

**SANTA MARIA  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**AUGUST 31, 2016**



SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2016

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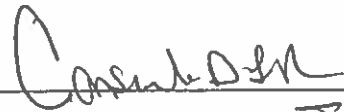
CERTIFICATE OF BOARD


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, 2016 at a meeting of the Board of Trustees of such school district on the 25th of January, 2017.

  
\_\_\_\_\_  
Signature of Board Secretary *Trustee*

  
\_\_\_\_\_  
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  
5422 Holly Rd  
Holly-Staples Square  
Corpus Christi, Texas 78411  
Office (361)980-0482 Fax (361)980-1002

Independent Auditor's 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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, 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.

*Raal Hernandez & Company, P.C.*

Corpus Christi, Texas  
January 25, 2017

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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, 2016. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 14.

### FINANCIAL HIGHLIGHTS

- The District's total combined net positions were \$7,458,785 and \$8,191,946, for fiscal years ending August 31, 2016 and 2015, respectively.
- The District's expenses were \$11,733,225, which is \$1,378,516 more than the 2015 amount of \$10,354,709.
- The General Fund reported a fund balance of \$2,701,950 and \$2,779,551 for fiscal years ending August 31, 2016 and 2015, respectively.
- The Debt Service Fund ended the year with a fund balance of \$44,465, which represents a decrease of \$11,714.
- Revenues from governmental activities were \$11,000,064 which represents a \$699,884 increase over 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**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<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>	<u>Statement of Net position</u>  <u>Statement of Activities</u>	<u>Balance Sheet</u>  <u>Statement of revenues, expenditures &amp; changes in fund balances</u>  <u>Statement of cash flows</u>	<u>Statement of net position</u>  <u>Statement of rev, exp, &amp; changes in net position</u>  <u>Statement of flows</u>	<u>Statement of fiduciary</u>  <u>Statement of in fiduciary net position</u>
<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 14 and 15). 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 16) 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 21) 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 14. 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 16 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 20. 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 decreased from \$8,191,946 to \$7,458,785. 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 \$628,871 at August 31, 2016 which represents a \$842,613 decrease from prior year. The District's expenditures exceeded the revenues by \$(733,161). The District paid bonds and other long-term debt in the amount of \$2,109,673. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of \$784,776. The District recorded depreciation in the amount of \$405,449. In addition, accumulated depreciation was \$5,827,393 as of August 31, 2016. (See note D on page 34)

Total Revenue increased by \$699,844 in fiscal 2016. Grants and Contributions accounted for a majority of the increase. Total Expenditures increased by \$1,378,516 during the year. 51% of these costs are for instruction. The increase in cost is represented by the continuing rising costs of salaries.

The District has no business-type activities.



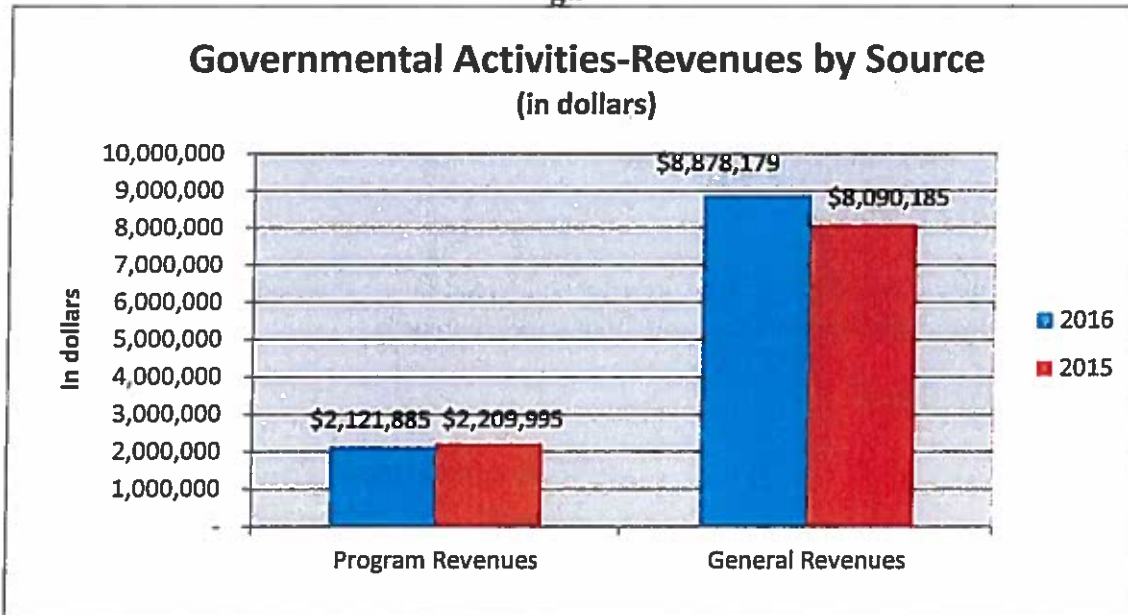
**Table 1**  
**SANTA MARIA INDEPENDENT**  
**SCHOOL DISTRICT**

