

Financial Report of

**SONORA
INDEPENDENT SCHOOL DISTRICT**

Sonora, Texas

Year Ended August 31, 2015

SONORA INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF THE BOARD	1	
FINANCIAL SECTION		
Independent Auditor's Report	2-3	
Management's Discussion and Analysis	4-8	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position	9	A-1
Statement of Activities	10	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds	11	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14	C-4
Statement of Fiduciary Net Position - Fiduciary Funds	15	D-1
Notes to the Financial Statements	16-35	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	36	E-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	37	E-2
Schedule of District's Contributions - Teacher Retirement System of Texas	38	E-3
Notes to the Required Supplementary Information	39	
<u>Other Supplementary Information</u>		
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable	40-41	F-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program	42	F-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	43	F-3
COMPLIANCE AND INTERNAL CONTROLS SECTION		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	46-47	
Schedule of Findings and Questioned Costs	48	
Schedule of Expenditures of Federal Awards	49	G-1
Notes to the Schedule of Expenditures of Federal Awards	50	

CERTIFICATE OF THE BOARD

SONORA INDEPENDENT SCHOOL DISTRICT
Name of School District

SUTTON
County

218-901
County -
District
Number

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

X approved ___ disapproved for the year ended August 31, 2015, at a meeting of the Board of Trustees of such School District
(Check One)

on the 11th day of November, 2015.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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

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

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sonora Independent School District
807 South Concho
Sonora, TX 76950-3999

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of August 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I., H. to the financial statements, in 2015 the District adopted new accounting guidance prescribed by GASB Statement No. 68 for its pension plan - a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB Statement No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the government-wide statements. Exhibit A-1 discloses the District's net pension liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's beginning net position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information on pages 4 through 8, 36, and 37 through 38, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sonora Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information 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 information 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 October 20, 2015, on our consideration of the Sonora Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sonora Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

October 20, 2015



807 S. Concho
Sonora, Texas 76950
(325) 387-6940
FAX: (325) 387-5090

Ross Aschenbeck, Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Sonora Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2015. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$29,159,526 (net position). Of this amount, \$11,714,165 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position decreased by \$1,608,533 or 5%. This amount consists of a \$545,215 decrease attributable to current year operations and a \$1,063,318 decrease attributable to prior period adjustments described in Note IV., I. to the financial statements. The District's statement of activities shows total revenues of \$12,934,740 and total expenses of \$13,479,955.

The total fund balance of the General Fund is \$12,418,488 which is a decrease of \$684,108 or 5% compared to the prior year.

Overview of the Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

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

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

The District has no component units.

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

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

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

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

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

	NET POSITION	
	Governmental Activities	
	August 31,	
	2015	2014
Current and Other Assets	\$ 13,199,143	\$ 13,885,323
Capital Assets	<u>17,838,596</u>	<u>18,020,949</u>
Total Assets	<u>\$ 31,037,739</u>	<u>\$ 31,906,272</u>
Deferred Outflows of Resources	<u>\$ 264,500</u>	<u>\$ 0</u>
Long-Term Liabilities Outstanding	\$ 1,463,997	\$ 790,000
Other Liabilities	<u>386,886</u>	<u>348,213</u>
Total Liabilities	<u>\$ 1,850,883</u>	<u>\$ 1,138,213</u>
Deferred Inflows of Resources	<u>\$ 291,830</u>	<u>\$ 0</u>
Net Position		
Net Investment in Capital Assets	\$ 17,350,767	\$ 17,328,337
Restricted	94,594	98,367
Unrestricted	<u>11,714,165</u>	<u>13,341,355</u>
Total Net Position	<u>\$ 29,159,526</u>	<u>\$ 30,768,059</u>

A large portion of the District's net position (\$17,350,767) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$94,594) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$11,714,165) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities decreased the District's net position by \$545,215 and \$700,007 for the fiscal years ended August 31, 2015 and 2014, respectively. Key elements of these decreases are as follows:

