

SANTA MARIA INDEPENDENT SCHOOL DISTRICT



Annual Financial Report For the fiscal year ended August 31, 2019

Raul Hernandez & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2019**

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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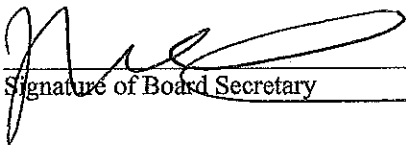
CERTIFICATE OF BOARD

Santa Maria Independent School District
Name of School District

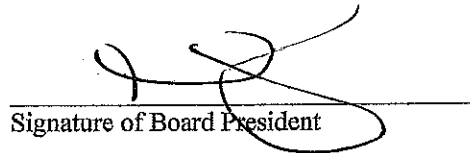
Cameron
County

031913
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved _____ disapproved for the year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 23rd of January, 2020.



Signature of Board Secretary



Signature of Board President

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

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Raul Hernandez & Company, P.C.

Certified Public Accountants
5402 Holly Rd, Suite 102
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

INDEPENDENT AUDITORS' REPORT

Santa Maria Independent School District
P.O. Box 448
Santa Maria, Texas 78592

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 Santa Maria Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Santa Maria Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Maria Independent School District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual- General Fund, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District Contributions-Teacher Retirement System of Texas, and Schedule of the District Proportionate Share of the Net OPEB Liability-Teacher Retirement System of Texas, the Schedule of District Contributions to the Teacher Retirement System of Texas OPEB Plan, and the related Notes to Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Santa Maria Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards, *as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual nonmajor fund financial statements, the TEA required schedules, and schedule of expenditures of federal awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020, on our consideration of the Santa Maria 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 Santa Maria Independent School District's internal control over financial reporting and compliance.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas
January 23, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Santa Maria Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The District's total combined net positions were \$2,225,975 and \$1,673,578, for fiscal years ending August 31, 2019 and 2018, respectively.
- The District's expenses were \$10,862,678, which is \$3,679,276 more than the 2018 amount of \$7,183,402.
- The General Fund reported a fund balance of \$2,534,344 and \$2,190,298 for fiscal years ending August 31, 2019 and 2018, respectively.
- The Debt Service Fund ended the year with a fund balance of \$27,855, which represents an increase of \$63,070 from the prior year.
- Revenues from governmental activities were \$11,473,026 which represents a \$2,978,360 increase from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
- *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.
- *Other information*. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the district's progress in funding its obligation to provide pension benefits to its employees. Immediately following the required supplementary information on pensions are the two budgetary schedules on the general fund and major special revenue fund. The combining statements in connection to nonmajor governmental funds and fiduciary funds are then presented.

The financial statements also include notes that explain some of the information in the financial statements and provide data that are more detailed. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1 Major Features of the District's Government-wide
and Fund Financial Statements**

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<u>Scope</u>	Entire district Government (except Fiduciary funds) and the district's component units	The activities of the district that are not proprietary or fiduciary	Activities of District similar to private business; self insurance	Instances in which the district is the trustee or agent for someone else's resources
<u>Required Financial net position Statements</u>	Statement of Net position Statement of Activities	Balance Sheet Statement of revenues, expenditures & changes in fund balances Statement of cash flows	Statement of net position Statement of rev, exp, & changes in net position Statement of flows	Statement of fiduciary Statement of in fiduciary net position
<u>Accounting basis and measurement focus</u>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial	Accrual accounting and economic focus	Accrual accounting economic resources focus

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were

sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The section labeled Other Schedules contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities of from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we present the District's one kind of activity:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

- The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement #34 in a prior year. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental-type activities between current and prior year.

Net position of the District's governmental activities increased from \$1,673,578 to \$2,225,975 due to revenues exceeding expenditures. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$4,295,836) at August 31, 2019 which represents a \$1,292,267 increase from prior year. The District's revenues exceeded the expenditures by \$610,348. The District paid bonds and other long-term debt in the amount of \$509,575. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of \$5,817,564. The District recorded depreciation in the amount of \$440,749. In addition, accumulated depreciation was \$7,104,792 as of August 31, 2019. (See note D on page 33)

Total Revenue increased by \$2,978,360 in fiscal year 2019. Operating Grants and Contributions accounted for a majority of the increase. Total Expenditures increased by \$3,679,276 during the year. 53% of these costs are for instruction.

The District has no business-type activities.

Table I
SANTA MARIA INDEPENDENT
SCHOOL DISTRICT

		Governmental Activities		
ASSETS		2019	2018	Change
	Cash and Cash Equivalents	\$ 2,278,549	\$ 1,433,950	\$ 844,599
	Current Investments	2,237,862	8,088,726	(5,850,864)
	Property Taxes Receivable (Delinquent)	164,606	145,618	18,988
	Allowance for Uncollectible Taxes	(24,691)	(21,843)	(2,848)
	Due from Other Governments	546,529	342,697	203,832
	Other Receivables, net	43,548	234,694	(191,146)
	Inventories	2,782	13,203	(10,421)
	Prepayments	8,990	8,886	104
	Total Current Assets:	5,258,175	10,245,931	(4,987,756)
Capital Assets:				-
	Land	247,824	247,824	-
	Buildings, Net	7,577,229	7,929,290	(352,061)
	Furniture and Equipment, Net	645,651	462,987	182,664
	Construction in Progress	8,776,311	3,230,064	5,546,247
	Total Noncurrent Assets	17,247,015	11,870,165	5,376,850
Total Assets		\$ 22,505,190	\$ 22,116,096	\$ 389,094
DEFERRED OUTFLOWS OF RESOURCES				
	Deferred Outflow Related to TRS Pension	1,529,479	829,488	699,991
	Deferred Outflow Related to TRS OPEB	279,195	45,901	233,294
	Total Deferred Outflows of Resources	1,808,674	266,262	933,285
LIABILITIES				
	Accounts Payable	\$ 279,848	\$ 217,227	\$ 62,621
	Interest Payable	18,213	18,822	(609)
	Accrued Wages Payable	71,334	68,149	3,185
	Due to Fiduciary Funds	10,573	10,270	303
	Due to Other Governments	652,770	413,965	238,805
	Accrued Expenses	1,379	1,332	47
Noncurrent Liabilities				
	Due Within One Year	533,048	509,574	23,474
	Due in More Than One Year	11,769,283	12,302,332	(533,049)
	Net Pension Liability (District's Share)	2,557,108	1,851,063	706,045
	Net OPEB Liability (District's Share)	3,297,860	3,737,183	(439,323)
	Total Liabilities	19,191,416	19,129,917	61,499
DEFERRED INFLOW OF RESOURCES				
	Deferred Inflow Related to TRS Pension	762,541	624,719	137,822
	Deferred Inflow Related to TRS OPEB	2,133,932	1,563,271	570,661
	Total Deferred Inflows of Resources	2,896,473	2,187,990	708,483
NET POSITION				
	Net Investment in Capital Assets	4,944,684	-	4,944,684
	Restricted for Federal and State Programs	106,724	89,144	17,580
	Restricted for Debt Service	27,855	-	27,855
	Restricted for Capital Projects	1,442,548	7,172,537	(5,729,989)
	Unrestricted	(4,295,836)	(5,588,103)	1,292,267
	Total Net Position	\$ 2,225,975	\$ 1,673,578	\$ 552,397