ASSETS	Governmental Activities		Change
	2016	2015	
Cash and Cash Equivalents	\$ 1,109,671	\$ 1,153,490	(43,819)
Current Investments	7,806,983	1,250,855	6,556,128
Property Taxes Receivable (Delinquent)	116,732	133,995	(17,263)
Allowance for Uncollectible Taxes	(17,510)	(20,099)	2,589
Due from Other Governments	683,521	1,405,612	(722,091)
Other Receivables, net	223,942	40,572	183,370
Inventories	5,396	7,195	(1,799)
Prepayments	22,570	5,408	17,162
Capitalized Bond and Other Debt Issuance Costs	-	-	-
Total Current Assets:	<u>9,951,305</u>	<u>3,977,028</u>	<u>5,974,277</u>
Capital Assets:			-
Land	247,824	247,824	-
Buildings, Net	8,621,063	8,227,049	394,014
Furniture and Equipment, Net	518,372	533,058	(14,686)
Construction in Progress	842,967	742,215	100,752
Total Noncurrent Assets	<u>10,230,226</u>	<u>9,750,146</u>	<u>480,080</u>
Total Assets	<u>\$ 20,181,531</u>	<u>\$ 13,727,174</u>	<u>\$ 6,454,357</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	-	-	-
Deferred Outflow Related to TRS	1,046,354	266,262	780,092
Total Deferred Outflows of Resources	<u>1,046,354</u>	<u>266,262</u>	<u>780,092</u>
<b>LIABILITIES</b>			
Accounts Payable	291,564	414,295	(122,731)
Interest Payable	175,199	7,306	167,893
Accrued Wages Payable	51,522	137,519	(85,997)
Due to Fiduciary Funds	-	-	-
Due to Other Governments	9,013	201,803	(192,790)
Accrued Expenses	-	-	-
Unearned Revenue	3,597	7,195	(3,598)
Noncurrent Liabilities			
Due Within One Year	457,791	338,283	119,508
Due in More Than One Year	10,474,501	3,290,022	7,184,479
Net Pension Liability (District's Share)	2,146,194	1,075,935	1,070,259
Total Liabilities	<u>13,609,381</u>	<u>5,472,358</u>	<u>8,137,023</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflow Related to TRS	159,718	329,132	(169,414)
Total Deferred Inflows of Resources	<u>159,718</u>	<u>329,132</u>	<u>(169,414)</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	35,475	6,121,843	(6,086,368)
Restricted for Federal and State Programs	54,668	331,396	(276,728)
Restricted for Debt Service	44,464	56,180	(11,716)
Restricted for Capital Projects	6,695,307	211,043	6,484,264
Restricted for Campus Activities	-	-	-
Restricted for Other Purposes	-	-	-
Unrestricted	628,871	1,471,484	(842,613)
Total Net Position	<u>\$ 7,458,785</u>	<u>\$ 8,191,946</u>	<u>\$ (733,161)</u>