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>Year Ended August 31,</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues		
Charges for Services	\$ 612,011	\$ 619,280
Operating Grants and Contributions	1,287,000	1,357,569
General Revenues		
Maintenance and Operations Taxes	6,373,496	6,441,267
Debt Service Taxes	306,519	309,872
State Aid - Formula Grants	4,240,736	4,141,174
Investment Earnings	19,456	18,365
Other	95,522	90,969
	<u>\$ 12,934,740</u>	<u>\$ 12,978,496</u>
Expenses		
Instruction and Instructional-Related Services	\$ 7,507,813	\$ 7,613,163
Instructional and School Leadership	814,886	818,640
Support Services - Student (Pupil)	2,456,931	2,337,313
Administrative Support Services	469,070	447,465
Support Services - Nonstudent Based	1,996,981	2,016,469
Debt Service	12,033	16,084
Intergovernmental Charges	222,241	429,369
	<u>\$ 13,479,955</u>	<u>\$ 13,678,503</u>
Change in Net Position	\$ (545,215)	\$ (700,007)
Net Position - Beginning	30,768,059	31,473,165
Prior Period Adjustments	<u>(1,063,318)</u>	<u>(5,099)</u>
Net Position - Ending	<u>\$ 29,159,526</u>	<u>\$ 30,768,059</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

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

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

The District's governmental funds reported combined ending fund balances of \$12,648,661, a decrease of \$772,415 or 6% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$12,418,488. Of this balance \$6,000,000 is assigned for capital expenditures for equipment.

Special Revenue Funds \$131,042. Of this balance \$10,285 is restricted for use in the Food Service Fund, and \$120,757 is committed for use by the Campus Activity Funds of the District.

Debt Service Fund \$76,960. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$22,171. This balance is restricted for construction costs.

General Fund Budget

The original budget for the General Fund was \$11,350,092, and the final amended budget was \$12,345,188 which represents a \$995,096 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by a \$147,000 decrease in Instruction, a \$61,625 increase in Student (Pupil) Transportation, a \$200,471 increase in Extracurricular Activities, and a \$915,000 increase in Facilities Acquisition and Construction.

The District has adopted a budget for the General Fund in the amount of \$11,149,674 for the fiscal year 2016, which is a decrease of \$1,195,514 from the fiscal year 2015.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2015.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2015.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Ross Aschenbeck, Superintendent, Sonora Independent School District, 807 South Concho, Sonora, TX 76950-3999.

Basic Financial Statements

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Temporary Investments	\$ 11,179,720
1220 Property Taxes - Delinquent	205,713
1230 Allowance for Uncollectible Taxes	(41,763)
1240 Due from Other Governments	1,855,473
Capital Assets:	
1510 Land	176,444
1520 Buildings, Net	16,646,830
1530 Furniture and Equipment, Net	994,920
1580 Construction in Progress	20,402
1000 Total Assets	31,037,739
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	264,500
1700 Total Deferred Outflows of Resources	264,500
LIABILITIES	
2110 Accounts Payable	71,323
2140 Interest Payable	354
2150 Payroll Deductions and Withholdings	754
2160 Accrued Wages Payable	306,704
2200 Accrued Expenses	7,167
2300 Unearned Revenue	584
Noncurrent Liabilities	
2501 Due Within One Year	265,000
2502 Due in More Than One Year	245,000
2540 Net Pension Liability (District's Share)	953,997
2000 Total Liabilities	1,850,883
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	291,830
2600 Total Deferred Inflows of Resources	291,830
NET POSITION	
3200 Net Investment in Capital Assets	17,350,767
3820 Restricted for Federal and State Programs	10,285
3850 Restricted for Debt Service	84,309
3900 Unrestricted	11,714,165
3000 Total Net Position	\$ 29,159,526

