,916,935
Accretion payable	610,097	627,842
Compensated absences	756,948	950,106
Total long-term liabilities, as restated	200,882,327	194,494,883
Total liabilities, as restated	\$ 223,989,550	\$ 211,761,195
Net position:		
Net investment in capital assets, as restated	\$ (5,612,871)	\$ (7,752,225)
Restricted, as restated	25,911,955	34,722,103
Unrestricted, as restated	19,584,799	18,537,083
Total net position, as restated	\$ 39,883,883	\$ 45,506,961

The District has unrestricted net position of \$18,537,083 at June 30, 2014. For the year ended June 30, 2014, restricted net position increased by \$8,810,148 and unrestricted net position decreased by \$1,047,716.



Net investment in capital assets (e.g. land, construction in progress, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is a negative \$7.8 million, meaning that the District has incurred more debt than it has capital assets at this point in time and/or capital assets are being depreciated at a faster rate than debt is being paid down. 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, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$34.7 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$18.5 million) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or federal grant requirements. Restricted net position is available for use in the designated areas only. Unrestricted net position may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees (the "Board").

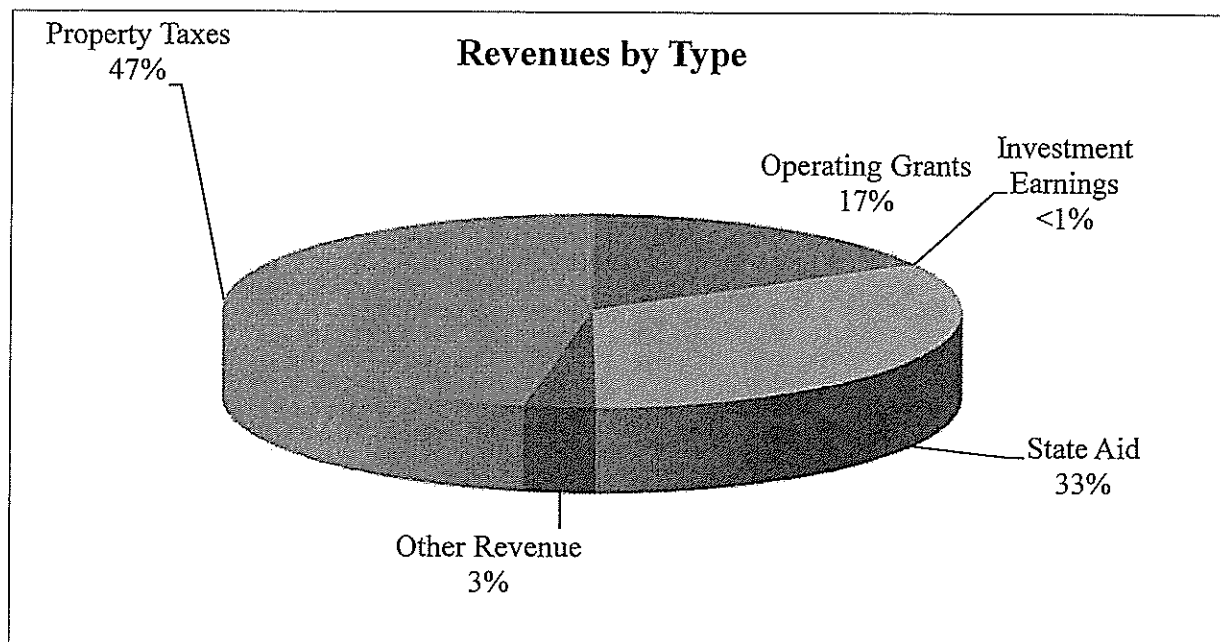
Governmental Activities

Governmental activities increased the District's net position by \$5,623,078 for the year ended June 30, 2014. Key elements of this increase are as follows:

Manor Independent School District's Changes in Net Position

	Governmental Activities as of	
	June 30, 2013	June 30, 2014
Revenues:		
Program Revenues:		
Charges for services	\$ 1,011,793	\$ 1,587,365
Operating grants and contributions	13,294,588	17,172,946
General Revenues:		
Property taxes	48,404,927	47,967,048
State aid - formula grants	30,410,551	33,553,665
Investment earnings	99,035	58,708
Miscellaneous	3,436,131	1,590,196
Total Revenues	<u>96,657,025</u>	<u>101,929,928</u>
Expenses:		
Instruction, curriculum and media services	43,968,111	48,256,493
Instructional and school leadership	6,705,394	7,393,973
Student support services	7,656,598	8,357,597
Food services	4,897,055	5,294,621
Extracurricular activities	2,251,227	2,678,627
General administration	2,318,295	3,296,262
Support services	8,407,670	9,602,648
Community services	758,671	872,102
Debt services	9,245,611	10,316,712
Other	235,451	237,815
Total Expenses	<u>86,444,083</u>	<u>96,306,850</u>
Change in Net Position	10,212,942	5,623,078
Net Position Beginning, as restated	<u>28,030,190</u>	<u>39,883,883</u>
Net Position Ending	38,243,132	45,506,961
Prior Period Adjustment	<u>1,640,751</u>	<u>-</u>
Net Position Ending, as restated	<u>\$ 39,883,883</u>	<u>\$ 45,506,961</u>

State aid revenue increased from the prior year primarily due to an increase in enrollment from the prior year. Overall property taxes account for 47% of the District's revenue sources while State funding represents 33%. Operating grants account for 17% of revenue sources.



House Bill 1, which passed during the final special legislative session in 2005, changed the way school districts receive revenue from both state and local sources. Property tax rates were “bought down” for two years and replaced with a combination of business franchise taxes and an increase in the tobacco tax. Districts that had reached the \$1.50 M&O tax rate cap, were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District’s Board has exercised that option.

With the compression of local tax rates, the State now funds a much higher percentage of public school revenue than in the previous years. However, the new funding formula now caps the amount of money a district can receive in combined state/local revenue per WADA (Weighted Average Daily Attendance). This “hold harmless” provision was set using a greater of amount between 2005 and 2006 funding under the old law and the set amount per WADA will remain in effect until changed by the legislature at a later session. The only way a school district can now increase its operating revenue is by adding students. Increases in local property values and collections are now negated by the funding formula.

The State has mandated that a district’s property value per WADA is limited to \$319,500. When values exceed this amount a district must share its wealth with the State to equalize access to revenue.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$76,162,041. Of this amount \$18,816,074 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$30,751 in General Fund fund balance is nonspendable due to being in the form of prepaid items. The remainder of the fund balance is restricted or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenses. As a measure of the General Fund’s liquidity, unassigned fund balance represents 29% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$35,516,719, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$19,031,615, which represents funds remaining from the prior year bond sales. These funds are restricted for the construction and renovation of school buildings and purchase of equipment and land. In September 2014, the District issued \$116.1 million from the remaining \$124.9 million of bonds authorized by the voters of the District, leaving \$8.8 million unissued.

Budgetary Highlights

Differences between the original General Fund operating budget and the final amended budget or actual amounts can be briefly summarized as follows:

- Expenditures were higher than final budgeted amounts due to instruction payroll being higher than expected.
- Revenues were higher than final budgeted amounts due to higher than expected student enrollment.

Capital Assets and Debt Administration:

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$169,761,538 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

Manor Independent School District Capital Assets (Net of accumulated depreciation)

Land	\$ 17,679,598
Construction in progress	2,028,251
Buildings and improvements	146,378,718
Furniture and equipment	<u>3,674,971</u>
Total	<u>\$ 169,761,538</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$188,814,999. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings ranging from AA- to AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The District is a rapidly growing, diverse district that encompasses approximately 100 square miles and includes addresses in Austin, Manor, and Elgin, Texas. It serves over 8,600 students at two high schools, two middle schools, seven elementary schools, and one alternative academy. The District is made up of a unique blend of rural and urban features with its diverse population. The District is proud to be a hub for the high-tech industry, with Samsung and Applied Materials within its boundaries and Dell and Freescale Semiconductors in close proximity.