**Table II**  
**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN POSITION**

	Governmental Activities 2016	Governmental Activities 2015	Change
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$ 64,693	\$ 72,944	\$ (8,251)
Operating Grants and Contributions	2,057,192	2,137,052	(79,860)
<b>General Revenues:</b>			
Property Taxes	563,424	556,488	6,936
Grants and Contributions not Restricted	8,304,481	7,531,168	773,313
Investment Earnings	9,272	1,872	7,400
Miscellaneous Revenue	1,002	656	346
<b>Total Revenue</b>	<b>11,000,064</b>	<b>10,300,180</b>	<b>699,884</b>
<b>Expenses:</b>			
Instruction	6,083,378	5,423,545	659,833
Instructional Resources and Media Services	113,610	103,021	10,589
Curriculum and Instructional Staff Development	28,401	28,426	(25)
Instructional Leadership	3,373	3,373	-
School Leadership	644,953	625,682	19,271
Guidance, Counseling, and Evaluation Services	217,498	227,803	(10,305)
Social Work Services	83,009	3,391	79,618
Health Services	72,678	69,019	3,659
Student (Pupil) Transportation	235,960	257,558	(21,598)
Food Services	771,429	786,570	(15,141)
Extracurricular Activities	285,601	257,749	27,852
General Administration	983,106	977,341	5,765
Facilities Maintenance and Operations	1,101,023	1,140,879	(39,856)
Security and Monitoring Services	112,307	173,935	(61,628)
Data Processing Services	285,060	59,563	225,497
Community Services	54,216	50,042	4,174
Debt Service - Interest on Long Term Debt	253,011	153,826	99,185
Debt Service - Bond Issuance Costs and Fees	392,872	1,550	391,322
Payments related to SSA	-	-	-
Other Intergovernmental Charges	11,740	11,436	304
<b>Total Expenses</b>	<b>11,733,225</b>	<b>10,354,709</b>	<b>1,378,516</b>
<b>Change in Net Position</b>	<b>(733,161)</b>	<b>(54,529)</b>	<b>(678,632)</b>
Net Position - Beginning of Year	8,191,946	9,465,513	(1,273,567)
Prior Period Adjustment	-	(1,219,038)	1,219,038
<b>Net Position - End of Year</b>	<b>\$ 7,458,785</b>	<b>\$ 8,191,946</b>	<b>\$ (1,952,199)</b>

Figure 1



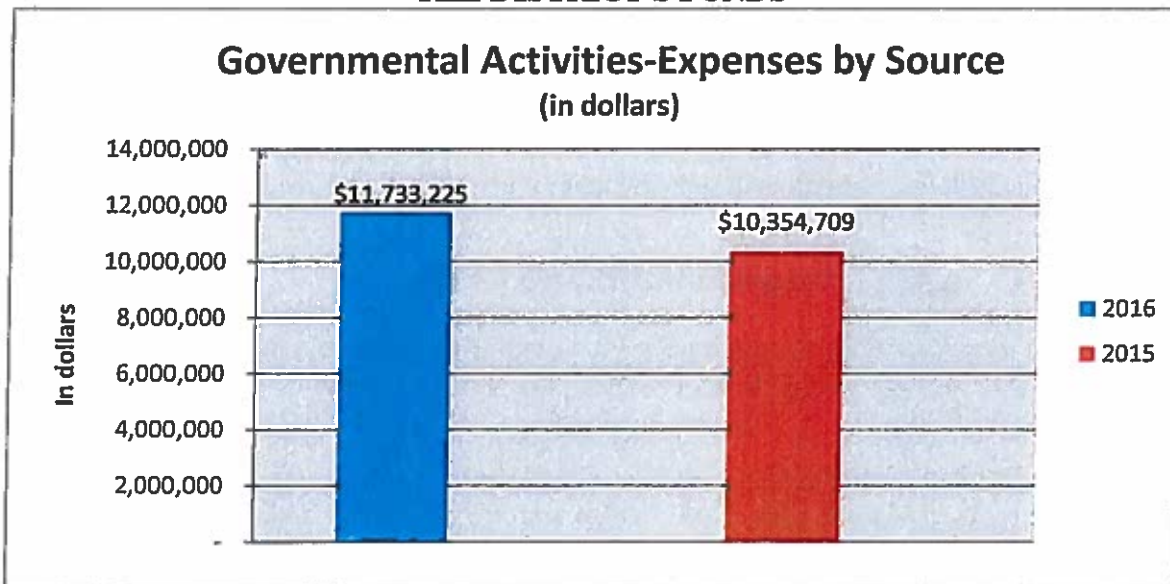
**Governmental Activities**

- Investment earnings increased due to the increase in investments.
- State funds received for the District operations increased due to an increase in student population and property values.

Operating grants represent federal & state funds restricted for a specific program. Operating grants decreased due to decreased participation.

Figure 2

**THE DISTRICT'S FUNDS**



As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$9,496,391, which represents an increase of \$6,394,071 over last year's total of \$3,102,320.