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 7,033,119	\$ 191,256	\$ 719,133	\$ (6,122,730)
12 Instructional Resources and Media Services	167,920	-	29,214	(138,706)
13 Curriculum and Instructional Staff Development	306,774	-	33,142	(273,632)
21 Instructional Leadership	148,143	-	9,954	(138,189)
23 School Leadership	666,743	-	35,214	(631,529)
31 Guidance, Counseling, and Evaluation Services	429,632	-	22,190	(407,442)
33 Health Services	72,393	-	3,929	(68,464)
34 Student (Pupil) Transportation	242,158	-	10,734	(231,424)
35 Food Services	596,656	193,101	348,292	(55,263)
36 Extracurricular Activities	1,116,092	138,917	18,929	(958,246)
41 General Administration	469,070	-	13,837	(455,233)
51 Facilities Maintenance and Operations	1,702,701	88,737	32,133	(1,581,831)
52 Security and Monitoring Services	5,840	-	-	(5,840)
53 Data Processing Services	288,440	-	10,299	(278,141)
72 Debt Service - Interest on Long-Term Debt	12,033	-	-	(12,033)
99 Other Intergovernmental Charges	222,241	-	-	(222,241)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 13,479,955	\$ 612,011	\$ 1,287,000	(11,580,944)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	6,373,496
DT	Property Taxes, Levied for Debt Service	306,519
SF	State Aid - Formula Grants	4,240,736
IE	Investment Earnings	19,456
MI	Miscellaneous Local and Intermediate Revenue	95,522
TR	Total General Revenues	11,035,729
CN	Change in Net Position	(545,215)
NB	Net Position - Beginning	30,768,059
PA	Prior Period Adjustment	(1,063,318)
NE	Net Position--Ending	\$ 29,159,526

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

SONORA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Temporary Investments	\$ 10,967,677	\$ 212,043	\$ 11,179,720
1220 Property Taxes - Delinquent	195,846	9,867	205,713
1230 Allowance for Uncollectible Taxes	(39,599)	(2,164)	(41,763)
1240 Due from Other Governments	1,747,606	107,867	1,855,473
1260 Due from Other Funds	4,830	-	4,830
1000 Total Assets	<u>\$ 12,876,360</u>	<u>\$ 327,613</u>	<u>\$ 13,203,973</u>
LIABILITIES			
2110 Accounts Payable	\$ 16,518	\$ 54,805	\$ 71,323
2150 Payroll Deductions and Withholdings Payable	754	-	754
2160 Accrued Wages Payable	279,174	27,530	306,704
2170 Due to Other Funds	-	4,830	4,830
2200 Accrued Expenditures	5,179	1,988	7,167
2300 Unearned Revenue	-	584	584
2000 Total Liabilities	<u>301,625</u>	<u>89,737</u>	<u>391,362</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	156,247	7,703	163,950
2600 Total Deferred Inflows of Resources	<u>156,247</u>	<u>7,703</u>	<u>163,950</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	10,285	10,285
3480 Retirement of Long-Term Debt	-	76,960	76,960
3490 Other Restricted Fund Balance	-	22,171	22,171
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	120,757	120,757
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	6,000,000	-	6,000,000
3600 Unassigned Fund Balance	6,418,488	-	6,418,488
3000 Total Fund Balances	<u>12,418,488</u>	<u>230,173</u>	<u>12,648,661</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,876,360</u>	<u>\$ 327,613</u>	<u>\$ 13,203,973</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	12,648,661
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		17,230,418
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital outlays and debt principal payments is to increase (decrease) net position.		1,417,020
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,319,373)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68, a Deferred Resource Inflow related to TRS, and a Deferred Resource Outflow related to TRS. The net effect of these adjustments is to increase (decrease) net position.		(981,327)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		164,127
19 Net Position of Governmental Activities	\$	29,159,526