Table II
SANTA MARIA INDEPENDENT SCHOOL DISTRICT
CHANGES IN POSITION

	Governmental Activities 2019	Governmental Activities 2018	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 83,222	\$ 152,529	\$ (69,307)
Operating Grants and Contributions	2,212,935	613,396	1,599,539
General Revenues:			
Property Taxes	945,799	832,420	113,379
Grants and Contributions not Restricted	8,006,177	6,707,310	1,298,867
Investment Earnings	178,987	189,011	(10,024)
Miscellaneous Revenue	45,906	-	45,906
Total Revenue	<u>11,473,026</u>	<u>8,494,666</u>	<u>2,978,360</u>
Expenses:			
Instruction	5,767,407	3,215,774	2,551,633
Instructional Resources and Media Services	35,660	20,873	14,787
Curriculum and Instructional Staff Development	61,270	27,696	33,574
Instructional Leadership	3,668	3,499	169
School Leadership	386,473	280,077	106,396
Guidance, Counseling, and Evaluation Services	137,630	88,474	49,156
Social Work Services	104,183	50,597	53,586
Health Services	77,256	41,932	35,324
Student (Pupil) Transportation	271,578	213,150	58,428
Food Services	691,641	584,979	106,662
Extracurricular Activities	290,697	250,338	40,359
General Administration	958,049	801,118	156,931
Facilities Maintenance and Operations	1,081,159	843,565	237,594
Security and Monitoring Services	132,587	66,869	65,718
Data Processing Services	224,822	151,140	73,682
Community Services	48,095	30,009	18,086
Debt Service - Interest on Long Term Debt	388,235	399,214	(10,979)
Debt Service - Bond Issuance Costs and Fees	3,751	5,550	(1,799)
Incremental Costs related to WADA	-	62,636	(62,636)
Payments Related to Shared Services Arrangements	175,769	-	175,769
Other Intergovernmental Charges	22,748	45,912	(23,164)
Total Expenses	<u>10,862,678</u>	<u>7,183,402</u>	<u>3,679,276</u>
Change in Net Position	610,348	1,311,264	(700,916)
Net Position - Beginning of Year	1,673,578	6,892,514	(5,218,936)
Prior Period Adjustment	(57,951)	(6,530,200)	6,472,249
Net Position - End of Year	<u>\$ 2,225,975</u>	<u>\$ 1,673,578</u>	<u>\$ 552,397</u>

-Adjustments relating to OPEB expense resulted in a change to several functions.

Figure 1

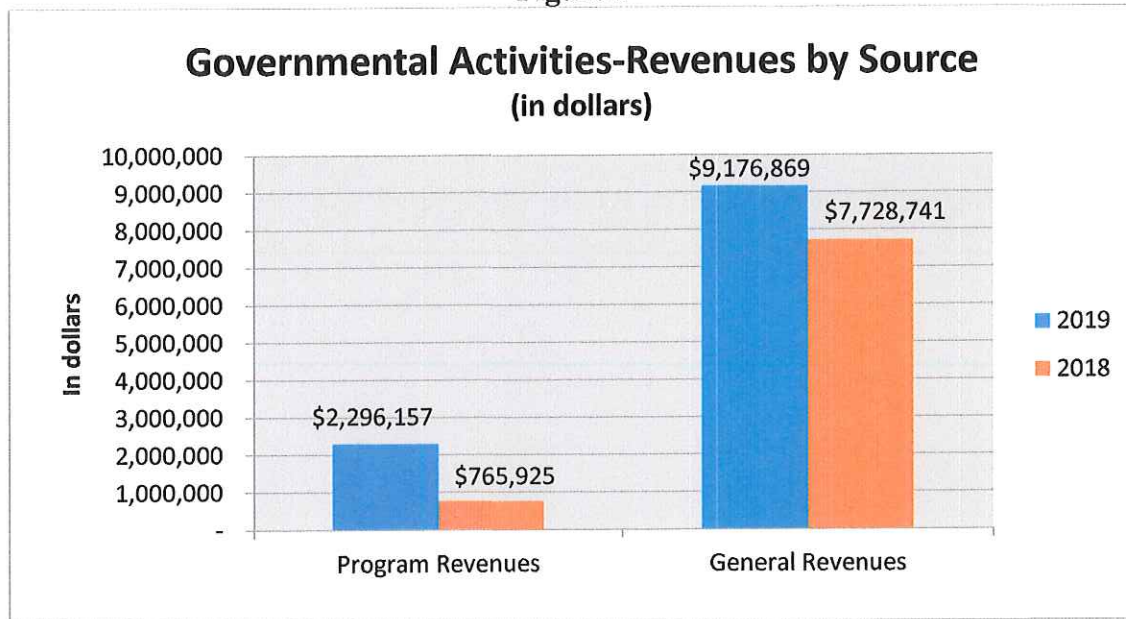
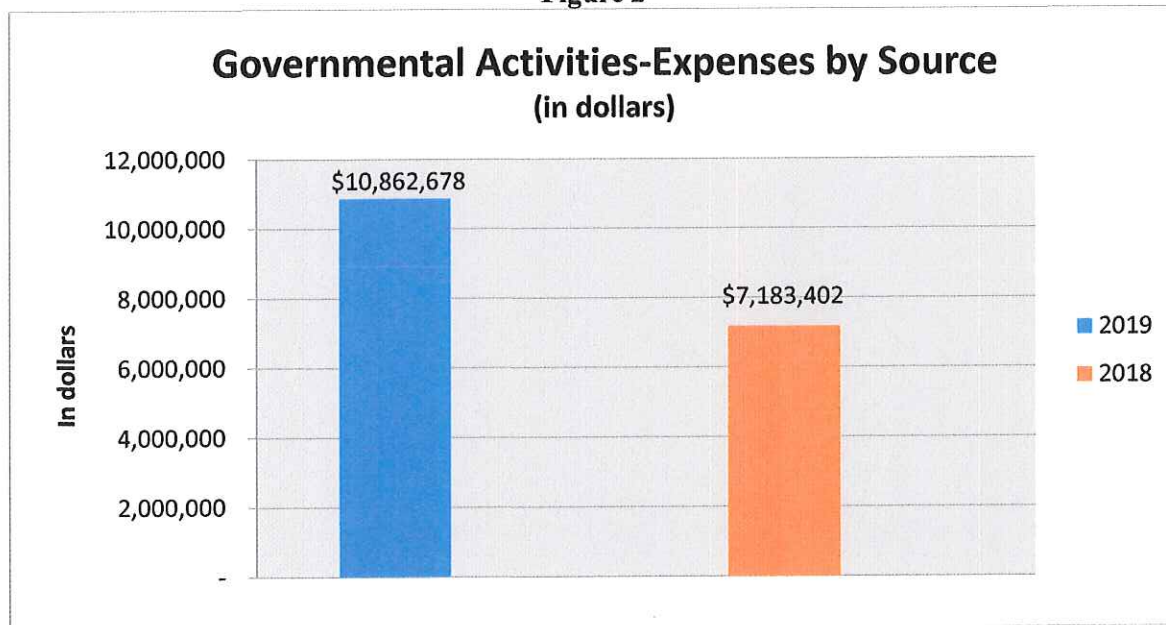


Figure 2



As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$4,102,356, which represents a net decrease of (\$5,308,857) over last year's total of \$9,411,213. The decrease is due to both an increase in expenditures and a prior period adjustment of (\$57,951).