The District's General Fund balance of \$2,701,950 reported on page 46 differs from the General Fund's budgetary fund balance of \$2,779,550 reported in the budgetary comparison schedule, which is a difference of \$77,600.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of 2016, the District had \$16.1 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:

	2016	2015
Land	\$ 247,824	\$ 247,824
Construction in Progress	842,967	742,216
Buildings & Improvements	13,552,462	12,810,246
Furniture and Equipment	469,901	456,301
Vehicles	944,464	915,504
Totals at Historical Cost	16,057,618	15,172,091
Accumulated Depreciation	(5,827,393)	(5,421,944)
Total Capital Assets (Net)	\$ 10,230,225	\$ 9,750,147

More detailed information about the District's capital assets is presented in Note D (page 32) to the financial statements.

*Debt*

At year-end, the District had \$10,932,292 in bonds and other long-term debt outstanding, which increased from the prior year balance of \$3,628,305.

More detailed information about the District's long-term liabilities is presented in Note G (page 34) 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 2016-2017 budget tax rates. One of those factors is the economy. The District's population has remained constant.

The adopted budget for 2016-2017 is \$8,392,986 which is down (\$60,627). The tax rate for the year 2016-2017 totaled 1.48. The appraised value for 2016-2017 budget was \$74,696,637 up approximately \$10 million. General operating state estimated revenue per student increased from \$10,878 to \$11,581 and general operating appropriation per student increased from \$911 to \$1,183 in the 2016-2017 budget. The 2016-2017 refined average daily attendance is expected to be 639, 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.

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# **BASIC FINANCIAL STATEMENTS**

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 1,109,671
1120 Current Investments	7,806,983
1220 Property Taxes Receivable (Delinquent)	116,732
1230 Allowance for Uncollectible Taxes	(17,510)
1240 Due from Other Governments	683,521
1290 Other Receivables, net	223,942
1300 Inventories	5,396
1410 Prepayments	22,570
Capital Assets:	
1510 Land	247,824
1520 Buildings, Net	8,621,063
1530 Furniture and Equipment, Net	518,372
1580 Construction in Progress	842,967
1000 Total Assets	20,181,530
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	1,046,354
1700 Total Deferred Outflows of Resources	1,046,354
<b>LIABILITIES</b>	
2110 Accounts Payable	291,564
2140 Interest Payable	175,199
2160 Accrued Wages Payable	51,522
2180 Due to Other Governments	9,013
2300 Unearned Revenue	3,597
Noncurrent Liabilities	
2501 Due Within One Year	457,791
2502 Due in More Than One Year	10,474,501
2540 Net Pension Liability (District's Share)	2,146,194
2000 Total Liabilities	13,609,381
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Outflow Related to TRS	159,718
2600 Total Deferred Inflows of Resources	159,718
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	35,475
3820 Restricted for Federal and State Programs	54,668
3850 Restricted for Debt Service	44,464
3860 Restricted for Capital Projects	6,695,307
3900 Unrestricted	628,871
3000 Total Net Position	\$ 7,458,785