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 6,636,797	\$ 722,822	\$ 7,359,619
5800 State Program Revenues	4,718,449	71,094	4,789,543
5900 Federal Program Revenues	10,115	728,078	738,193
5020 Total Revenues	<u>11,365,361</u>	<u>1,521,994</u>	<u>12,887,355</u>
EXPENDITURES:			
Current:			
0011 Instruction	5,861,831	414,871	6,276,702
0012 Instructional Resources and Media Services	125,049	28,904	153,953
0013 Curriculum and Instructional Staff Development	254,444	21,623	276,067
0021 Instructional Leadership	129,360	3,210	132,570
0023 School Leadership	587,015	-	587,015
0031 Guidance, Counseling, and Evaluation Services	380,746	2,000	382,746
0033 Health Services	63,640	-	63,640
0034 Student (Pupil) Transportation	218,703	76,207	294,910
0035 Food Services	15,588	547,402	562,990
0036 Extracurricular Activities	957,341	224,199	1,181,540
0041 General Administration	430,076	-	430,076
0051 Facilities Maintenance and Operations	1,629,159	-	1,629,159
0052 Security and Monitoring Services	5,840	-	5,840
0053 Data Processing Services	266,498	-	266,498
Debt Service:			
0071 Principal on Long-Term Debt	-	280,000	280,000
0072 Interest on Long-Term Debt	-	12,210	12,210
Capital Outlay:			
0081 Facilities Acquisition and Construction	919,177	-	919,177
Intergovernmental:			
0099 Other Intergovernmental Charges	222,241	-	222,241
6030 Total Expenditures	<u>12,066,708</u>	<u>1,610,626</u>	<u>13,677,334</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(701,347)</u>	<u>(88,632)</u>	<u>(789,979)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	325	325
8911 Transfers Out (Use)	(325)	-	(325)
7080 Total Other Financing Sources (Uses)	<u>(325)</u>	<u>325</u>	<u>-</u>
1200 Net Change in Fund Balances	<u>(701,672)</u>	<u>(88,307)</u>	<u>(789,979)</u>
0100 Fund Balance - September 1 (Beginning)	13,102,596	318,480	13,421,076
1300 Increase (Decrease) in Fund Balance	17,564	-	17,564
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,418,488</u>	<u>\$ 230,173</u>	<u>\$ 12,648,661</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(789,979)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.		1,417,020
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,319,373)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2014, caused the change in the ending net position to increase. The District recorded its proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2015 were for pension expense columns 6-12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period. This caused a net decrease in the change in net position. The impact of all of these is to increase (decrease) net position.		99,555
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		47,562
 Change in Net Position of Governmental Activities	 \$	 <u>(545,215)</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

EXHIBIT D-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Temporary Investments	\$ 71,189
Total Assets	<u>\$ 71,189</u>
LIABILITIES	
Other Liabilities - Current	\$ 750
Due to Student Groups	70,439
Total Liabilities	<u>\$ 71,189</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sonora Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Sonora Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

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

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

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The government reports the following major governmental fund:

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

Additionally, the government reports the following fund type:

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

D. Interfund Receivables and Payables

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

E. Receivables and Payables

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

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

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

F. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets - Continued

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

G. Long-Term Obligations

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

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Pensions

In accordance with new accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Compensated Absences

The District pays auxiliary 12-month employees for their unused vacation leave upon termination of employment. The accumulated vacation leave cannot exceed 20 days.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employee resignations and retirements.

J. Net Position on the Statement of Net Position

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

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

Restricted for Federal and State Programs - This component of net position represents the balance of the Child Nutrition Program.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Net Position on the Statement of Net Position - Continued

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

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

K. Fund Balances

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

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

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

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

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

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

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

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is five months of operating expenditures which includes unassigned fund balance of two months of operating expenditures.

L. Property Tax Revenues

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

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Property Tax Revenues - Continued

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

M. Interfund Transfers

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

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

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

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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

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

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2015, all of the District's investments are in external investment pools.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2015, the District was not significantly exposed to credit risk.