The District's General Fund balance of \$2,534,344 reported on page 52 differs from the General Fund's budgetary fund balance of \$2,190,298 reported in the budgetary comparison schedule, which is a difference of \$344,046.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had \$24.3 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, and furniture & equipment.

This year's major additions included:

	2019	2018
Land	\$ 247,824	\$ 247,824
Construction in Progress	8,776,311	3,230,066
Buildings & Improvements	13,562,913	13,562,912
Furniture and Equipment	805,733	534,416
Vehicles	959,026	958,990
Totals at Historical Cost	24,351,807	18,534,208
Accumulated Depreciation	(7,104,792)	(6,664,043)
Total Capital Assets (Net)	\$ 17,247,015	\$ 11,870,165

More detailed information about the District's capital assets is presented in Note D (page 33) to the financial statements.

Debt

At year-end, the District had \$12,302,331 in bonds and other long-term debt outstanding, which is a decrease from the prior year by (\$509,575).

More detailed information about the District's long-term liabilities is presented in Note G (page 35) to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2019-2020 budget tax rates. One of those factors is the economy. The District's population has decreased.

The adopted budget for 2019-2020 is \$9,512,771 which is up \$124,108. The tax rate for the year 2019-2020 totaled .48335. The appraised value for 2019-2020 budget was \$95,279,039 up approximately \$11 million. General operating state estimated revenue per student increased from \$12,139 to \$12,403 and general operating appropriation per student increased from \$1,637 to \$1,485 in the 2019-2020 budget. The 2019-2020 refined average daily attendance is expected to be 603, which is down from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Santa Maria Independent School District (956) 565-6308.

BASIC FINANCIAL STATEMENTS

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,278,549
1120 Current Investments	2,237,862
1220 Property Taxes - Delinquent	164,606
1230 Allowance for Uncollectible Taxes	(24,691)
1240 Due from Other Governments	546,529
1290 Other Receivables, Net	43,548
1300 Inventories	2,782
1410 Prepayments	8,990
Capital Assets:	
1510 Land	247,824
1520 Buildings, Net	7,577,229
1530 Furniture and Equipment, Net	645,651
1580 Construction in Progress	8,776,311
1000 Total Assets	22,505,190
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	1,529,479
1706 Deferred Outflow Related to TRS OPEB	279,195
1700 Total Deferred Outflows of Resources	1,808,674
LIABILITIES	
2110 Accounts Payable	279,848
2140 Interest Payable	18,213
2160 Accrued Wages Payable	71,334
2177 Due to Fiduciary Funds	10,573
2180 Due to Other Governments	652,770
2200 Accrued Expenses	1,379
Noncurrent Liabilities:	
2501 Due Within One Year	533,048
2502 Due in More Than One Year	11,769,283
2540 Net Pension Liability (District's Share)	2,557,108
2545 Net OPEB Liability (District's Share)	3,297,860
2000 Total Liabilities	19,191,416
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	762,541
2606 Deferred Inflow Related to TRS OPEB	2,133,932
2600 Total Deferred Inflows of Resources	2,896,473
NET POSITION	
3200 Net Investment in Capital Assets	4,944,684
3820 Restricted for Federal and State Programs	106,724
3850 Restricted for Debt Service	27,855
3860 Restricted for Capital Projects	1,442,548
3900 Unrestricted	(4,295,836)
3000 Total Net Position	\$ 2,225,975

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2019					Net (Expense) Revenue and Changes in Net Position
Data		Program Revenues			
Control	1	3	4	6	
Codes			Operating Grants and Contributions	Primary Gov. Governmental Activities	
	Expenses	Charges for Services			
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 5,767,407	\$ 66,477	\$ 1,313,950	\$ (4,386,980)	
12 Instructional Resources and Media Services	35,660	-	22,696	(12,964)	
13 Curriculum and Instructional Staff Development	61,270	-	34,927	(26,343)	
21 Instructional Leadership	3,668	-	-	(3,668)	
23 School Leadership	386,473	-	-	(386,473)	
31 Guidance, Counseling and Evaluation Services	137,630	-	116,125	(21,505)	
32 Social Work Services	104,183	-	97,902	(6,281)	
33 Health Services	77,256	-	-	(77,256)	
34 Student (Pupil) Transportation	271,578	-	-	(271,578)	
35 Food Services	691,641	6,374	567,749	(117,518)	
36 Extracurricular Activities	290,697	10,371	-	(280,326)	
41 General Administration	958,049	-	-	(958,049)	
51 Facilities Maintenance and Operations	1,081,159	-	-	(1,081,159)	
52 Security and Monitoring Services	132,587	-	-	(132,587)	
53 Data Processing Services	224,822	-	13,587	(211,235)	
61 Community Services	48,095	-	45,999	(2,096)	
72 Debt Service - Interest on Long-Term Debt	388,235	-	-	(388,235)	
73 Debt Service - Bond Issuance Cost and Fees	3,751	-	-	(3,751)	
93 Payments Related to Shared Services Arrangements	175,769	-	-	(175,769)	
99 Other Intergovernmental Charges	22,748	-	-	(22,748)	
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 10,862,678	\$ 83,222	\$ 2,212,935	(8,566,521)	

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	707,271
DT	Property Taxes, Levied for Debt Service	238,528
GC	Grants and Contributions not Restricted	8,006,177
IE	Investment Earnings	178,987
MI	Miscellaneous Local and Intermediate Revenue	45,906
TR	Total General Revenues	9,176,869
CN	Change in Net Position	610,348
NB	Net Position - Beginning	1,673,578
PA	Prior Period Adjustment	(57,951)
NE	Net Position--Ending	\$ 2,225,975

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,924,497	\$ 110,668	\$ 183,638
1120 Investments - Current	1,058,168	-	1,179,694
1220 Property Taxes - Delinquent	121,892	42,714	-
1230 Allowance for Uncollectible Taxes	(18,284)	(6,407)	-
1240 Due from Other Governments	234,253	-	-
1260 Due from Other Funds	1,000	-	80,596
1290 Other Receivables	39,672	-	-
1300 Inventories	2,782	-	-
1410 Prepayments	1,140	-	-
1000 Total Assets	<u>\$ 3,365,120</u>	<u>\$ 146,975</u>	<u>\$ 1,443,928</u>
LIABILITIES			
2110 Accounts Payable	\$ 8,059	\$ -	\$ 380
2160 Accrued Wages Payable	66,086	-	-
2170 Due to Other Funds	10,573	80,596	1,000
2180 Due to Other Governments	641,071	2,217	-
2200 Accrued Expenditures	1,379	-	-
2000 Total Liabilities	<u>727,168</u>	<u>82,813</u>	<u>1,380</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	103,608	36,307	-
2600 Total Deferred Inflows of Resources	<u>103,608</u>	<u>36,307</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	2,782	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	9,115	-	-
3480 Retirement of Long-Term Debt	-	27,855	-
Assigned Fund Balance:			
3550 Construction	-	-	1,442,548
3600 Unassigned Fund Balance	2,522,447	-	-
3000 Total Fund Balances	<u>2,534,344</u>	<u>27,855</u>	<u>1,442,548</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,365,120</u>	<u>\$ 146,975</u>	<u>\$ 1,443,928</u>