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 6,083,378	\$ 48,639	\$ 1,182,173	\$ (4,852,566)
12 Instructional Resources and Media Services	113,610	-	4,048	(109,562)
13 Curriculum and Staff Development	28,401	-	5,275	(23,126)
21 Instructional Leadership	3,373	-	-	(3,373)
23 School Leadership	644,953	-	23,541	(621,412)
31 Guidance, Counseling and Evaluation Services	217,498	-	137,019	(80,479)
32 Social Work Services	83,009	-	40,615	(42,394)
33 Health Services	72,678	-	3,685	(68,993)
34 Student (Pupil) Transportation	235,960	-	-	(235,960)
35 Food Services	771,429	5,484	583,117	(182,828)
36 Extracurricular Activities	285,601	10,570	6,769	(268,262)
41 General Administration	983,106	-	19,789	(963,317)
51 Facilities Maintenance and Operations	1,101,023	-	-	(1,101,023)
52 Security and Monitoring Services	112,307	-	-	(112,307)
53 Data Processing Services	285,060	-	-	(285,060)
61 Community Services	54,216	-	51,161	(3,055)
72 Debt Service - Interest on Long Term Debt	253,011	-	-	(253,011)
73 Debt Service - Bond Issuance Cost and Fees	392,872	-	-	(392,872)
99 Other Intergovernmental Charges	11,740	-	-	(11,740)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 11,733,225</b>	<b>\$ 64,693</b>	<b>\$ 2,057,192</b>	<b>(9,611,340)</b>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	502,563
DT	Property Taxes, Levied for Debt Service	60,861
GC	Grants and Contributions not Restricted	8,304,481
IE	Investment Earnings	9,272
MI	Miscellaneous Local and Intermediate Revenue	1,002
TR	<b>Total General Revenues</b>	<b>8,878,179</b>
CN	Change in Net Position	(733,161)
NB	Net Position - Beginning	8,191,946
NE	<b>Net Position--Ending</b>	<b>\$ 7,458,785</b>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,065,390	\$ -	\$ 44,281	\$ 1,109,671
1120 Investments - Current	1,005,292	6,801,691	-	7,806,983
1220 Property Taxes - Delinquent	102,270	-	14,462	116,732
1230 Allowance for Uncollectible Taxes (Credit)	(15,341)	-	(2,169)	(17,510)
1240 Receivables from Other Governments	528,845	-	154,676	683,521
1260 Due from Other Funds	1,000	-	-	1,000
1290 Other Receivables	221,540	-	2,402	223,942
1300 Inventories	5,396	-	-	5,396
1410 Prepayments	15,775	-	6,795	22,570
1000 Total Assets	<u>\$ 2,930,167</u>	<u>\$ 6,801,691</u>	<u>\$ 220,447</u>	<u>\$ 9,952,305</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 86,169	\$ 105,384	\$ 100,007	\$ 291,560
2160 Accrued Wages Payable	51,522	-	-	51,522
2170 Due to Other Funds	-	1,000	-	1,000
2180 Due to Other Governments	-	-	9,013	9,013
2300 Unearned Revenues	3,597	-	-	3,597
2000 Total Liabilities	<u>141,288</u>	<u>106,384</u>	<u>109,020</u>	<u>356,692</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	86,929	-	12,293	99,222
2600 Total Deferred Inflows of Resources	<u>86,929</u>	<u>-</u>	<u>12,293</u>	<u>99,222</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	5,395	-	-	5,395
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	54,669	54,669
3480 Retirement of Long-Term Debt	-	-	44,465	44,465
Committed Fund Balance:				
3510 Construction	-	6,695,307	-	6,695,307
3600 Unassigned Fund Balance	2,696,555	-	-	2,696,555
3000 Total Fund Balances	<u>2,701,950</u>	<u>6,695,307</u>	<u>99,134</u>	<u>9,496,391</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,930,167</u>	<u>\$ 6,801,691</u>	<u>\$ 220,447</u>	<u>\$ 9,952,305</u>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$	9,496,391
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 \$16,057,620 and the accumulated depreciation was (\$5,827,393). 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.		4,975,730
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 2015 capital outlays and debt principal payments is to decrease net position.		(5,447,547)
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 in the amount of 2,146,194, a Deferred Resource Inflow related to TRS in the amount of \$159,719 and a Deferred Resource Outflow related to TRS in the amount of \$1,046,356. This amounted to a decrease in Net Position in the amount of \$1,259,557.		(1,259,557)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(405,448)
6 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.		99,216
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>7,458,785</u></b>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 589,170	\$ 2,825	\$ 61,073	\$ 653,068
5800 State Program Revenues	7,672,166	-	508,494	8,180,660
5900 Federal Program Revenues	812,889	-	1,128,020	1,940,909
5020 Total Revenues	<u>9,074,225</u>	<u>2,825</u>	<u>1,697,587</u>	<u>10,774,637</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,633,771	-	972,605	5,606,376
0012 Instructional Resources and Media Services	107,000	-	-	107,000
0013 Curriculum and Instructional Staff Development	16,236	-	4,600	20,836
0023 School Leadership	595,301	-	-	595,301
0031 Guidance, Counseling and Evaluation Services	60,689	-	133,600	194,289
0032 Social Work Services	40,454	-	40,615	81,069
0033 Health Services	64,222	-	-	64,222
0034 Student (Pupil) Transportation	253,424	-	-	253,424
0035 Food Services	713,280	-	27,068	740,348
0036 Extracurricular Activities	266,349	-	-	266,349
0041 General Administration	920,202	-	-	920,202
0051 Facilities Maintenance and Operations	1,081,069	-	-	1,081,069
0052 Security and Monitoring Services	111,116	-	-	111,116
0053 Data Processing Services	277,582	-	-	277,582
0061 Community Services	-	-	51,161	51,161
Debt Service:				
0071 Principal on Long Term Debt	-	127,904	365,000	492,904
0072 Interest on Long Term Debt	-	18,490	113,397	131,887
0073 Bond Issuance Cost and Fees	-	227,891	115,996	343,887
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	842,967	-	842,967
Intergovernmental:				
0099 Other Intergovernmental Charges	11,130	-	609	11,739
6030 Total Expenditures	<u>9,151,825</u>	<u>1,217,252</u>	<u>1,824,651</u>	<u>12,193,728</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(77,600)</u>	<u>(1,214,427)</u>	<u>(127,064)</u>	<u>(1,419,091)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	6,005,000	1,565,000	7,570,000
7914 Non-Current Loans	-	939,216	-	939,216
7916 Premium or Discount on Issuance of Bonds	-	754,475	149,969	904,444
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(1,600,496)	(1,600,496)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>7,698,691</u>	<u>114,473</u>	<u>7,813,164</u>
1200 Net Change in Fund Balances	(77,600)	6,484,264	(12,591)	6,394,073
0100 Fund Balance - September 1 (Beginning)	2,779,550	211,043	111,725	3,102,318
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,701,950</u>	<u>\$ 6,695,307</u>	<u>\$ 99,134</u>	<u>\$ 9,496,391</u>