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

Foreign Currency Risk: Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2015, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,489,161
TexPool	<u>9,761,748</u>
Total Cash and Temporary Investments	<u><u>\$ 11,250,909</u></u>

B. Due from Other Governments

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

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 1,747,606	\$ 0	\$ 0	\$ 1,747,606
Special Revenue Funds	<u>0</u>	<u>60,478</u>	<u>47,389</u>	<u>107,867</u>
Totals	<u><u>\$ 1,747,606</u></u>	<u><u>\$ 60,478</u></u>	<u><u>\$ 47,389</u></u>	<u><u>\$ 1,855,473</u></u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers

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

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 4,830	\$ 0	Current Operations
Nonmajor Governmental Funds			
General Fund	<u>0</u>	<u>4,830</u>	Current Operations
Totals	<u>\$ 4,830</u>	<u>\$ 4,830</u>	

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

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 325</u>	Supplemental Fund Resources

D. Capital Assets

Capital asset activity for the year ended August 31, 2015, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 176,444	\$ 0	\$ 0	\$ 0	\$ 176,444
Buildings and Improvements	34,723,172	919,177	0	32,803	35,675,152
Furniture and Equipment	3,373,763	217,843	0	0	3,591,606
Construction in Progress	53,205	0	0	(32,803)	20,402
Total Capital Assets	<u>\$ 38,326,584</u>	<u>\$ 1,137,020</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,463,604</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (17,977,942)	\$ (1,050,380)	\$ 0	\$ 0	\$ (19,028,322)
Furniture and Equipment	(2,327,693)	(268,993)	0	0	(2,596,686)
Total Accumulated Depreciation	<u>\$ (20,305,635)</u>	<u>\$ (1,319,373)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (21,625,008)</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,020,949</u>	<u>\$ (182,353)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,838,596</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$	835,722
Instructional Resources and Media Services		15,583
Curriculum and Instructional Staff Development		33,918
Instructional Leadership		16,791
School Leadership		85,464
Guidance, Counseling, and Evaluation Services		50,318
Health Services		9,294
Student (Pupil) Transportation		24,373
Food Services		38,485
Extracurricular Activities		55,303
General Administration		42,423
Facilities Maintenance and Operations		88,509
Data Processing Services		23,190
Total		\$ 1,319,373

E. Deferred Outflows and Inflows of Resources

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has the following items that qualify for reporting in these categories:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred outflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) deferred inflows as detailed in financial statement footnote IV., A.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	Special Revenue Funds
Federal Grant	\$ 584

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2015, as follows:

Year Ending August 31,	
2016	\$ 68,648
2017	67,094
2018	66,953
2019	22,240
Total Minimum Rentals	\$ 224,935

Rental expenditures during the year ended August 31, 2015, were \$68,749.

H. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 790,000	\$ 0	\$ 280,000	\$ 510,000	\$ 265,000

The District's outstanding bond issue is as follows:

Sonora Independent School District Unlimited Tax School Building Bonds, Series 2013.
Issued for the purpose of acquiring, constructing, renovating and equipping school facilities
and acquiring school buses and transportation equipment in the original amount of \$1,425,000.
Due in variable installments through August 2017, with interest rates of 1.25% to 1.65%.

\$ 510,000

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The annual debt service requirements are as follows:

Year Ending August 31,	General Obligation Bonds		Total
	Principal	Interest	
2016	\$ 265,000	\$ 8,150	\$ 273,150
2017	245,000	4,043	249,043
Totals	\$ 510,000	\$ 12,193	\$ 522,193

I. Outstanding Encumbrances

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

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 6,372,508	\$ 0	\$ 306,927	\$ 0	\$ 6,679,435
Tuition and Fees	28,781	0	0	0	28,781
Other Local Sources	187,646	4,926	1,031	170	193,773
Cocurricular, Enterprising Services, or Activities	47,862	409,768	0	0	457,630
Totals	\$ 6,636,797	\$ 414,694	\$ 307,958	\$ 170	\$ 7,359,619

K. General Fund Federal Source Revenues

Program or Source	CFDA Number	Amount
E-Rate School and Library Program	--	\$ 10,115

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The Sonora Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592. The information provided in the notes the financial statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2014:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as Percentage of Total Pension Liability	83.25%

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered; for those the 3 highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the plan description above.