The District's chief taxpayer, Samsung, has committed to a major investment in new technologies in their wafer manufacturing facility in the near future. Samsung is projected to invest in excess of three billion dollars at the existing facility, which is within District boundaries. Samsung and the District completed a Texas Property Tax Code, Chapter 313 agreement for the proposed new investment. While a major increase in the District's property values would not directly benefit the District's operating budget under the current state funding formula, the District's ability to fund bonded debt obligations would be greatly improved.

The District invested funds in daily liquidity local government investment pools, bonds and certificates of deposit. The priority of the District in this interest rate environment and volatile market was safety of principal and liquidity.

For budget purposes, the 2014 tax rate was \$1.515 (\$1.04 for maintenance and operations and \$0.475 for debt service) and did not change from 2013. The District is expecting continued student enrollment growth for 2014-2015. The District also expects an increase in taxable value for the 2014 tax year which is primarily due to changes in the Chapter 313 agreement with Samsung. The 2014-2015 budget projects increases in both revenues and expenditures and is expected to increase fund balance in the General Fund by approximately \$0.9 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Office.

BASIC FINANCIAL STATEMENTS

MANOR INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and temporary investments	\$ 72,979,263
Receivables:	
Property taxes - delinquent	2,413,077
Allowance for uncollectible taxes	(1,103,384)
Due from other governments	10,894,443
Other	357
Prepaid items	30,751
Noncurrent assets-	
Capital assets (net of accumulated depreciation):	
Land	17,679,598
Construction in progress	2,028,251
Buildings and improvements	146,378,718
Furniture and equipment	3,674,971
Total assets	<u>254,976,045</u>
DEFERRED OUTFLOWS OF RESOURCES -	
Deferred charges on refundings	<u>2,292,111</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	1,217,246
Accrued wages payable	5,644,152
Bond interest payable	3,602,985
Bonds payable	5,910,000
Capital lease payable	10,554
Due to other governments	11,911
Unearned revenue	869,464
Noncurrent liabilities:	
Bonds payable	192,879,331
Accretion payable	627,842
Capital lease payable	37,604
Compensated absences	950,106
Total liabilities	<u>211,761,195</u>
NET POSITION:	
Net investment in capital assets	(7,752,225)
Restricted for:	
Debt service	32,316,559
Food service	2,405,544
Unrestricted	18,537,083
Total net position	<u>\$ 45,506,961</u>

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

MANOR INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Governmental activities:				
Instruction	\$ 43,808,583	529,982	6,866,377	(36,412,224)
Instructional resources and media services	905,828	-	32,019	(873,809)
Curriculum and staff development	3,542,082	7,724	1,972,153	(1,562,205)
Instructional leadership	3,088,924	-	1,310,186	(1,778,738)
School leadership	4,305,049	17,647	266,743	(4,020,659)
Guidance, counseling, and evaluation services	2,562,469	-	896,026	(1,666,443)
Social work services	825,417	-	429,008	(396,409)
Health services	806,088	-	37,251	(768,837)
Student transportation	4,163,623	-	53,276	(4,110,347)
Food services	5,294,621	837,396	4,504,631	47,406
Extracurricular activities	2,678,627	105,765	39,615	(2,533,247)
General administration	3,296,262	85,671	78,399	(3,132,192)
Facilities maintenance and operations	6,915,030	-	359,270	(6,555,760)
Security and monitoring services	568,517	-	5,603	(562,914)
Data processing services	2,119,101	-	56,674	(2,062,427)
Community services	872,102	3,180	265,715	(603,207)
Debt service	10,316,712	-	-	(10,316,712)
Facilities acquisition and construction	13,875	-	-	(13,875)
Other intergovernmental charges	223,940	-	-	(223,940)
Total governmental activities	\$ 96,306,850	1,587,365	17,172,946	(77,546,539)
General revenues:				
Property taxes levied for general purposes				26,032,017
Property taxes levied for debt service				21,935,031
State aid-formula grants				33,553,665
Investment earnings				58,708
Miscellaneous				1,590,196
Total general revenues				83,169,617
Change in net position				5,623,078
Net position - beginning, as restated				39,883,883
Net position - ending				\$ 45,506,961

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

MANOR INDEPENDENT SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2014

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and temporary investments	\$ 37,693,383	14,293,375	20,419,837	572,668	72,979,263
Receivables:					
Property taxes - delinquent	1,818,525	594,552	-	-	2,413,077
Allowance for uncollectible taxes	(911,657)	(191,727)	-	-	(1,103,384)
Due from other governments	7,512,846	-	-	3,381,597	10,894,443
Due from other funds	2,933,316	21,223,344	125,624	2,017,641	26,299,925
Other	-	-	357	-	357
Prepaid items	30,751	-	-	-	30,751
Total assets	<u>\$ 49,077,164</u>	<u>35,919,544</u>	<u>20,545,818</u>	<u>5,971,906</u>	<u>111,514,432</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 336,876	-	689,268	191,102	1,217,246
Accrued wages payable	5,165,360	-	-	478,792	5,644,152
Due to other funds	23,240,985	-	824,935	2,234,005	26,299,925
Due to other governments	-	-	-	11,911	11,911
Unearned revenue	580,250	-	-	289,214	869,464
Total liabilities	<u>29,323,471</u>	<u>-</u>	<u>1,514,203</u>	<u>3,205,024</u>	<u>34,042,698</u>
Deferred inflows of resources -					
Deferred revenue - property taxes	<u>906,868</u>	<u>402,825</u>	<u>-</u>	<u>-</u>	<u>1,309,693</u>
Fund balances:					
Nonspendable-					
Prepaid items	30,751	-	-	-	30,751
Restricted for:					
Debt service	-	35,516,719	-	-	35,516,719
Authorized construction	-	-	19,031,615	-	19,031,615
Food service	-	-	-	2,405,544	2,405,544
Assigned to:					
Campus activities	-	-	-	264,846	264,846
Local grants	-	-	-	96,492	96,492
Unassigned	18,816,074	-	-	-	18,816,074
Total fund balances	<u>18,846,825</u>	<u>35,516,719</u>	<u>19,031,615</u>	<u>2,766,882</u>	<u>76,162,041</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,077,164</u>	<u>35,919,544</u>	<u>20,545,818</u>	<u>5,971,906</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 169,761,538
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,309,693
The following liabilities and deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(199,221,877)
Less: Issuance discounts	432,546
Less: Deferred charges on refundings	2,292,111
Interest payable	(3,602,985)
Capital lease payable	(48,158)
Accretion payable	(627,842)
Compensated absences	(950,106)
Net position of governmental activities	<u>\$ 45,506,961</u>