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

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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	6,394,073
<p>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.</p>		
		-
<p>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 2016 capital outlays and debt principal payments is to decrease net position.</p>		
		(6,586,370)
<p>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.</p>		
		(405,434)
<p>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.</p>		
		(14,678)
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2016 caused the change in the ending net position to increase in the amount of \$225,375. Contributions made before the measurement but during the 2016 FY were also dexpended and recorded as a reduction in the net pension liability for the district. This caused a decrease in the change in net position in the amount of \$179,685. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The net pension expense decreased the change in net position by \$166,442. The net result is to decrease the change in net position by \$120,752.</p>		
		(120,752)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(733,161)</b>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Other Receivables	\$ 19,248
<b>Total Assets</b>	<u><u>\$ 19,248</u></u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 19,248
<b>Total Liabilities</b>	<u><u>\$ 19,248</u></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, 2016

**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, 2016

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.

**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.

**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.

## SANTA MARIA INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements

For The Year Ended August 31, 2016

**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.

**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.

**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, 2016

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.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Delinquent Taxes	\$ 102,269	\$ 14,462	\$ 116,731
Allowance for Uncollectible Taxes	(15,340)	(2,169)	(17,509)
Net Taxes	<u>\$ 86,929</u>	<u>\$ 12,293</u>	<u>\$ 99,222</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For The Year Ended August 31, 2016

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, 2016

**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, 2016

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>
Child Nutrition Program	(\$8,370)	Overtime was paid



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2016

**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, 2016</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 693,133
Nonappropriated Budget Funds	<u>739,826</u>
All Special Revenue Funds	<u>\$ 1,432,959</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For The Year Ended August 31, 2016

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>
General Fund	Instruction	\$ 256,459
General Fund	Instructional Resources and Media Services	4,558
General Fund	School Leadership	27,009
General Fund	Guidance, Counseling, and Evaluation Services	1,140
General Fund	Health Services	473
General Fund	Food Services	20,147
General Fund	Extracurricular Activities	17,047
General Fund	General Administration	23,642
General Fund	Facilities Maintenance and Operations	12,907
Child Nutrition Program	Food Services	20,147
Debt Service Fund	Principal on Long-Term Debt	55,290
Debt Service Fund	Bond Issuance Cost and Fees	102,996
Debt Service Fund	Other Intergovernmental Charges	609

**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, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,916,654 and the bank balance was \$8,618,914. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by the FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**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.

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, 2016.

**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.

## SANTA MARIA INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements For The Year Ended August 31, 2016

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.

#### **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 that 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.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

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.

**D. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 247,824	\$ -	\$ -	\$ 247,824
Construction in Progress	742,216	842,967	742,216	842,967
Total capital assets not being depreciated	990,040	842,967	742,216	1,090,791
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	12,810,246	742,216	-	13,552,462
Furniture and Equipment	456,301	13,600	-	469,901
Vehicles	915,504	28,960	-	944,464
Totals capital assets being depreciated	14,182,051	784,776	-	14,966,827
<b>Less Accumulated Depreciation for:</b>				
Buildings and improvements	(4,583,203)	(348,203)	-	(4,931,406)
Furniture & Equipment	(365,818)	(7,469)	-	(373,287)
Vehicles	(472,923)	(49,777)	-	(522,700)
Total Accumulated Depreciation	(5,421,944)	(405,449)	-	(5,827,393)
Total capital assets being depreciated, net	\$ 9,750,147	\$ 1,222,294	\$ 742,216	\$ 10,230,225
<b>Depreciation was charged to functions as follows:</b>				
Instruction	\$ 214,141			
Instructional Resources and Media Services	1,938			
Curriculum Development and Instructional Staff Development	6,815			
Instructional Leadership	3,374			
School Leadership	20,898			
Guidance, Counseling, & Evaluating Services	13,926			
Health Services	4,170			
Student (Pupil) Transportation	9,945			
Food Services	27,782			
Cocurricular/Extracurricular Activities	11,556			
General Administration	35,552			
Plant Maintenance and Operation	47,416			
Security and Monitoring Services	206			
Data Processing Services	6,384			
Community Services	1,346			
Total Depreciation Expense	\$ 405,449			