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the following employer contribution rates for fiscal years 2014 and 2015:

	Contribution Rates	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions		\$ 90,547
District's 2014 Member Contributions		430,429
District's 2014 NECE On-Behalf Contributions		374,905

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions - The total pension liability in the August 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

* Includes Inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ended August 31, 2010, and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate - The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2014, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha			1.0%
Totals	<u>100.0%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 1,704,735</u>	<u>\$ 953,997</u>	<u>\$ 392,585</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2014, the Sonora Independent School District reported a net pension liability of \$953,997 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 953,997
State's Proportionate Share that is Associated with the District	<u>3,958,383</u>
Total	<u>\$ 4,912,380</u>

The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.000035715%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The notes to the financial statements for August 31, 2014, for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the Sonora Independent School District recognized pension expense of \$365,945 and revenue of \$365,945 for support provided by the State.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

At August 31, 2014, the Sonora Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 14,754	\$ -
Changes in Actuarial Assumptions	62,011	-
Difference Between Projected and Actual Investment Earnings	-	291,580
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	-	250
Contributions Paid to TRS Subsequent to the Measurement Date	-	0
Totals	<u>\$ 76,765</u>	<u>\$ 291,830</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending August 31,</u>	<u>Pension Expense Amount</u>
2015	\$ (59,987)
2016	(59,987)
2017	(59,987)
2018	(59,987)
2019	12,908
Thereafter	11,975

At August 31, 2015, the District reported deferred resource outflows and deferred resource inflows for the TRS pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total Net Amounts as of August 31, 2014 Measurement Date	\$ 76,765	\$ 291,830
Contributions Made Subsequent to the Measurement Date	<u>187,735</u>	<u>-</u>
Reported by District as of August 31, 2015	<u>\$ 264,500</u>	<u>\$ 291,830</u>

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION

B. Retiree Health Plan

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

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

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2015-2013 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 45,316	1.0%	\$ 69,717	0.55%	\$ 38,345
2014	0.65%	43,715	1.0%	67,255	0.55%	36,990
2013	0.65%	42,828	0.5%	32,945	0.55%	36,239

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

B. Retiree Health Plan – Continued

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2015-2013 are shown in the table below:

<u>Fiscal Year</u>	<u>Medicare Part D</u>
2015	\$ 28,595
2014	18,037
2013	17,300

C. Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$226 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

D. Risk Management

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

E. Property and Liability Coverage

During the year ended August 31, 2015, the District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund).

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Fund. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

For the year ended August 31, 2015, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available at the TAPS' offices.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

F. Unemployment Compensation Coverage

During the year ended August 31, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2015, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014, are available on the TASB Risk Management Fund website.

G. Workers' Compensation Insurance

During the year ended August 31, 2015, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claim costs through the purchase of stop-loss coverage for any claims in excess of the Fund's self-insured retention of \$1,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$9,276,492 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on June 30. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of June 30, 2014, are available at the Fund's offices.

H. Contingencies

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

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2015

IV. OTHER INFORMATION - Continued

I. Adjustments to Fund Balance/Net Position

During fiscal year 2015, the District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." With GASB 68, the District must assume its proportionate share of the net pension liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$1,080,882.

The fund balance of the General Fund was increased by \$17,564 as a result of the following adjustments:

Prior Year's Foundation Adjustment	\$ 16,695
Prior Year's Recapture Adjustment	<u>869</u>
Total	<u><u>\$ 17,564</u></u>

The net position of the government-wide statements decreased by \$1,063,318 to reflect these prior period adjustments:

GASB 68	\$ (1,080,882)
General Fund	<u>17,564</u>
Total	<u><u>\$ (1,063,318)</u></u>

J. Commitments

The taxpayers of the District passed a bond issue during the 2013 fiscal year for the purpose of acquiring, constructing, renovating and equipping school facilities and acquiring school buses and transportation equipment in the amount of \$1,425,000. The District still had \$22,171 to be expended as of August 31, 2015.

K. Subsequent Events

The Sonora Independent School District entered into an agreement with the state enabling it to reduce its wealth per weighted student by purchasing attendance credits for the 2015-2016 school year.

The District's management has evaluated subsequent events through October 20, 2015, the date which the financial statements were available for issue.