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

MANOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 27,744,791	21,952,593	44,210	1,443,532	51,185,126
State program revenues	35,970,045	-	-	357,034	36,327,079
Federal program revenues	957,440	-	-	13,442,092	14,399,532
Total revenues	64,672,276	21,952,593	44,210	15,242,658	101,911,737
EXPENDITURES:					
Current:					
Instruction	35,641,411	-	-	4,645,293	40,286,704
Instructional resources and media services	735,568	-	-	444	736,012
Curriculum and staff development	1,536,185	-	-	1,895,129	3,431,314
Instructional leadership	1,831,002	-	-	1,247,127	3,078,129
School leadership	4,121,664	-	-	84,584	4,206,248
Guidance, counseling, and evaluation services	1,699,218	-	-	824,351	2,523,569
Social work services	398,222	-	-	411,917	810,139
Health services	791,995	-	-	-	791,995
Student transportation	3,778,882	-	-	-	3,778,882
Food services	8,308	-	-	4,872,263	4,880,571
Extracurricular activities	1,637,154	-	-	17,598	1,654,752
General administration	2,907,609	-	-	101	2,907,710
Facilities maintenance and operations	6,628,125	-	13,091	201,961	6,843,177
Security and monitoring services	565,954	-	-	-	565,954
Data processing services	1,837,203	-	2,874	-	1,840,077
Community services	633,515	-	-	236,888	870,403
Debt service	9,313	14,297,765	-	-	14,307,078
Facilities acquisition and construction	55,981	-	2,038,058	-	2,094,039
Other intergovernmental charges	223,940	-	-	-	223,940
Total expenditures	65,041,249	14,297,765	2,054,023	14,437,656	95,830,693
Excess (deficiency) of revenues over (under) expenditures	(368,973)	7,654,828	(2,009,813)	805,002	6,081,044
OTHER FINANCING SOURCES (USES):					
Proceeds from capital leases	55,981	-	-	-	55,981
Other uses	(155,113)	-	-	-	(155,113)
Total other financing uses, net	(99,132)	-	-	-	(99,132)
Net change in fund balances	(468,105)	7,654,828	(2,009,813)	805,002	5,981,912
Fund balances - beginning, as restated	19,314,930	27,861,891	21,041,428	1,961,880	70,180,129
Fund balances - ending	\$ 18,846,825	35,516,719	19,031,615	2,766,882	76,162,041

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

MANOR INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Net change in fund balances-total governmental funds	\$ 5,981,912
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	2,531,645
Depreciation expense	(6,640,397)
Loss on disposal	(9,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	18,191
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from capital leases	(55,981)
Repayment of bond principal	5,850,000
Repayment of capital lease principal	7,823
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	(36,581)
Amortization of bond premiums	743,692
Amortization of bond issuance discounts	(17,741)
Amortization of deferred charges on refundings	(2,539,082)
Change in accretion payable	(17,745)
Change in compensated absences	(193,158)
Change in net position of governmental activities	<u>\$ 5,623,078</u>

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

MANOR INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Local and intermediate sources	\$ 27,719,943	27,775,995	27,744,791	(31,204)
State program revenues	31,077,733	35,038,919	35,970,045	931,126
Federal program revenues	325,000	923,068	957,440	34,372
Total revenues	59,122,676	63,737,982	64,672,276	934,294
EXPENDITURES:				
Current:				
Instruction	33,066,765	34,622,876	35,641,411	(1,018,535)
Instructional resources and media services	693,543	716,569	735,568	(18,999)
Curriculum and staff development	1,578,513	1,579,835	1,536,185	43,650
Instructional leadership	2,009,086	2,058,174	1,831,002	227,172
School leadership	4,034,150	4,005,960	4,121,664	(115,704)
Guidance, counseling, and evaluation services	1,624,994	1,637,723	1,699,218	(61,495)
Social work services	344,633	411,133	398,222	12,911
Health services	670,873	762,033	791,995	(29,962)
Student transportation	2,786,927	3,745,945	3,778,882	(32,937)
Food services	-	-	8,308	(8,308)
Extracurricular activities	1,513,162	1,628,523	1,637,154	(8,631)
General administration	2,305,034	2,782,053	2,907,609	(125,556)
Facilities maintenance and operations	6,170,997	6,834,258	6,628,125	206,133
Security and monitoring services	541,813	568,693	565,954	2,739
Data processing services	1,390,583	1,752,636	1,837,203	(84,567)
Community services	520,503	586,703	633,515	(46,812)
Debt service	-	-	9,313	(9,313)
Facilities acquisition and construction	-	-	55,981	(55,981)
Payments to juvenile justice alternative education programs	35,000	16,500	-	16,500
Other intergovernmental charges	230,000	223,940	223,940	-
Total expenditures	59,516,576	63,933,554	65,041,249	(1,107,695)
Deficiency of revenues under expenditures	(393,900)	(195,572)	(368,973)	(173,401)
OTHER FINANCING SOURCES (USES):				
Proceeds from capital leases	-	-	55,981	55,981
Other uses	-	-	(155,113)	(155,113)
Total other financing uses, net	-	-	(99,132)	(99,132)
Net change in fund balance	(393,900)	(195,572)	(468,105)	(272,533)
Fund balance - beginning, as restated	19,314,930	19,314,930	19,314,930	-
Fund balance - ending	\$ 18,921,030	19,119,358	18,846,825	(272,533)

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

MANOR INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

ASSETS-

Cash and temporary investments	\$ 4,082
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Total assets	<u>\$ 4,082</u>
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LIABILITIES-

Due to student groups	\$ 4,082
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Total liabilities	<u>\$ 4,082</u>
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The notes to the financial statements are an integral part of this statement.

MANOR INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Manor Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund 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 nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting 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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Fiduciary Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by June 26 and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year.

The following expenditure functions in the General Fund exceeded budgeted amounts for the year ended June 30, 2014:

Instruction	\$ 1,018,535
Instructional resources and media services	18,999
School leadership	115,704
Guidance, counseling, and evaluation services	61,495
Health services	29,962
Student transportation	32,937
Food services	8,308
Extracurricular activities	8,631
General administration	125,556
Data processing services	84,567
Community services	46,812
Debt service	9,313
Facilities acquisition and construction	55,981

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at June 30, 2014 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Investments - Temporary investments throughout the year consisted of investments in an external investment pool, municipal bonds, and certificates of deposit. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 10 to 40 years, furniture and equipment - 4 to 15 years.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Compensated Absences - The State of Texas (the "State") has created a minimum leave program consisting of five days of personal leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a leave plan. Local school districts may provide additional leave beyond the State minimum. Upon retirement or death of certain employees, the District pays any accrued leave in a lump cash payment in accordance with District policy. Accordingly, a liability for accrued compensated absences has been established by the District and is reflected in the government-wide financial statements.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 8 for additional information on deferred outflows of resources.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended June 30, 2015.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of GASB Statement No. 68 related to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 requires that, at the time of transition to GASB Statement No. 68, a government recognize beginning deferred outflows of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Management is still evaluating the effects that the full implementation of GASB Statement No. 71 will have on its financial statements for the year ended June 30, 2015.

2. DEPOSITS, SECURITIES AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Guaranteed investment contracts
- Public funds investment pools
- Corporate bonds

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2014, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$64,593,109 and the bank balance was \$64,903,122.

The District's deposits with financial institutions at June 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the TEA maintains copies of all safekeeping receipts in the name of the District. During the year ended June 30, 2014, there were instances in which the District's deposits, including the day of the highest cash balance, were not fully collateralized by FDIC insurance or by pledged collateral. These instances were due to the timing of certain payments received by the District in which the bank did not increase the pledged collateral until the next day. Deposits were exposed to custodial credit risk at various times throughout the year.

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

- a) Name of depository bank: Wells Fargo
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$59,153,758
- c) Largest cash, savings and time deposit combined account balance amounted to \$86,074,601 and occurred during the month of February 2014.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$500,000.