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**E. INTERFUND BALANCES AND ACTIVITIES**

**1. Due To and From Other Funds**

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Capital Projects	General Fund	<u>\$1,000</u>

**F. FUND BALANCES**

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

Nonspendable Fund Balances:		
Inventories		\$ 5,395
Restricted Fund Balances:		
Federal/State Funds Grant Restrictions		54,669
Debt Service		44,465
Other Restricted Fund Balance		<u>99,134</u>
Committed Fund Balances:		
Construction		<u>6,695,307</u>
Unassigned:		
		<u>2,696,555</u>
Total Fund Balances		<u>\$9,496,391</u>

**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.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**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, 2016, are as follows:

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 09/01/15	Increases	Decreases	Ending Balance 8/31/2016	Due within one year
2004 Unlimited Tax School Building bond	2/15/2034	3-5%	\$ 2,065,000	\$ 6,758	\$ 1,570,000	\$ -	\$ 1,570,000	\$ -	\$ -
2010 Unlimited Tax Refunding bond	2/15/2031	3-5%	2,445,000	69,463	1,360,000	-	245,000	1,115,000	50,000
2010 Unlimited Tax School Building bond	2/15/2030	3-5%	735,000	24,500	580,000	-	30,000	550,000	30,000
2015 Time Warrants	7/15/2022	2.6%	788,211	15,513		788,211	107,344	680,867	106,312
2015 Time Warrants	7/15/2022	2.6%	151,005	2,977		151,005	20,559	130,446	20,425
2015 Unlimited Tax Refunding Bonds	2/15/2034	2-4%	1,565,000	3,225		1,565,000	90,000	1,475,000	55,000
2016 Unlimited Tax School Building Bonds	2/15/2046	2-4%	6,005,000	2,509		6,005,000	-	6,005,000	150,000
Premium and discount			159,730	-	118,305	904,444	46,770	975,979	46,050
<b>Total</b>				<b>\$ 124,945</b>	<b>\$ 3,628,305</b>	<b>\$ 9,413,660</b>	<b>\$ 2,109,673</b>	<b>\$ 10,932,292</b>	<b>\$ 457,791</b>

**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2016, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	411,741	368,351	780,092
2018	395,043	358,977	754,020
2019	403,431	349,491	752,922
2020	421,907	338,723	760,630
2021	430,474	326,139	756,613
Thereafter	7,893,717	3,758,568	11,652,285
<b>Totals</b>	<b>\$ 9,956,313</b>	<b>\$ 5,500,249</b>	<b>\$ 15,456,562</b>

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.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**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 2016, 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.

**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.

**I. DEFINED BENEFIT PENSION PLAN (continued)**

**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



# SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For The Year Ended August 31, 2016

## **I. DEFINED BENEFIT PENSION PLAN (continued)**

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 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 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2015 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	<b>Contribution Rates</b>	
	<b>2015</b>	<b>2016</b>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Santa Maria ISD 2015 Employer Contributions	\$ 225,375
Santa Maria ISD 2015 Member Contributions	\$ 448,549
Santa Maria ISD 2015 NECE On-Behalf Contributions	\$ 307,726

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

# SANTA MARIA INDEPENDENT SCHOOL DISTRICT

## Notes to the Financial Statements

For The Year Ended August 31, 2016

### **I. DEFINED BENEFIT PENSION PLAN (continued)**

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.