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

Other Funds	Total Governmental Funds
\$ 59,746	\$ 2,278,549
-	2,237,862
-	164,606
-	(24,691)
312,276	546,529
-	81,596
3,876	43,548
-	2,782
7,850	8,990
<u>\$ 383,748</u>	<u>\$ 5,339,771</u>
\$ 271,409	\$ 279,848
5,248	71,334
-	92,169
9,482	652,770
-	1,379
<u>286,139</u>	<u>1,097,500</u>
-	139,915
-	139,915
-	2,782
97,609	106,724
-	27,855
-	1,442,548
-	2,522,447
<u>97,609</u>	<u>4,102,356</u>
<u>\$ 383,748</u>	<u>\$ 5,339,771</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 4,102,356
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$18,534,244 and the accumulated depreciation was (\$6,664,043). 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 decrease net position.	(960,563)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to decrease net position.	6,485,468
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. The net position related to TRS included a deferred resource outflow in the amount of \$1,529,479, a deferred resource inflow in the amount of \$762,541, and net pension liability in the amount of \$2,557,108. This resulted in an increase (decrease) in net position.	(1,790,170)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$279,195, a deferred resource inflow in the amount of \$2,133,932, and a net OPEB liability in the amount of \$3,297,860. This resulted in an increase (decrease) in net position.	(5,152,597)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(440,749)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	(17,770)
19 Net Position of Governmental Activities	\$ 2,225,975

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

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Debt Service Fund	Capital Projects Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 867,406	\$ 254,094	\$ 116,274
5800 State Program Revenues	7,029,724	569,197	-
5900 Federal Program Revenues	720,482	-	-
5020 Total Revenues	8,617,612	823,291	116,274
EXPENDITURES:			
Current:			
0011 Instruction	4,173,004	-	-
0012 Instructional Resources and Media Services	10,292	-	-
0013 Curriculum and Instructional Staff Development	18,927	-	-
0023 School Leadership	349,824	-	-
0031 Guidance, Counseling, and Evaluation Services	4,442	-	-
0032 Social Work Services	3,153	-	-
0033 Health Services	70,062	-	-
0034 Student (Pupil) Transportation	253,235	-	-
0035 Food Services	636,403	-	-
0036 Extracurricular Activities	271,286	-	-
0041 General Administration	893,397	-	-
0051 Facilities Maintenance and Operations	1,008,813	-	-
0052 Security and Monitoring Services	126,817	-	-
0053 Data Processing Services	202,845	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	325,000	133,367
0072 Interest on Long-Term Debt	-	427,025	13,027
0073 Bond Issuance Cost and Fees	-	3,750	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	5,699,869
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	175,769	-	-
0099 Other Intergovernmental Charges	18,302	4,446	-
6030 Total Expenditures	8,216,571	760,221	5,846,263
1200 Net Change in Fund Balances	401,041	63,070	(5,729,989)
0100 Fund Balance - September 1 (Beginning)	2,190,298	(35,215)	7,172,537
1300 Increase (Decrease) in Fund Balance	(56,995)	-	-
3000 Fund Balance - August 31 (Ending)	\$ 2,534,344	\$ 27,855	\$ 1,442,548

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

		Total	
Other		Governmental	
Funds		Funds	
<hr/>		<hr/>	
\$	1,470	\$	1,239,244
	250,421		7,849,342
	1,407,202		2,127,684
<hr/>		<hr/>	
	1,659,093		11,216,270
<hr/>		<hr/>	
	1,298,978		5,471,982
	22,696		32,988
	34,927		53,854
	-		349,824
	116,125		120,567
	97,902		101,055
	-		70,062
	-		253,235
	13,907		650,310
	-		271,286
	-		893,397
	-		1,008,813
	-		126,817
	13,587		216,432
	45,999		45,999
	-		458,367
	-		440,052
	-		3,750
	-		5,699,869
	-		175,769
	-		22,748
<hr/>		<hr/>	
	1,644,121		16,467,176
<hr/>		<hr/>	
	14,972		(5,250,906)
	83,593		9,411,213
	(956)		(57,951)
<hr/>		<hr/>	
\$	97,609	\$	4,102,356
<hr/>		<hr/>	

SANTA MARIA 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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (5,250,906)
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The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	-
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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 2019 capital outlays and debt principal payments is to decrease net position.	6,485,448
--	-----------

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.	(440,753)
---	-----------

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(141,521)
---	-----------

GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$157,661. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$150,923. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by \$150,614. The net result is an increase (decrease) in the change in net position.	(143,876)
--	-----------

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$48,568. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$45,317. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased) decreased the change in net position by (\$98,705). The net result is an increase (decrease) in the change in net position.	101,956
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Change in Net Position of Governmental Activities	\$ 610,348
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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 7,275	\$ 53,395
Due from Other Funds	-	10,573
Total Assets	<u>7,275</u>	<u>\$ 63,968</u>
LIABILITIES		
Payroll Deductions and Withholdings Payable	-	\$ 30,643
Due to Student Groups	7,275	33,325
Total Liabilities	<u>7,275</u>	<u>\$ 63,968</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Santa Maria Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Pensions. 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 position liability, deferred outflows 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.

1. REPORTING ENTITY

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Funds: The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Fund: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

Special Revenue Funds: The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Permanent Funds: The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custody capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Other Special Revenue Funds: The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds: These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use unrestricted resources first, then restricted resources.

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

3. FINANCIAL STATEMENT AMOUNTS

a. Cash and Cash Equivalents

For purpose of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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. Property tax revenues are considered available when they become due or past due and receivable within the current period.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 121,892	\$ 42,714	\$ 164,606
Allowance for Uncollectible Taxes	(18,284)	(6,407)	(24,691)
Net Taxes	<u>\$ 103,608</u>	<u>\$ 36,307</u>	<u>\$ 139,915</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

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

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain Payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-40
Building Improvements	20-40
Vehicles	8-10
Office Equipment	5-15
Computer Equipment	5-10

e. Receivable and Payable Balances

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 of year end.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

f. Interfund Activity

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" Line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance -- represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance -- represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance -- represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints of their use do not come from outside parties, constitutional provisions, or enabling legislation.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violation of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
N/A	N/A	N/A

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

3. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J2 and J3.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>August 31, 2019</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 740,000
Nonappropriated Budget Funds	<u>2,165,682</u>
All Special Revenue Funds	<u>\$ 2,905,682</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

5. Excess of expenditure over appropriations

The following is a list of the excess of expenditures over appropriations, at the legal control by an individual fund.