Investments held at June 30, 2014 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools- TexPool	\$ 3,371,488	1	AAAm
Municipal bonds	3,519,455	309	A+ to AA
Certificates of deposit	1,499,293	345	N/A
Total	<u>\$ 8,390,236</u>		

The District had investments in one external local government investment pool at June 30, 2014: Texas Local Governmental Investment Pool ("TexPool"). Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pool shares.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

The investments are reported by the District at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Credit Risk - At June 30, 2014, investments were included in a local government investment pool, municipal bonds, and certificates of deposit in compliance with the District's investment policy.

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 financial 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 District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2014, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. Government. At June 30, 2014, the District's investments which require disclosure were as follows:

Issuer	Fair Value	Percentage of Portfolio
Municipal Bonds - Midwest City, OK	\$ 1,220,388	15%
Municipal Bonds - South San Antonio TX ISD	770,003	9%
Municipal Bonds - Northside TX ISD	767,888	9%
Municipal Bonds - Port Authority of NY & NJ	529,425	6%

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires the District to monitor interest rate risk using weighted average maturity and specific identification. Maturities of any individual investment owned by the District should not exceed one year from the time of purchase unless the Board specifically authorizes a longer maturity for a given investment, within legal limits. The District considers the holdings in a local government investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2014, the District was not exposed to significant interest rate risk.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Travis Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The District has an economic exemption under Texas Property Tax Code Section 313.027 which reduces the assessed value that can be taxed for local maintenance (general governmental services). The assessed value at January 1, 2013, upon which the October 2013 levy was based, for local maintenance and debt service was \$2,422,556,704 and \$4,553,456,640, respectively. The District levied taxes based on a tax rate of \$1.04 and \$0.475 per \$100 of assessed valuation for local maintenance and debt service, respectively.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance ("WADA") meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district's tax effort and the extent to which the district's wealth per WADA exceeds the first equalized wealth level of \$495,000. The District was not above the equalized wealth level for the 2013-2014 fiscal year.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at June 30, 2014.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 7,512,846	-	7,512,846
Federal and state grants	-	3,381,597	3,381,597
Total	<u>\$ 7,512,846</u>	<u>3,381,597</u>	<u>10,894,443</u>

5. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 2,108,381
	Capital Projects Fund	824,935
Debt Service Fund	General Fund	21,223,344
Capital Projects Fund	Nonmajor Governmental Funds	125,624
Nonmajor Governmental Funds	General Fund	2,017,641
Total		<u>\$ 26,299,925</u>

6. UNEARNED REVENUE

At June 30, 2014, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 580,250	-	580,250
Federal and state grants	-	289,214	289,214
Total	<u>\$ 580,250</u>	<u>289,214</u>	<u>869,464</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,679,598	-	-	17,679,598
Construction in progress	<u>204,682</u>	<u>1,972,526</u>	<u>(148,957)</u>	<u>2,028,251</u>
Total capital assets, not being depreciated	<u>17,884,280</u>	<u>1,972,526</u>	<u>(148,957)</u>	<u>19,707,849</u>
Capital assets, being depreciated:				
Buildings and improvements	195,521,040	45,310	-	195,566,350
Furniture and equipment	<u>12,585,213</u>	<u>662,766</u>	<u>(9,500)</u>	<u>13,238,479</u>
Total capital assets being depreciated	<u>208,106,253</u>	<u>708,076</u>	<u>(9,500)</u>	<u>208,804,829</u>
Less accumulated depreciation for:				
Buildings and improvements	(44,338,221)	(4,849,411)	-	(49,187,632)
Furniture and equipment	<u>(7,772,522)</u>	<u>(1,790,986)</u>	<u>-</u>	<u>(9,563,508)</u>
Total accumulated depreciation	<u>(52,110,743)</u>	<u>(6,640,397)</u>	<u>-</u>	<u>(58,751,140)</u>
Total capital assets, being depreciated, net	<u>155,995,510</u>	<u>(5,932,321)</u>	<u>(9,500)</u>	<u>150,053,689</u>
Governmental activities capital assets, net	<u>\$ 173,879,790</u>	<u>(3,959,795)</u>	<u>(158,457)</u>	<u>169,761,538</u>

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

Governmental activities:

Instruction	\$ 3,392,463
Instruction resources and media services	169,816
Curriculum and staff development	110,768
Instructional leadership	5,000
School leadership	89,143
Guidance, counseling, and evaluation services	35,037
Social work services	15,278
Health services	14,093
Student transportation	690,379
Food services	414,050
Extracurricular activities	1,038,027
General administration	229,576
Facilities maintenance and operations	146,215
Security and monitoring services	2,563
Data processing services	286,290
Community services	1,699
Total depreciation expense - governmental activities	<u>\$ 6,640,397</u>

8. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on refundings, as restated	<u>\$ 4,831,193</u>	<u>-</u>	<u>(2,539,082)</u>	<u>2,292,111</u>

9. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$194,664,999	-	(5,850,000)	188,814,999
Premiums on bonds, as restated	11,150,570	-	(743,692)	10,406,878
Issuance discounts on bonds	(450,287)	-	17,741	(432,546)
Accretion on capital appreciation bonds	610,097	17,745	-	627,842
Capital leases	-	55,981	(7,823)	48,158
Compensated absences	756,948	193,158	-	950,106
Total, as restated	<u>\$206,732,327</u>	<u>266,884</u>	<u>(6,583,774)</u>	<u>200,415,437</u>

Bonded debt consists of the following at June 30, 2014:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-14	Due Within One Year
2004	9-1-04	\$ 34,324,998	2030	2.00 - 5.00%	\$ 5,755,000	\$ 235,000
2005	3-22-05	14,560,000	2018	3.00 - 5.00%	8,870,000	1,185,000
2006	3-30-06	18,550,000	2034	0.875 - 4.85%	11,140,000	-
2006A	9-11-06	35,555,000	2018	4.00 - 5.00%	700,000	100,000
2007	9-14-07	68,125,000	2038	4.00 - 5.25%	66,950,000	270,000
2008	9-9-08	24,999,992	2039	3.00 - 5.00%	23,045,000	540,000
2009	4-6-09	7,594,998	2015	3.00% 1.75 -	1,610,000	1,610,000
2011	11-10-11	17,465,000	2022	5.00% 2.00 -	14,365,000	1,580,000
2012	5-2-12	8,779,999	2030	3.50% 1.50 -	8,584,999	50,000
2013	3-19-13	48,240,000	2037	5.00%	47,795,000	340,000
Total		<u>\$ 278,194,987</u>			<u>\$ 188,814,999</u>	<u>\$ 5,910,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for tax year 2013 was \$0.475.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2014, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 5,910,000	8,552,613	14,462,613
2016	6,170,000	8,334,270	14,504,270
2017	6,410,000	8,074,364	14,484,364
2018	7,180,000	7,776,295	14,956,295
2019	7,500,000	7,438,827	14,938,827
2020 - 2024	37,880,000	32,032,013	69,912,013
2025 - 2029	35,819,999	24,666,126	60,486,125
2030 - 2034	43,660,000	14,520,886	58,180,886
2035 - 2039	38,285,000	3,827,732	42,112,732
Total	<u>\$ 188,814,999</u>	<u>115,223,126</u>	<u>304,038,125</u>

The outstanding Series 2012 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

In prior years, the District defeased outstanding general obligation bonds through the Series 2012 and Series 2013 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At June 30, 2014 outstanding bonds of \$59,165,000 are considered defeased.

As of June 30, 2014, general obligation bonds of \$124,900,000 were authorized by voters of the District, but unissued.