Required Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,526,075	\$ 6,610,801	\$ 6,636,797	\$ 25,996
5800	State Program Revenues	4,815,017	4,554,017	4,718,449	164,432
5900	Federal Program Revenues	9,000	9,000	10,115	1,115
5020	Total Revenues	11,350,092	11,173,818	11,365,361	191,543
EXPENDITURES:					
Current:					
0011	Instruction	6,036,976	5,889,976	5,861,831	28,145
0012	Instructional Resources and Media Services	132,531	126,031	125,049	982
0013	Curriculum and Instructional Staff Development	294,254	259,254	254,444	4,810
0021	Instructional Leadership	128,388	131,388	129,360	2,028
0023	School Leadership	562,509	590,509	587,015	3,494
0031	Guidance, Counseling, and Evaluation Services	387,864	382,864	380,746	2,118
0033	Health Services	65,907	64,407	63,640	767
0034	Student (Pupil) Transportation	299,720	361,345	218,703	142,642
0035	Food Services	15,459	16,459	15,588	871
0036	Extracurricular Activities	792,445	992,916	957,341	35,575
0041	General Administration	430,044	432,044	430,076	1,968
0051	Facilities Maintenance and Operations	1,657,035	1,650,035	1,629,159	20,876
0052	Security and Monitoring Services	42,100	9,100	5,840	3,260
0053	Data Processing Services	279,860	279,860	266,498	13,362
Capital Outlay:					
0081	Facilities Acquisition and Construction	5,000	920,000	919,177	823
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	-	3,000	-	3,000
0099	Other Intergovernmental Charges	220,000	225,000	222,241	2,759
6030	Total Expenditures	11,350,092	12,334,188	12,066,708	267,480
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,160,370)	(701,347)	459,023
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(11,000)	(325)	10,675
1200	Net Change in Fund Balances	-	(1,171,370)	(701,672)	469,698
0100	Fund Balance - September 1 (Beginning)	13,102,596	13,102,596	13,102,596	-
1300	Increase (Decrease) in Fund Balance	-	-	17,564	17,564
3000	Fund Balance - August 31 (Ending)	\$ 13,102,596	\$ 11,931,226	\$ 12,418,488	\$ 487,262

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT E-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000035715%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 953,997
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,958,383
Total	\$ 4,912,380
District's Covered-Employee Payroll	\$ 6,725,457
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	14.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2015

EXHIBIT E-3

	2015
Contractually Required Contribution	\$ 187,735
Contribution in Relation to the Contractually Required Contribution	(187,735)
Contribution Deficiency (Excess)	\$ -0-
District's Covered-Employee Payroll	\$ 6,971,739
Contributions as a Percentage of Covered-Employee Payroll	2.69%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2015

Note A - Net Pension Liability

Changes in Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.370000	0.080000	1,436,729,520
2008	1.040000	0.080000	1,394,245,653
2009	1.040000	0.055000	1,706,518,959
2010	1.040000	0.064000	1,328,940,181
2011	1.040000	0.079690	1,048,719,315
2012	1.040000	0.079690	761,822,627
2013	1.040000	0.050000	725,008,444
2014	1.040000	0.050000	610,253,586
2015 (School year under audit)	1.040000	0.050000	604,062,522
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 5,416	\$ -	\$ 371	\$ 22	\$ (675)	\$ 4,348
1,435	-	366	21	-	1,048
3,717	-	75	6	-	3,636
5,433	-	638	34	-	4,761
3,905	-	1,099	68	-	2,738
8,620	-	4,411	338	684	4,555
12,055	-	6,499	498	580	5,638
17,898	-	9,743	469	549	8,235
91,974	-	43,227	2,079	594	47,262
-	6,686,157	6,261,582	301,083	-	123,492
<u>\$ 150,453</u>	<u>\$ 6,686,157</u>	<u>\$ 6,328,011</u>	<u>\$ 304,618</u>	<u>\$ 1,732</u>	<u>\$ 205,713</u>