<u>Fund</u>	<u>Function</u>	<u>Amount of Excess</u>
Debt Service	71 - Principal on Long-Term Debt	\$ (5,000)

C. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,577,081 and the bank balance was \$5,127,922. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by the FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practice, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District had no investments at August 31, 2019.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement no. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. 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 year end the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This is the risk that in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

D. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 247,824	\$ -	\$ -	\$ 247,824
Construction in Progress	3,230,064	5,546,247	-	8,776,311
Total capital assets not being depreciated	3,477,888	5,546,247	-	9,024,135
Capital assets being depreciated:				
Buildings and Improvements	13,562,913	-	-	13,562,913
Furniture and Equipment	534,416	271,317	-	805,733
Vehicles	959,026	-	-	959,026
Totals capital assets being depreciated	15,056,355	271,317	-	15,327,672
Less Accumulated Depreciation for:				
Buildings and improvements	(5,633,623)	(352,061)	-	(5,985,684)
Furniture & Equipment	(392,586)	(39,563)	-	(432,149)
Vehicles	(637,834)	(49,125)	-	(686,959)
Total Accumulated Depreciation	(6,664,043)	(440,749)	-	(7,104,792)
Total capital assets being depreciated, net	\$ 11,870,200	\$ 5,376,815	\$ -	\$ 17,247,015
Depreciation was charged to functions as follows:				
Instruction	\$ 232,786			
Instructional Resources and Media Services	2,107			
Curriculum Development and Instructional Staff Development	7,408			
Instructional Leadership	3,668			
School Leadership	22,718			
Guidance, Counseling, & Evaluating Services	15,139			
Health Services	4,533			
Student (Pupil) Transportation	10,811			
Food Services	30,201			
Cocurricular/Extracurricular Activities	12,562			
General Administration	38,648			
Plant Maintenance and Operation	51,545			
Security and Monitoring Services	224			
Data Processing Services	6,940			
Community Services	1,459			
Total Depreciation Expense	\$ 440,749			

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

E. INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General Fund	Trust & Agency Funds	\$10,573
Capital Projects	General Fund	1,000
Debt Service	Capital Projects	80,596

F. FUND BALANCES

The District has nonspendable, restricted, committed, and unassigned fund balance as follows.

Nonspendable Fund Balances:

Inventories	\$ 2,782
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Restricted Fund Balances:

Federal/State Funds Grant Restrictions	106,724
Debt Service	27,855
Other Restricted Fund Balance	-
	<u>134,579</u>

Committed Fund Balances:

Construction	1,442,548
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Unassigned:	<u>2,522,447</u>
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Total Fund Balances	<u><u>\$ 4,102,356</u></u>
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G. LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligations Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term Obligations, for the year ended August 31, 2019, are as follows:

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Beginning Balance 09/01/18	Increases	Decreases	Ending Balance 08/31/2019	Due within one year
2010 Unlimited Tax Refunding bond	2/15/2031	3-5%	\$ 2,445,000	\$ 47,863	\$ 1,015,000	\$ -	\$ 55,000	\$ 960,000	\$ 55,000
2010 Unlimited Tax School Building bond	2/15/2030	3-5%	735,000	21,200	490,000	-	30,000	460,000	35,000
2015 Time Warrants	7/15/2022	2.6%	788,211	10,933	465,472	-	111,924	353,548	114,840
2015 Time Warrants	7/15/2022	2.6%	151,005	2,095	89,181	-	21,442	67,739	22,000
2015 Unlimited Tax Refunding Bonds	2/15/2034	2-4%	1,565,000	48,150	1,355,000	-	65,000	1,290,000	70,000
2016 Unlimited Tax School Building Bonds	2/15/2046	2-4%	6,005,000	219,250	5,735,000	-	120,000	5,615,000	125,000
2016A Unlimited Tax School Building Bonds	2/15/2046	2-4%	2,795,000	90,563	2,660,000	-	55,000	2,605,000	60,000
Premium and discount			159,730	-	1,002,253	-	51,209	951,044	51,208
				<u>\$ 440,054</u>	<u>\$ 12,811,906</u>	<u>\$ -</u>	<u>\$ 509,575</u>	<u>\$ 12,302,331</u>	<u>\$ 533,048</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2020	481,840	428,835	910,675
2021	490,406	414,051	904,457
2022	499,064	379,393	878,457
2023	375,000	383,988	758,988
2024	390,000	369,713	759,713
Thereafter	9,114,977	3,812,014	12,926,991
Totals	<u>\$ 11,351,287</u>	<u>\$ 5,787,994</u>	<u>\$ 17,139,281</u>

Advanced and current refundings

On September 28, 2015, the district issued \$1,565,000 of unlimited tax refunding bonds to provide resources to achieve a gross debt service savings of approximately \$229,952 and a net present value savings of approximately \$188,029, being equal to 11.976407% net present value savings for the refunded bonds. The net effective interest rate of the Bonds is 3.501840%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The escrow agent shall apply the proceeds of the bonds in the amount of \$1,600,496 in the form of cash to refund the refunded bonds series 2004.

H. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reduction in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

I. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension 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.

B. 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, TX, 78701-2698; or by calling (512) 542-6592.

C. 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three 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 in (A) above.

D. 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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

I. DEFINED BENEFIT PENSION PLAN (continued)

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.

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 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

Contribution Rates		
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Santa Maria ISD Employer Contributions	\$ 157,661
Santa Maria ISD Member Contributions	\$ 444,128
Santa Maria ISD NECE On-Behalf Contributions	\$ 279,003

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, 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 and junior colleges, 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 (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

I. DEFINED BENEFIT PENSION PLAN (continued)

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.3%
Salary Increases including Inflation	3.05% to 9.05%
Payroll Growth Rate	Not Provided in TRS 2018 CAFR
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

I. DEFINED BENEFIT PENSION PLAN (continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation ¹	Long-term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag ³			-0.8%
Total	100%		7.2%

1 Target allocations are based on the FY2016 policy model.

2 Capital market assumptions come from Aon Hewitt (2017 Q4)

3 The volatility drag results from the conversion between arithmetic and geometric mean returns.

G. 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Santa Maria ISD's proportionate share of the net pension liability:	\$ 3,859,289	\$ 2,557,108	\$ 1,502,915

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2019, the District reported a liability of \$2,557,108 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	\$2,557,108
State's proportionate share that is associated with the District	<u>4,561,516</u>
Total	<u>\$7,118,624</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0046457036% which was an increase(decrease) of -.0011434600% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurements of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$753,005 and revenue of \$451,468 for support provided by the State.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

At August 31, 2019, the 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,939	\$ 62,741
Changes in actuarial assumptions	921,961	28,811
Difference between projected and actual investment earnings	-	48,519
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	433,918	622,470
Total as of August 31, 2018 measurement date	1,371,818	762,541
Contributions paid to TRS subsequent to the measurement date	157,661	
Total as of fiscal year-end	\$ 1,529,479	\$ 762,541

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:

Year ended August 31:	Pension Expense Amount
2020	217,805
2021	115,698
2022	85,518
2023	80,306
2024	48,238
Thereafter	61,712

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**A. Plan Description.**

The Santa Maria Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

B. OPEB Plan Fiduciary Net Position.

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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, TX, 78701-2698; or by calling (512) 542-6592.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

C. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees			
	Medicare		Non-Medicare
	Effective Jan. 1, 2018 - Dec. 31, 2018		
Retiree*	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree* and Children		468	408
Retiree and Family		1,020	999
* <i>surviving spouse</i>			

D. Contributions.

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Contribution Rates		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2019 Employer Contributions		\$ 48,568
District's 2019 Member Contributions		\$ 37,492
District's 2019 NECE On-Behalf Contributions		\$ 63,619

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

A. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. Actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of the TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	Not provided in TRS 2018 CAFR
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	7.5% to 9.5%
Election Rates	Normal Retirement : 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information:

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

B. Discount Rate:

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contribution entity are made at the statutory required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefits payments to determine the total OPEB liability.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

C. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% or less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Santa Maria ISD's proportionate share of the Net OPEB liability:	\$ 3,925,587	\$ 3,297,860	\$ 2,801,288

D. OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2019, the District reported a liability of \$3,297,860 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the Net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB liability	\$ 3,297,860
State's proportionate share that is associated with the District	4,611,201
Total	<u>\$ 7,909,061</u>

The Net OPEB liability was measured as of August 31, 2017 and rolled over to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was .0066048464%, which was an increase (decrease) of -.0019890955% from its proportion measured as of August 31, 2018.

Healthcare Cost Trend Rates Sensitivity Analysis

The following schedule shows the impact of the NET OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of the Net OPEB liability:	\$ 2,738,927	\$ 3,297,860	\$ 4,033,988

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of \$114,340 and revenue of \$167,728 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 175,005	\$ 52,045
Changes in actuarial assumptions	55,032	990,818
Difference between projected and actual investment earnings	577	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	13	1,091,069
Contributions paid to TRS subsequent to the measurement date	48,568	-
Total	\$ 279,195	\$ 2,133,932

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

Year ended August 31:	Pension Expense Amount
2020	(265,521)
2021	(265,521)
2022	(265,521)
2023	(265,630)
2024	(265,695)
Thereafter	(575,417)

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

K. RETIREE HEALTH CARE PLAN

Plan Description. The Santa Maria 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-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were .55% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2019, 2018 and 2017. 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. For the years ended August 31, 2019, 2018, and 2017 the State's contributions to TRS-Care were \$28,293, \$24,141, and \$26,126 and the school district's contributions were \$43,260, \$40,696, and \$31,808, which equaled the required contributions each year.

Medicare on Behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The on behalf payments for Santa Maria Independent School District for 2019, 2018 and 2017 were \$21,127, \$18,096, and \$15,821 respectively.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

L. HEALTH CARE COVERAGE

During the year ended August 31, 2019, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$298 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

M. COMMITMENTS AND CONTINGENCIES

1. Contingencies

The District participates in grant programs which are governed by various rules of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable 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 basic financial statements for such contingencies.

N. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 103,608	\$ -	\$ 36,307	\$ 139,915
Federal Grant	-	-	-	-
Total Deferred Revenue	<u>\$ 103,608</u>	<u>\$ -</u>	<u>\$ 36,307</u>	<u>\$ 139,915</u>

O. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2019

<u>DUE</u> <u>FROM FUND</u>	<u>STATE</u> <u>ENTITLEMENTS</u>	<u>FEDERAL</u> <u>GRANTS</u>	<u>TOTAL</u>
General	\$ 234,253	\$ -	\$ 234,253
Special Revenue	-	312,276	312,276
Total	<u>234,253</u>	<u>312,276</u>	<u>546,529</u>

<u>DUE</u> <u>TO FUND</u>			
General	641,071	-	641,071
Special Revenue	-	9,482	9,482
Debt Service	2,217		2,217
	<u>\$ 2,217</u>	<u>\$ 9,482</u>	<u>\$ 652,770</u>

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 691,131	\$ -	\$ 238,528	\$ -	\$ 929,659
Penalties, Interest and Other					
Tax-related Income	36,496	-	10,880	-	47,376
Investment Income	58,028		4,686	116,274	178,988
Food Sales	4,903	1,470	-	-	6,373
Co-curricular Student Activities	10,371	-	-	-	10,371
Other	66,477	-	-	-	66,477
Total	<u>\$ 867,406</u>	<u>\$ 1,470</u>	<u>\$ 254,094</u>	<u>\$ 116,274</u>	<u>\$ 1,239,244</u>

Q. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 23, 2020, the date which the financial statements were available to be issued.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

R. MAINTENANCE OF EFFORT-HEALTH CARE

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note L.

a) Total District Premium paid for health care 2018-2019	<u>\$ 286,502</u>
b) Subtract any non-medical expenditures	
Life Insurance	\$ 1,764
Long-Term Disability	<u>1,930</u>
c) 2017-2018 Maintenance of Effort	<u>\$ 282,808</u>

S. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of (\$57,951) made to clear interfund receivables to actual at fiscal year-end. The net effect of these adjustments resulted a decrease to net position and fund balance for the District.

T. GASB 63

GASB 63 -- Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets.

U. GASB 68

GASB 68 – establishes standards for accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria as described in GASB 67. This statement replaces the requirements of GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning pension liability

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2019

V. RECONCILIATION OF FEDERAL AWARDS

Total Federal Awards Expended	\$ 2,030,551
ESEA Part I, A	-
Summer Feeding Program	-
GEAR UP	-
Rise Grant	-
SSA - Career & Technical	-
SHARS	97,133
Total Federal Awards Received (Exhibit C-3)	<u>\$ 2,127,684</u>

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REQUIRED SUPPLEMENTARY INFORMATION

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 847,329	\$ 847,329	\$ 867,406	\$ 20,077
5800 State Program Revenues	7,726,334	7,199,334	7,029,724	(169,610)
5900 Federal Program Revenues	815,000	815,000	720,482	(94,518)
5020 Total Revenues	9,388,663	8,861,663	8,617,612	(244,051)
EXPENDITURES:				
Current:				
0011 Instruction	4,474,622	4,239,987	4,173,004	66,983
0012 Instructional Resources and Media Services	19,159	19,159	10,292	8,867
0013 Curriculum and Instructional Staff Development	47,003	47,138	18,927	28,211
0021 Instructional Leadership	5,107	5,107	-	5,107
0023 School Leadership	557,199	447,199	349,824	97,375
0031 Guidance, Counseling, and Evaluation Services	59,698	29,698	4,442	25,256
0032 Social Work Services	56,889	5,399	3,153	2,246
0033 Health Services	84,448	84,448	70,062	14,386
0034 Student (Pupil) Transportation	340,961	280,961	253,235	27,726
0035 Food Services	758,496	758,496	636,403	122,093
0036 Extracurricular Activities	269,555	276,055	271,286	4,769
0041 General Administration	859,121	899,121	893,397	5,724
0051 Facilities Maintenance and Operations	873,695	1,014,185	1,008,813	5,372
0052 Security and Monitoring Services	118,926	128,926	126,817	2,109
0053 Data Processing Services	224,604	224,604	202,845	21,759
Debt Service:				
0071 Principal on Long-Term Debt	543,125	200,125	-	200,125
Capital Outlay:				
0081 Facilities Acquisition and Construction	7,997	4,997	-	4,997
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	71,334	176,334	175,769	565
0099 Other Intergovernmental Charges	16,724	19,724	18,302	1,422
6030 Total Expenditures	9,388,663	8,861,663	8,216,571	645,092
1200 Net Change in Fund Balances	-	-	401,041	401,041
0100 Fund Balance - September 1 (Beginning)	2,190,298	2,190,298	2,190,298	-
1300 Increase (Decrease) in Fund Balance	-	-	(56,995)	(56,995)
3000 Fund Balance - August 31 (Ending)	\$ 2,190,298	\$ 2,190,298	\$ 2,534,344	\$ 344,046