The District financed the purchase of maintenance equipment through two capital lease agreements (the "Agreements") with a finance company. The purchase price of the maintenance equipment was \$55,981 which equates to the capital lease principal amount. Under the terms of the Agreement, principal and interest payments of \$1,035 are due monthly beginning in November 2013 through October 2018. At the end of the lease term, the District has a bargain purchase option allowing the District to purchase all the maintenance equipment for one dollar per agreement. The effective interest rate on the leases is 4.30%. Lease payment requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 10,554	1,864	12,418
2016	11,016	1,402	12,418
2017	11,500	918	12,418
2018	12,004	414	12,418
2019	3,084	20	3,104
Total	\$ 48,158	4,618	52,776

10. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

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

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2014, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 25,772,291	21,888,655	-	-	47,660,946
Food service	-	-	-	837,396	837,396
Investment income	13,993	2,204	42,067	444	58,708
Penalties, interest, and other tax related income	226,077	61,734	-	-	287,811
Co-curricular student activities	66,961	-	-	500,400	567,361
Other	1,665,469	-	2,143	105,292	1,772,904
Total	<u>\$ 27,744,791</u>	<u>21,952,593</u>	<u>44,210</u>	<u>1,443,532</u>	<u>51,185,126</u>

12. PENSION PLAN OBLIGATIONS

The District's employees participate in the Teacher Retirement System of Texas (the "System"), a public employee retirement system ("PERS"). It is a cost-sharing multiple employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. During the year ended June 30, 2014, contributions of approximately \$2,291,000 were made by the State. These contributions made by the State on behalf of the District have been reflected in the accompanying basic financial statements as both revenue and expenditures. The System's annual financial report and other required disclosures are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the District's covered payroll. The District's employees' contributions to the System for the years ended June 30, 2014, 2013, and 2012 were approximately \$3,085,000, \$2,764,000, and \$2,608,000, respectively, which were equal to the required contributions for the years. Other contributions made from federal grants and from the District for salaries above the statutory minimum for the year ended June 30, 2014, 2013, and 2012 were approximately \$763,000, \$788,000, and \$668,000, respectively, which was equal to the required contributions for the year.

13. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to the System on behalf of the District. For the year ended June 30, 2014, reimbursements of \$136,612 were received by the System and allocated to the District.

14. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the System. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The System 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 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 System 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 amounts are shown in the table below for fiscal years 2012-2014.

Contribution Rates:						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	.65%	\$ 310,857	1.0%	\$ 478,242	.55%	\$ 263,033
2013	.65%	246,999	0.5%	190,000	.55%	208,999
2012	.65%	224,767	1.0%	345,795	.55%	190,187

15. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2014, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

16. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At June 30, 2014, the District is also committed under construction contracts with a remaining balance of \$17,521,536.

17. RESTATEMENT OF GOVERNMENTAL FUNDS BALANCES

At June 30, 2013, the following items were identified that impacted the fund balance in the General Fund: 1) the District had recorded excess revenue in prior years related to State allotments through the School Foundation and Per Capita Programs; 2) the District had recorded unearned revenue in prior years that was not properly reversed and thus should have been zero at June 30, 2013; and 3) the District had due to/from balances in prior years that were not properly reversed when the due to/from balances were retired/received.

As a result of these errors, the fund balance in the General Fund at June 30, 2013, as previously reported, has been restated as follows:

Beginning fund balance, General Fund - June 30, 2013	\$ 16,942,024
Effect of adjustments to Foundation and Per Capita allotments	(364,828)
Effect of unearned revenue reversals	2,673,235
Effect of due to/from balance reversals	64,499
Beginning fund balance, General Fund - June 30, 2013, as restated	<u>\$ 19,314,930</u>

At June 30, 2013, the following items were identified that impacted the fund balance in the Nonmajor Governmental Funds: 1) the District did not record a receivable and related revenue for monthly meal claims for the Food Service Fund that related to the prior year but were not reimbursed until after June 30, 2013; 2) the District recognized revenue in the prior year for proceeds received related to the Instructional Materials Allotment program that did not have corresponding expenditures and thus should have been presented as unearned revenue; and 3) the District did not reconcile revenues and expenditures for several other federal and state grant funds that were cost-reimbursement grants, thus these funds had a net deficit fund balance at June 30, 2013.

As a result of these errors, the fund balance in the Nonmajor Governmental Funds at June 30, 2013, as previously reported, has been restated as follows:

Beginning fund balance, Nonmajor Governmental Funds - June 30, 2013	\$ 1,318,354
Effect of Food Service Fund revenue and receivable	613,289
Effect of Instructional Materials Allotment revenue recognition	(86,621)
Effect of other federal and state grants reconciliations	116,858
Beginning fund balance, Nonmajor Governmental Fund - June 30, 2013, as restated	<u>\$ 1,961,880</u>

18. PRIOR PERIOD ADJUSTMENTS TO NET POSITION

At June 30, 2013, the District had understated bond premiums and overstated deferred charges on refundings related to the District's bond issuances in prior years. In addition, the District understated fund balance in the General Fund and Nonmajor Governmental Funds as noted in Note 17 above which also effects beginning net position.

As a result of these errors, net position at June 30, 2013, as previously reported, has been restated as follows:

Net position - June 30, 2013	\$ 38,243,132
Correction of calculation of bond premiums, net of accumulated amortization	(465,290)
Correction of calculation of deferred charges on bond refundings, net of accumulated amortization	(910,391)
Effect of fund balance adjustments for the General Fund and Nonmajor Governmental Funds	3,016,432
Net position - June 30, 2013, as restated	<u>\$ 39,883,883</u>

19. SUBSEQUENT EVENTS

In July 2014, the District issued \$43,585,000 Unlimited Tax Refunding Bonds, Series 2014 to advance refund \$52,595,000 (which includes a District cash contribution of \$8,550,000) of previously issued District bonds in order to lower its overall debt service requirements.

In September 2014, the District issued \$116,095,000 Unlimited Tax School Building Bonds, Series 2014 to pay for high school additions and improvements, a new elementary and middle school, future school sites, new school buses, improvements to existing campuses and facilities, and for the costs of issuance.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

MANOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	206	211	224	225	240/242	244	255	263	265	267
	ESEA Title X, Part C Education for Homeless Children	ESEA Title I, Part A Improving Basic Programs	IDEA Part B, Formula	IDEA Part B, Preschool	National School Breakfast and Lunch Program	Vocational Education Basic Grant	ESEA Title II, Part A Teacher and Principal Training and Recruiting	Title III, Part A English Language Acquisition and Language Enhancement	Title IV Part B 21st Century Community Learning Centers	Summer School LEP
Assets:										
Cash and temporary investments	\$ -	-	-	-	150	-	-	-	-	-
Receivables:										
Due from other governments	31,369	104,869	777,505	-	641,846	18,832	28,957	70,375	157,852	-
Due from other funds	-	-	-	-	1,870,209	-	-	-	-	-
Total assets	\$ 31,369	104,869	777,505	-	2,512,205	18,832	28,957	70,375	157,852	-
Liabilities and fund balances:										
Liabilities:										
Accounts payable	\$ 3,063	12,122	72,891	-	3,556	-	-	400	-	-
Accrued wages payable	3,617	70,097	68,257	-	103,105	-	4,536	12,404	18,928	-
Due to other funds	24,689	22,650	636,357	-	-	18,832	24,421	57,571	138,924	-
Due to other governments	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-
Total liabilities	31,369	104,869	777,505	-	106,661	18,832	28,957	70,375	157,852	-
Fund balances:										
Restricted	-	-	-	-	2,405,544	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	2,405,544	-	-	-	-	-
Total liabilities and fund balances	\$ 31,369	104,869	777,505	-	2,512,205	18,832	28,957	70,375	157,852	-

(continued)