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT F-2

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 211,118	\$ 189,118	\$ 193,138	\$ 4,020
5800 State Program Revenues	2,400	2,984	2,607	(377)
5900 Federal Program Revenues	318,500	305,500	314,753	9,253
5020 Total Revenues	532,018	497,602	510,498	12,896
EXPENDITURES:				
0035 Food Services	532,018	537,602	531,934	5,668
6030 Total Expenditures	532,018	537,602	531,934	5,668
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(40,000)	(21,436)	18,564
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	11,000	325	(10,675)
1200 Net Change in Fund Balances	-	(29,000)	(21,111)	7,889
0100 Fund Balance - September 1 (Beginning)	31,396	31,396	31,396	-
3000 Fund Balance - August 31 (Ending)	\$ 31,396	\$ 2,396	\$ 10,285	\$ 7,889

SONORA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 293,210	\$ 293,210	\$ 307,958	\$ 14,748
5020	Total Revenues	293,210	293,210	307,958	14,748
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	280,000	280,000	280,000	-
0072	Interest on Long-Term Debt	12,210	12,210	12,210	-
0073	Bond Issuance Cost and Fees	1,000	1,000	-	1,000
6030	Total Expenditures	293,210	293,210	292,210	1,000
1200	Net Change in Fund Balances	-	-	15,748	15,748
0100	Fund Balance - September 1 (Beginning)	61,212	61,212	61,212	-
3000	Fund Balance - August 31 (Ending)	\$ 61,212	\$ 61,212	\$ 76,960	\$ 15,748

COMPLIANCE AND INTERNAL CONTROLS SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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

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

Members of
American Institute of CPAs
Texas Society of CPAs

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

Board of Trustees
Sonora Independent School District
807 South Concho
Sonora, TX 76950-3999

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Eckert & Company, LLP

October 20, 2015

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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

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

Members of
American Institute of CPAs
Texas Society of CPAs

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

Board of Trustees
Sonora Independent School District
807 South Concho
Sonora, TX 76950-3999

Report on Compliance for Each Major Federal Program

We have audited the Sonora Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Sonora Independent School District's major federal programs for the year ended August 31, 2015. The Sonora Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion of Each Major Federal Program

In our opinion, the Sonora Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of the Sonora Independent School 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 Sonora Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of This Report

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.

Eckert & Company, LLP

October 20, 2015

SONORA INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended August 31, 2015

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Sonora Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Sonora Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Sonora Independent School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Sonora Independent School District.
7. The programs tested as major programs included:

Child Nutrition Cluster	
CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program - Cash Assistance
CFDA Number 10.555	National School Lunch Program - Non-Cash Assistance
CFDA Number 10.559	Summer Feeding Program - Cash Assistance

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Sonora Independent School District was determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Findings - State Compliance

None

SONORA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101218901	\$ 149,854
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101218901	7,777
Total CFDA Number 84.010A			<u>157,631</u>
*IDEA - Part B, Formula	84.027	156600012189016600	201,246
*IDEA - Part B, Formula	84.027	166600012189016600	12,898
Total CFDA Number 84.027			<u>214,144</u>
*IDEA - Part B, Preschool	84.173	156610012189016610	4,370
*IDEA - Part B, Preschool	84.173	166610012189016610	213
Total CFDA Number 84.173			<u>4,583</u>
Total Special Education Cluster (IDEA)			<u>218,727</u>
ESEA, Title VI, Part B - Rural & Low Income Program	84.358B	S358A140782	21,623
Total Passed Through State Department of Education			<u>\$ 397,981</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 397,981</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	15-218901	\$ 97,779
*National School Lunch Program - Cash Assistance	10.555	15-218901	186,661
*National School Lunch Prog. - Non-Cash Assistance	10.555	15-218901	30,313
Total CFDA Number 10.555			<u>216,974</u>
*Summer Feeding Program - Cash Assistance	10.559	15-218901	15,344
Total Child Nutrition Cluster			<u>330,097</u>
Total Passed Through the State Department of Agriculture			<u>\$ 330,097</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 330,097</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 728,078</u>

*Clustered Programs

E-Rate School and Library Program expenditures of \$10,115 are not included in the above figures.

SONORA INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2015

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sonora Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.