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SANTA MARIA 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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.004645704%	0.005789164%	0.006931679%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,557,108	\$ 1,851,063	\$ 2,619,379
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,561,516	2,781,615	3,627,099
Total	<u>\$ 7,118,624</u>	<u>\$ 4,632,678</u>	<u>\$ 6,246,478</u>
District's Covered Payroll	\$ 5,443,232	\$ 5,783,140	\$ 6,202,071
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	46.98%	32.01%	42.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "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."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0060715%		0.004028%
\$	2,146,194	\$	1,075,935
	3,672,517		2,942,014
\$	5,818,711	\$	4,017,949
\$	5,850,793	\$	5,476,195
	36.68%		19.65%
	78.43%		83.25%

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 157,661	\$ 150,923	\$ 174,535
Contribution in Relation to the Contractually Required Contribution	(157,661)	(150,923)	(174,535)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,767,960	\$ 5,443,232	\$ 5,783,140
Contributions as a Percentage of Covered Payroll	2.73%	2.77%	3.02%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

<u>2016</u>		<u>2015</u>	
\$	225,375	\$	179,685
	(225,375)		(179,685)
<u>\$ -</u>		<u>\$ -</u>	
<u><u>\$ 6,202,071</u></u>		<u><u>\$ 5,850,793</u></u>	
	3.63%		3.07%

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.006604846%	0.008593942%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,297,860	\$ 3,737,183
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,611,201	4,274,812
Total	<u>\$ 7,909,061</u>	<u>\$ 8,011,995</u>
District's Covered Payroll	\$ 5,443,232	\$ 5,783,140
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.59%	64.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 48,568	\$ 45,317
Contribution in Relation to the Contractually Required Contribution	(48,568)	(45,317)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 5,767,960	\$ 5,443,232
Contributions as a Percentage of Covered Payroll	0.84%	0.83%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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COMBINING AND OTHER STATEMENTS

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	226 IDEA - Part B Discretionary	242 Summer Feeding Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 78	\$ -	\$ 462
1240	Due from Other Governments	2,765	110	-	91,615
1290	Other Receivables	-	-	-	-
1410	Prepayments	4,850	690	-	-
1000	Total Assets	<u>\$ 7,615</u>	<u>\$ 878</u>	<u>\$ -</u>	<u>\$ 92,077</u>
LIABILITIES					
2110	Accounts Payable	\$ 2,367	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	5,248	-	-	-
2180	Due to Other Governments	-	878	-	-
2000	Total Liabilities	<u>7,615</u>	<u>878</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	92,077
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,077</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,615</u>	<u>\$ 878</u>	<u>\$ -</u>	<u>\$ 92,077</u>

EXHIBIT H-1 (Cont'd)

250 Career and Technical - Apprentice	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	287 Rise Grant Fund	289 Other Federal Special Revenue Funds
\$ -	\$ 2,330	\$ 78	\$ 4,046	\$ 293	\$ -	\$ 41,412	\$ 97
-	15	10	-	4	76,754	-	-
-	-	-	-	-	-	3,876	-
-	403	252	-	321	1,334	-	-
<u>\$ -</u>	<u>\$ 2,748</u>	<u>\$ 340</u>	<u>\$ 4,046</u>	<u>\$ 618</u>	<u>\$ 78,088</u>	<u>\$ 45,288</u>	<u>\$ 97</u>
\$ -	\$ -	\$ 114	\$ -	\$ -	\$ 78,088	\$ 40,368	\$ -
-	-	-	-	-	-	-	-
-	2,748	226	-	618	-	4,915	97
<u>-</u>	<u>2,748</u>	<u>340</u>	<u>-</u>	<u>618</u>	<u>78,088</u>	<u>45,283</u>	<u>97</u>
-	-	-	4,046	-	-	5	-
-	-	-	4,046	-	-	5	-
<u>\$ -</u>	<u>\$ 2,748</u>	<u>\$ 340</u>	<u>\$ 4,046</u>	<u>\$ 618</u>	<u>\$ 78,088</u>	<u>\$ 45,288</u>	<u>\$ 97</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		331 SSA - Career & Technical - Basic Grant	410 State Instructional Materials	415 Kindergarten and Pre-K Grants	429 Other State Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 10,338	\$ 305
1240	Due from Other Governments	168	140,642	-	193
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 168</u>	<u>\$ 140,642</u>	<u>\$ 10,338</u>	<u>\$ 498</u>
LIABILITIES					
2110	Accounts Payable	\$ 168	\$ 139,764	\$ 10,338	\$ 202
2160	Accrued Wages Payable	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2000	Total Liabilities	<u>168</u>	<u>139,764</u>	<u>10,338</u>	<u>202</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	878	-	296
3000	Total Fund Balances	<u>-</u>	<u>878</u>	<u>-</u>	<u>296</u>
4000	Total Liabilities and Fund Balances	<u>\$ 168</u>	<u>\$ 140,642</u>	<u>\$ 10,338</u>	<u>\$ 498</u>

461	Total
Campus	Nonmajor
Activity	Governmental
Funds	Funds
\$ 307	\$ 59,746
-	312,276
-	3,876
-	7,850
<u>\$ 307</u>	<u>\$ 383,748</u>
\$ -	\$ 271,409
-	5,248
-	9,482
<u>-</u>	<u>286,139</u>
307	97,609
<u>307</u>	<u>97,609</u>
<u>\$ 307</u>	<u>\$ 383,748</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	226 IDEA - Part B Discretionary	242 Summer Feeding Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	1,401	-
5900 Federal Program Revenues	450,812	100,309	-	22,687
5020 Total Revenues	450,812	100,309	1,401	22,687
EXPENDITURES:				
Current:				
0011 Instruction	233,292	51,169	1,401	-
0012 Instructional Resources and Media Services	22,696	-	-	-
0013 Curriculum and Instructional Staff Development	32,700	-	-	-
0031 Guidance, Counseling, and Evaluation Services	116,125	-	-	-
0032 Social Work Services	-	49,140	-	-
0035 Food Services	-	-	-	13,907
0053 Data Processing Services	-	-	-	-
0061 Community Services	45,999	-	-	-
6030 Total Expenditures	450,812	100,309	1,401	13,907
1200 Net Change in Fund Balance	-	-	-	8,780
0100 Fund Balance - September 1 (Beginning)	-	-	-	83,297
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 92,077