MANOR INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2014

	274	276	289	385	404	410	461	499	Total Special Revenue Funds
		Texas Title I Priority Schools	Texas Literacy Initiative	Visually Impaired	Student Success Initiative	State Instructional Materials	Campus Activity	Local Grants	
Assets:									
Cash and temporary investments	\$ -	-	-	-	-	298,041	274,477	-	572,668
Receivables:									
Due from other governments	165,350	797,715	582,963	3,964	-	-	-	-	3,381,597
Due from other funds	-	-	-	-	48,660	-	2,280	96,492	2,017,641
Total assets	\$ 165,350	797,715	582,963	3,964	48,660	298,041	276,757	96,492	5,971,906
Liabilities and fund balances:									
Liabilities:									
Accounts payable	\$ 1,764	43,712	44,767	-	-	8,827	-	-	191,102
Accrued wages payable	4,333	22,004	171,511	-	-	-	-	-	478,792
Due to other funds	159,253	731,999	366,685	3,964	48,660	-	-	-	2,234,005
Due to other governments	-	-	-	-	-	-	11,911	-	11,911
Unearned revenue	-	-	-	-	-	289,214	-	-	289,214
Total liabilities	165,350	797,715	582,963	3,964	48,660	298,041	11,911	-	3,205,024
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	2,405,544
Assigned	-	-	-	-	-	-	264,846	96,492	361,338
Total fund balances	-	-	-	-	-	-	264,846	96,492	2,766,882
Total liabilities and fund balances	\$ 165,350	797,715	582,963	3,964	48,660	298,041	276,757	96,492	5,971,906

MANOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2014

	206	211	224	225	240/242	244	255	263	265	267
	ESEA Title X, Part C	ESEA Title I, Part A	IDEA Part B, Formula	IDEA Part B, Preschool	National School Breakfast and Lunch Program	Vocational Education Basic Grant	ESEA Title II, Part A Teacher and Principal Training and Recruiting	Part A English Language Acquisition and Language Enhancement	Title IV Part B 21st Century Community Learning Centers	Summer School LEP
Revenues:										
Local and intermediate sources	-	-	-	-	846,196	-	-	-	-	-
State program revenues	-	-	-	-	93,057	-	-	-	-	-
Federal program revenues	62,323	1,202,287	1,218,933	11,605	4,611,574	64,081	65,029	340,983	608,316	4,452
Total revenues	62,323	1,202,287	1,218,933	11,605	5,550,827	64,081	65,029	340,983	608,316	4,452
Expenditures:										
Instruction	5,777	729,457	344,507	11,605	-	55,851	-	20,574	240,021	4,452
Instruction resources and media	-	-	-	-	-	-	-	-	-	-
Curriculum and staff development	-	69,789	69,877	-	-	7,965	14,402	300,275	28,985	-
Instructional leadership	1,216	232,497	96,852	-	-	265	50,627	20,134	337,349	-
School leadership	-	6,800	-	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	707,697	-	-	-	-	-	-	-
Social work services	55,330	155,745	-	-	-	-	-	-	-	-
Food services	-	-	-	-	4,872,263	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-	-
Facilities maintenance and operations	-	-	-	-	200,000	-	-	-	1,961	-
Community services	-	7,999	-	-	-	-	-	-	-	-
Total expenditures	62,323	1,202,287	1,218,933	11,605	5,072,263	64,081	65,029	340,983	608,316	4,452
Excess of revenues over expenditures	-	-	-	-	478,564	-	-	-	-	-
Fund balances - beginning, as restated	-	-	-	-	1,926,980	-	-	-	-	-
Fund balances - ending	-	-	-	-	2,405,544	-	-	-	-	-
\$										

(continued)

MANOR INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2014

	274	276	289	385	404	410	461	499	Total Special Revenue Funds
		Texas Title I Priority Schools	Texas Literacy Initiative	Visually Impaired	Student Success Initiative	State Instructional Materials	Campus Activity	Local Grants	
Revenues:									
Local and intermediate sources	-	-	-	-	-	-	500,844	96,492	1,443,532
State program revenues	-	-	-	3,964	2,260	257,753	-	-	357,034
Federal program revenues	356,596	2,647,849	2,248,064	-	-	-	-	-	13,442,092
Total revenues	356,596	2,647,849	2,248,064	3,964	2,260	257,753	500,844	96,492	15,242,638
Expenditures:									
Instruction	208,708	1,505,679	1,014,331	3,964	2,260	257,753	240,354	-	4,645,293
Instruction resources and media	-	444	-	-	-	-	-	-	444
Curriculum and staff development	78,599	342,879	978,856	-	-	-	3,502	-	1,895,129
Instructional leadership	63,195	316,185	128,807	-	-	-	-	-	1,247,127
School leadership	2,303	41,996	25,482	-	-	-	8,003	-	84,584
Guidance, counseling and evaluation services	-	116,654	-	-	-	-	-	-	824,351
Social work services	-	200,842	-	-	-	-	-	-	411,917
Food services	-	-	-	-	-	-	-	-	4,872,263
Extracurricular activities	-	-	-	-	-	-	17,598	-	17,598
General administration	101	-	-	-	-	-	-	-	101
Facilities maintenance and operations	-	-	-	-	-	-	-	-	201,961
Community services	3,690	123,170	100,588	-	-	-	1,441	-	236,888
Total expenditures	356,596	2,647,849	2,248,064	3,964	2,260	257,753	270,898	-	14,437,656
Excess of revenues over expenditures	-	-	-	-	-	-	229,946	96,492	805,002
Fund balances - beginning, as restated	-	-	-	-	-	-	34,900	-	1,961,880
Fund balances - ending	\$ -	-	-	-	-	-	264,846	96,492	2,766,882

MANOR INDEPENDENT SCHOOL DISTRICT**Major Governmental Fund - Debt Service Fund****Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
REVENUES-				
Local and intermediate sources	\$ 21,935,063	25,375,717	21,952,593	(3,423,124)
Total revenues	21,935,063	25,375,717	21,952,593	(3,423,124)
EXPENDITURES-				
Debt service	14,510,182	14,510,182	14,297,765	212,417
Total expenditures	14,510,182	14,510,182	14,297,765	212,417
Excess of revenues over expenditures	7,424,881	10,865,535	7,654,828	(3,210,707)
Fund balance - beginning	27,861,891	27,861,891	27,861,891	-
Fund balance - ending	<u>\$ 35,286,772</u>	<u>38,727,426</u>	<u>35,516,719</u>	<u>(3,210,707)</u>

MANOR INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
REVENUES:				
Local and intermediate sources	\$ 735,000	735,000	846,196	111,196
State program revenues	26,000	26,000	93,057	67,057
Federal program revenues	4,165,000	4,594,408	4,611,574	17,166
Total revenues	4,926,000	5,355,408	5,550,827	195,419
EXPENDITURES:				
Food services	4,927,010	4,941,987	4,872,263	69,724
Facilities maintenance and operations	200,000	200,000	200,000	-
Total expenditures	5,127,010	5,141,987	5,072,263	69,724
Excess (deficiency) of revenues over (under) expenditures	(201,010)	213,421	478,564	265,143
Fund balance - beginning, as restated	1,926,980	1,926,980	1,926,980	-
Fund balance - ending	\$ 1,725,970	2,140,401	2,405,544	265,143

OTHER SCHEDULES

MANOR INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2014

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2013	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2014
	Maintenance	Debt Service							
2005 and prior	Various	Various	\$	\$	-	7,689	1,294	(459)	825,406
2006	1.4700	0.3300	1,566,113,131	112,759	-	1,982	445	196	110,528
2007	1.3430	0.4250	2,068,109,162	62,259	-	2,374	751	(554)	58,580
2008	1.0200	0.4950	2,393,916,190	65,900	-	2,921	1,418	(31)	61,530
2009	1.0400	0.4950	3,148,096,352	99,273	-	7,987	3,802	3,358	90,842
2010	1.0400	0.4750	3,532,856,720	127,685	-	24,663	11,265	8,984	100,741
2011	1.0400	0.4750	3,143,297,300	171,457	-	13,801	6,304	(44,093)	107,259
2012	1.0400	0.4750	3,200,551,815	323,745	-	92,211	42,116	3,929	193,347
2013	1.0400	0.4750	3,250,287,925	729,464	-	238,576	108,965	(92,395)	289,528
2014	1.0400	0.4750	3,151,131,023 *	-	47,739,635	25,380,087	21,712,295	(71,937)	575,316
Totals			\$	2,527,390	47,739,635	25,772,291	21,888,655	(193,002)	2,413,077

* The District is affected by an economic exemption which applies only to the Maintenance and Operations rate per Texas Property Tax Code Section 313.027:
Maintenance and Operations Net Taxable 2,422,556,704
Debt Service Net Taxable 4,553,456,640

MANOR INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS

As of June 30, 2014

Data Control Codes		<u>Responses</u>
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 unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	Yes
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end:	\$ 627,842

FEDERAL AWARDS SECTION



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 303 East Main Street
Round Rock, TX 78664

**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**

The Board of Trustees of
Manor Independent School District:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 Manor Independent School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies that we consider to be material weaknesses.

Affiliated Company
ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"
This firm is not a CPA firm

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2014-001 and 2014-002).

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2014-003 and 2014-004)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-004.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maxwell Tocher + Fitter LLP

Austin, Texas
December 11, 2014



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 303 East Main Street
Round Rock, TX 78664

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

The Board of Trustees of
Manor Independent School District:

Report on Compliance for the Major Federal Program

We have audited Manor 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 the District's major federal program for the year ended June 30, 2014. The District's major federal program is 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 the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
"A Registered Investment Advisor"
This firm is not a CPA firm

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

Opinion on the 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 its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-005, 2014-006, 2014-007, and 2014-008. Our opinion on the major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-005 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006, 2014-007, and 2014-008 to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Maxwell Toche + Pitter LLP

Austin, Texas
December 11, 2014

MANOR INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
14610101227907	Title I Grants to Local Educational Agencies	84.010A	\$ 1,220,689
146600012279076000	Special Education_Grants to States	84.027A	1,218,933
146610012279076000	Special Education_Preschool Grants	84.173A	11,605
14420006227907	Career and Technical Education - Basic Grants to States	84.048A	64,081
14694501227907	Improving Teacher Quality State Grants	84.367A	65,777
14671001227907	English Language Acquisition State Grants	84.365A	344,367
136950147110038	Twenty-First Century Community Learning Centers	84.287C	608,316
145110017110003	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334S	356,596
136107047110019	School Improvement Grants	84.377A	2,667,404
69551302	Grants for State Assessments and Related Activities	84.369A	4,452
146460037110017	Striving Readers	84.371C	2,254,925
<u>Passed Through Education Service Center Region 10-</u>			
11-018	Education for Homeless Children and Youth	84.196A	62,323
TOTAL DEPARTMENT OF EDUCATION			8,879,468
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency:</u>			
71301401	National School Lunch Program	10.555	3,234,651
71401401	School Breakfast Program	10.553	1,093,863
<u>Passed Through the Texas Department of Human Services-</u>			
	Non-cash assistance - Food Distribution Program	10.555	283,060
TOTAL DEPARTMENT OF AGRICULTURE			4,611,574
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Texas Health and Human Services Commission-</u>			
	Medical Assistance Program	93.778	35,012
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,526,054

The accompanying notes are an integral part of this schedule.

MANOR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Manor Independent School District (the "District").

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District's basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs - The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

MANOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 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 ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

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

Child Nutrition Cluster unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ yes ☐ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution Program

Dollar threshold used to distinguish between type A and type B programs:

\$405,782

Auditee qualified as low-risk auditee?

☒ yes ☐ no

MANOR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

There were four findings required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2014. There were no findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended June 30, 2013.

Findings Relating to Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*:

2014-001

Criteria:	The District is required to record transactions within its governmental funds in accordance with generally accepted accounting principles ("GAAP").
Condition/Context:	During the course of the audit, numerous audit adjustments were identified and recorded in the District's governmental fund and government-wide financial statements.
Effect:	The audit adjustments identified and recorded increased fund balance in the General Fund, Nonmajor Governmental Funds, and Debt Service Fund by \$1,605,589, \$2,445,473, and \$209,277, respectively, and decreased fund balance in the Capital Projects Fund by \$86,788. In addition, prior period adjustments of \$1,640,751 were made to the beginning net position balance at June 30, 2013.
Cause:	The District's internal controls over financial reporting were not operating effectively as account reconciliations and reviews were not performed timely.
Recommendations:	District management should review its internal controls over financial reporting to ensure that all transactions are recorded in accordance with GAAP.
Views of Responsible Officials and Planned Corrective Actions:	District management will implement procedures that enhance internal controls and reviews over financial reporting in accordance with GAAP. Dan Arrigona, Executive Director of Financial Operations, will evaluate internal controls over financial reporting and develop procedures to strengthen District reporting in accordance with GAAP. The evaluation and development of procedures will occur January through April 2015. Contact: Dan Arrigona, Executive Director of Financial Operations.

2014-002

Criteria:	The District should perform timely reconciliations of its federal and state grants which are included in the District's Nonmajor Governmental Funds to ensure appropriate accounting in accordance with GAAP.
Condition/Context:	The District did not record revenue during the current year or receivables at year-end for grant expenditures incurred or claims submitted during the current year that had not been reimbursed at June 30, 2014.
Effect:	Audit adjustments in the current year identified and recorded to increase state and federal revenue and receivables in the Nonmajor Governmental Funds totaled by \$2,027,463 and \$3,381,597, respectively. In addition, prior period adjustments of \$643,526 were made to the beginning fund balance at June 30, 2013.
Cause:	The District was recording revenue for its federal and state grants when it received the payment from the granting agency.
Recommendations:	The District should perform monthly grant reconciliations that are reviewed by management to ensure grant revenue and receivables are recorded properly. In addition, management should review journal entries related to payments received from granting agencies to ensure payments are applied to recorded receivable balances.
Views of Responsible Officials and Planned Corrective Actions:	District management will implement procedures to perform monthly grant reconciliations in order to ensure that grant revenue and receivables are recorded properly. Dan Arrigona, Executive Director of Financial Operations, and Erin Warren, Executive Director of State and Federal Programs, will develop and implement these procedures during January through March 2015. Contact: Dan Arrigona, Executive Director of Financial Operations.

2014-003

Criteria:	The District must amend the official budget before exceeding a functional expenditure category in the total District budget.
Condition/Context:	The District's actual expenditures for the year ended June 30, 2014 exceeded the District's amended budget for several expenditure functions in the General Fund as disclosed in Note 1 to the Notes to the Basic Financial Statements.
Effect:	Noncompliance with legal requirements for school district budgets formulated by the State of Texas and the Texas Education Agency.
Cause:	The District did not amend its budget in the General Fund prior to the end of the year based on actual expenditures incurred.
Recommendations:	The District should monitor actual expenditures by function incurred during the year and amend budgeted expenditures by function as necessary by the end of the fiscal year.