250 Career and Technical - Apprentice	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	287 Rise Grant Fund	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
102,495	-	-	4,046	-	-	960	-
-	34,796	18,662	510,206	10,398	56,782	163,686	26,881
102,495	34,796	18,662	514,252	10,398	56,782	164,646	26,881
102,495	34,796	18,662	445,630	10,398	56,782	163,685	26,881
-	-	-	-	-	-	-	-
-	-	-	2,227	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	48,762	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	13,587	-	-	-	-
-	-	-	-	-	-	-	-
102,495	34,796	18,662	510,206	10,398	56,782	163,685	26,881
-	-	-	4,046	-	-	961	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(956)	-
\$ -	\$ -	\$ -	\$ 4,046	\$ -	\$ -	\$ 5	\$ -

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	331 SSA - Career & Technical - Basic Grant	410 State Instructional Materials	415 Kindergarten and Pre-K Grants	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	141,519	-	-
5900 Federal Program Revenues	11,983	-	-	-
5020 Total Revenues	11,983	141,519	-	-
EXPENDITURES:				
Current:				
0011 Instruction	11,983	140,641	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	11,983	140,641	-	-
1200 Net Change in Fund Balance	-	878	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	296
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 878	\$ -	\$ 296

	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$	1,470	\$ 1,470
	-	250,421
	-	1,407,202
	1,470	1,659,093

	1,163	1,298,978
	-	22,696
	-	34,927
	-	116,125
	-	97,902
	-	13,907
	-	13,587
	-	45,999
	1,163	1,644,121
	307	14,972
	-	83,593
	-	(956)
\$	307	\$ 97,609

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T.E.A. REQUIRED SCHEDULES

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ 268,430,067
2011	1.040000	0.235900	38,000,227
2012	1.040000	0.240000	40,490,859
2013	1.040000	0.240000	39,547,355
2014	1.040000	0.240000	40,939,688
2015	1.170000	0.110000	41,677,972
2016	1.170000	0.310000	41,084,909
2017	1.170000	0.310000	51,799,024
2018	1.170000	0.410000	54,025,441
2019 (School year under audit)	1.170000	0.410000	57,993,462
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 29,128	\$ -	\$ 1,006	\$ 208	\$ (361)	\$ 27,553
3,608	-	390	89	-	3,129
3,435	-	598	138	-	2,699
3,727	-	599	138	-	2,990
5,744	-	755	174	102	4,917
6,800	-	2,109	198	999	5,492
9,517	-	3,288	871	1,030	6,388
23,959	-	6,167	1,634	1,288	17,446
59,700	-	25,398	8,900	687	26,089
-	902,454	662,889	232,294	60,632	67,903
<u>\$ 145,618</u>	<u>\$ 902,454</u>	<u>\$ 703,199</u>	<u>\$ 244,644</u>	<u>\$ 64,377</u>	<u>\$ 164,606</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 60,000	\$ 60,000	\$ 55,560	\$ (4,440)
5800 State Program Revenues	15,000	15,000	10,786	(4,214)
5900 Federal Program Revenues	665,000	665,000	544,674	(120,326)
5020 Total Revenues	740,000	740,000	611,020	(128,980)
EXPENDITURES:				
Current:				
0035 Food Services	740,000	740,000	610,551	129,449
6030 Total Expenditures	740,000	740,000	610,551	129,449
1200 Net Change in Fund Balances	-	-	469	469
0100 Fund Balance - September 1 (Beginning)	19,065	19,065	19,065	-
3000 Fund Balance - August 31 (Ending)	\$ 19,065	\$ 19,065	\$ 19,534	\$ 469

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 212,987	\$ 212,987	\$ 254,094	\$ 41,107
5800 State Program Revenues	594,274	594,274	569,197	(25,077)
5020 Total Revenues	807,261	807,261	823,291	16,030
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	763,313	320,000	325,000	(5,000)
0072 Interest on Long-Term Debt	-	434,813	427,025	7,788
0073 Bond Issuance Cost and Fees	-	8,500	3,750	4,750
Intergovernmental:				
0099 Other Intergovernmental Charges	43,948	43,948	4,446	39,502
6030 Total Expenditures	807,261	807,261	760,221	47,040
1200 Net Change in Fund Balances	-	-	63,070	63,070
0100 Fund Balance - September 1 (Beginning)	(35,215)	(35,215)	(35,215)	-
3000 Fund Balance - August 31 (Ending)	\$ (35,215)	\$ (35,215)	\$ 27,855	\$ 63,070

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**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

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Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd, Suite 102

Corpus Christi, Texas 78411

Office (361)980-0482 Fax (361)980-1002

**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***

Independent Auditors' Report

Santa Maria Independent School District

P.O. Box 448

Santa Maria, Texas 78592

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 Santa Maria Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Santa Maria Independent School District's basic financial statements, and have issued our report thereon dated January 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Maria 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 Santa Maria Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Maria 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Maria Independent School District's financial statements are free from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

January 23, 2020

Raul Hernandez & Company, P.C.

Certified Public Accountants

5402 Holly Rd, Suite 102

Corpus Christi, Texas 78411

Office (361)980-0482 Fax (361)980-1002

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Santa Maria Independent School District

P.O. Box 448

Santa Maria, Texas 78592

Report on Compliance for Each Major Federal Program

We have audited Santa Maria Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Maria Independent School District's major federal programs for the year ended August 31, 2019. Santa Maria 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Maria 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Santa Maria 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 Santa Maria Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Santa Maria 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, 2019.

Report on Internal Control over Compliance

Management of Santa Maria 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 Santa Maria 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Santa Maria Independent School District's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards by the Uniform Guidance

We have audited the financial statements of Santa Maria Independent School District as of and for the year ended August 31, 2019, and have issued our report thereon dated January 23, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Raul Hernandez & Company, P.C.

Corpus Christi, Texas

January 23, 2020

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Findings related to the Financial Statements which are required to be reported in accordance with generally accepted government auditing standards. None.

1. Questioned Costs: \$0.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

NONE

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019

N/A

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	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	19 - 610101031913	\$ 450,812
ESEA, Title I, Part C - Migratory Children	84.011	19 - 615001031913	100,309
SSA - Career and Technical - Basic Grant	84.048	17 - 420006108910	11,983
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	19 - 6950267110043	510,206
GEAR UP	84.334S	19 - P334A180024	56,782
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19 - 696001031913	10,398
Title III, Part A - English Language Acquisition	84.365A	19 - 671001037913	18,662
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19 - 69450131913	34,796
Unidentified Fund from Trial Balance	84.410	19 - D10531333	163,686
Other Federally Funded Special Revenue Funds	84.24A	19 - 68010103913	26,881
Total Passed Through State Department of Education			1,384,515
TOTAL U.S. DEPARTMENT OF EDUCATION			1,384,515
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		179,506
*National School Lunch Program - Cash Assistance	10.555		466,530
Total Child Nutrition Cluster			646,036
Total Passed Through the State Department of Agriculture			646,036
TOTAL U.S. DEPARTMENT OF AGRICULTURE			646,036
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,030,551
*Clustered Programs			

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement- Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Santa Maria Independent School District fiscal year beginning September 1, 2013, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

Santa Maria Independent School District

Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	2,557,108
SF13	Pension Expense (6147) at fiscal year-end.	