Views of Responsible Officials and Planned Corrective Actions: District management will implement procedures to ensure that payroll accrual accounts are properly budgeted prior to the end of each fiscal year. Dan Arrigona, Executive Director of Financial Operations, and Charles Brown, Executive Director of Business Services, will develop and implement these procedures in March through May 2015. Contact: Dan Arrigona, Executive Director of Financial Operations.

2014-004

Criteria: The District's deposits with financial institutions are entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Condition /Context: There were instances during the year ended June 30, 2014 in which the District's deposits were not fully collateralized by FDIC insurance or pledged collateral.

Effect: Noncompliance with the requirements of the Texas Education Code Section 45.208 and the District's deposits were exposed to custodial credit risk at various times throughout the year.

Cause: The District and its depository bank were not monitoring and adjusting pledged collateral on the District's deposit balances on a timely basis.

Recommendations: The District should monitor deposit and related collateral balances on a daily basis and notify the District's depository bank if any of the District's deposits are not fully collateralized.

Views of Responsible Officials and Planned Corrective Actions: District management will work to improve communication with its depository bank in order to ensure that the District's deposits are fully collateralized and that the timing of certain large deposits does not put the District's deposits balance above the collateralized level. Dan Arrigona, Executive Director of Financial Operations, will work with business and financial office staff and staff from the District's depository bank to improve communication between the District and the depository bank in January 2015. Contact: Dan Arrigona, Executive Director of Financial Operations.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were four findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the year ended June 30, 2014. There were no findings or questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133 for the year ended June 30, 2013.

Findings Relating to Federal Awards Reported in Accordance with section 510(a) of OMB Circular A-133:

2014-005

Federal Program:	Child Nutrition Cluster - CFDA #10.553 and #10.555; Federal Award Numbers - 71301401 and 71401401; Passed through the Texas Education Agency
Criteria:	The District's Child Nutrition Program submits claims reports for reimbursements related to meals served by the District each month to the Texas Department of Agriculture and the District records the claim report submission transaction in its Food Service Fund.
Condition/Context:	The District's claims revenue and receivable balances related to the Child Nutrition Program was understated in the current and prior year.
Questioned Costs:	None
Effect:	The District understated fund balance at June 30, 2013 for its Food Service Fund by \$613,289 and a prior period adjustment was recorded. An audit adjustment was recorded in the current year to recognize an additional \$28,557 in claims revenue and a receivable of \$641,846 for the May 2014 and June 2014 claim reports that were submitted but payment had not been received at June 30, 2014.
Cause:	The District was recording claims revenue related to the Child Nutrition Program when payments were received and not when monthly claim reports were submitted.
Recommendations:	District management should ensure that policies and procedures are in place and functioning so that claims revenue and the related receivable balance are recorded monthly when the claim reports are submitted and the receivable is properly reduced once payment is received by the District.
Views of Responsible Officials and Planned Corrective Actions:	District management will implement procedures to ensure claims revenue and the related receivable balances are recorded monthly when the claims are submitted. Dan Arrigona, Executive Director of Financial Operations, will work with Charles Brown, Executive Director of Business Services, George Townsend, Director of Food Service, and business and finance office staff to develop and implement these procedures during January through March 2015. Contact: Dan Arrigona, Executive Director of Financial Operations.

2014-006

Federal Program: Child Nutrition Cluster - CFDA #10.553 and #10.555; Federal Award Numbers - 71301401 and 71401401; Passed through the Texas Education Agency

Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source or complete a personnel activity report at least monthly which reflects the actual time spent on a cost objective and is signed by the employee or a supervisor with knowledge of how an employee's time has been spent.

Condition/Context: The District's employees who worked solely on the Child Nutrition Program did not complete semi-annual certifications during the current year, but personnel activity reports were completed and properly reviewed in accordance with OMB Circular A-87 except for two employees.

Questioned Costs: None

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications or personnel activity reports are not completed. The District recorded payroll expenditures of \$148,055 to the Child Nutrition Program related to these two employees.

Cause: The District's Director of Food Service and Dietitian worked solely on the Child Nutrition Program during the current year, but did not complete a semi-annual certification or personnel activity report.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that employees either complete semi-annual certifications or personnel activity reports.

Views of Responsible Officials and Planned Corrective Actions: District management will work with its state and federal program and Child Nutrition Program management and staff to implement processes related to semi-annual certifications. Charles Brown, Executive Director of Business Services, will work with Erin Warren, Executive Director of State and Federal Programs, and George Townsend, Director of Food Service, to implement processes for semi-annual certifications in January 2015. Contact: Charles Brown, Executive Director of Business Services.

2014-007

Federal Program:	Child Nutrition Cluster - CFDA #10.553 and #10.555; Federal Award Numbers - 71301401 and 71401401; Passed through the Texas Education Agency
Criteria:	OMB Circular A-87 requires that employees who work on multiple cost objectives complete a personnel activity report at least monthly which reflects the actual time spent on each cost objective and is signed by the employee or a supervisor with knowledge of how an employee's time has been spent.
Condition/Context:	The District had two employees with payroll expenditures recorded to the Child Nutrition Program that worked on multiple cost objectives and did not complete personnel activity reports to support the allocation of the payroll expenditures to the Child Nutrition Program.
Questioned Costs:	The District recorded payroll expenditures of \$68,600 to the Child Nutrition Program related to these two employees.
Effect:	Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if personnel activity reports are not completed to support the allocation of payroll expenditures to a federal program.
Cause:	The District recorded payroll expenditures to the Child Nutrition Program based on budgeted time allocation.
Recommendations:	District management should ensure that policies and procedures are in place and functioning so that employees who work on multiple cost objectives complete personnel activity reports that support the allocation of payroll expenditures to federal programs.
Views of Responsible Officials and Planned Corrective Actions:	District management will work with its state and federal programs and Child Nutrition Program management and staff to implement processes related to personnel activity reports. Charles Brown, Executive Director of Business Services, will work with Erin Warren, Executive Director of State and Federal Programs, and George Townsend, Director of Food Service, to implement processes for personnel activity reports in January 2015. Contact: Charles Brown, Executive Director of Business Services.

2014-008

Federal Program:	Child Nutrition Cluster - CFDA #10.553 and #10.555; Federal Award Numbers - 71301401 and 71401401; Passed through the Texas Education Agency
Criteria:	The District's Child Nutrition Program is operated on a non-profit basis and should not have a fund balance at year-end in excess of three months of normal operating costs.

Condition/Context:	The District's fund balance in the Food Service Fund at June 30, 2014 exceeded three months of operating costs by \$883,867.
Questioned Costs:	None
Effect:	Noncompliance with requirements of the National School Lunch Program Act if the District has excess fund balance at year-end and has not received approval from the Texas Department of Agriculture on the District's plan to reduce excess fund balance.
Cause:	The District's fund balance was in excess of three months of operating costs at June 30, 2014 and a plan to reduce excess fund balance had not been submitted to the Texas Department of Agriculture.
Recommendations:	District management should ensure that policies and procedures are in place and functioning so that the District can monitor fund balance for its Child Nutrition Program and when necessary submit a plan to reduce excess fund balance to the Texas Department of Agriculture on a timely basis.
Views of Responsible Officials and Planned Corrective Actions:	District management will work with Child Nutrition Program management to implement procedures that ensure the District's Child Nutrition Program is in compliance with the grant provisions and requirements. If necessary, the District will file a plan to reduce surplus fund balance in the Child Nutrition Program with the Texas Department of Agriculture. Dan Arrigona, Executive Director of Financial Operations, will work with George Townsend, Director of Food Service, to implement these procedures and file any necessary plans during January through February 2015. Contact: Dan Arrigona, Executive Director of Financial Operations.