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry
	Age Normal
Asset Valuation Method	Market Value
Value	
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	3.5 to 9.5%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None
<i>*Includes Inflation of 2.5%</i>	

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**I. DEFINED BENEFIT PENSION PLAN (continued)**

**F. Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha	0%	0.0%	1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

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

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For The Year Ended August 31, 2016

**I. DEFINED BENEFIT PENSION PLAN (continued)**

**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 (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Santa Maria ISD's proportionate share of the net pension liability:	\$ 3,362,682	\$ 2,146,194	\$ 1,132,936

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

At August 31, 2015, the District reported a liability of \$2,146,194 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	\$2,146,194
State's proportionate share that is associated with the District	<u>3,672,517</u>
Total	<u><u>\$5,818,711</u></u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .00607015% which was an increase(decrease) of .0020435% from its proportion measured as of August 31, 2014.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

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

*Economic Assumptions*

- a. The inflation assumption was decreased from 3.00% to 2.50%.
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will chose a 100% joint and survivor annuity option.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**I. DEFINED BENEFIT PENSION PLAN (continued)**

*Actuarial Methods and Policies*

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$523,275 and revenue of \$523,275 for support provided by the State.

At August 31, 2016, 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:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual economic experience	\$ 13,839	\$ 82,480
Changes in actuarial assumptions	58,164	76,567
Difference between projected and actual investment earnings	281,923	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	467,055	672
Total as of August 31, 2015 measurement date	820,981	159,719
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	225,375	
<b>Total</b>	<b>\$1,046,356</b>	<b>\$ 319,438</b>

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
2017	116,559
2018	116,559
2019	116,561
2020	198,772
2021	65,765
Thereafter	47,046

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**I. DEFINED BENEFIT PENSION PLAN (continued)**

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$1,075,935	\$1,250,038	\$ 179,779	\$2,146,194

*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 2016, 2015 and 2014 were \$25,602, \$22,173, and \$17,959 respectively.

**J. 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](http://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 0.55% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. 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, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$28,128, \$36,285, and \$35,457, respectively, and the school district's contributions were \$34,122, \$32,256, and \$29,987, respectively, which equaled the required contributions each year.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For The Year Ended August 31, 2016

**K. HEALTH CARE COVERAGE**

During the year ended August 31, 2016, 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.

**L. 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.

**M. 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	\$ 86,930	\$ -	\$ 12,293	\$ 99,223
Federal Grant	-	7,195	-	7,195
Total Deferred Revenue	<u>\$ 86,930</u>	<u>\$ 7,195</u>	<u>\$ 12,293</u>	<u>\$ 106,418</u>



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For The Year Ended August 31, 2016

**N. 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, 2016, 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.

<u>DUE FROM FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General	\$ 528,845	\$ -	\$ 528,845
Special Revenue	-	154,676	154,676
Total	528,845	154,676	683,521
<u>DUE TO FUND</u>			
General	-	-	-
Special Revenue	-	6,795	6,795
Debt Service	2,218	-	2,218
	\$ 2,218	\$ 6,795	\$ 9,013

**O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 485,559	\$ -	\$ 56,283	\$ -	\$ 541,842
Penalties, Interest and Other					
Tax-related Income	31,685	-	4,579	-	36,264
Investment Income	6,236	-	211	2,825	9,272
Food Sales	-	5,484	-	-	5,484
Co-curricular Student Activities	10,569	-	-	-	10,569
Other	3,479	46,158	-	-	49,637
Total	\$ 537,528	\$ 51,642	\$ 61,073	\$ 2,825	\$ 653,068

**P. EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 25, 2017, 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, 2016

**Q. 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 2015-2016		<u>\$ 428,284</u>	
b) Subtract any non-medical expenditures			
Life Insurance	\$	-	
Long-Term Disability		-	
c) 2015-2016 Maintenance of Effort		<u>          </u>	<u>\$ 428,284</u>

**R. 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.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 611,000	\$ 676,000	\$ 589,170	\$ (86,830)
5800	State Program Revenues	7,391,480	7,409,613	7,672,166	262,553
5900	Federal Program Revenues	267,000	877,000	812,889	(64,111)
5020	Total Revenues	8,269,480	8,962,613	9,074,225	111,612
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	4,377,312	4,377,312	4,633,771	(256,459)
0012	Instructional Resources and Media Services	102,442	102,442	107,000	(4,558)
0013	Curriculum and Instructional Staff Development	18,348	18,348	16,236	2,112
0023	School Leadership	568,292	568,292	595,301	(27,009)
0031	Guidance, Counseling and Evaluation Services	59,549	59,549	60,689	(1,140)
0032	Social Work Services	41,600	41,600	40,454	1,146
0033	Health Services	63,749	63,749	64,222	(473)
0034	Student (Pupil) Transportation	258,334	258,334	253,424	4,910
0035	Food Services	-	693,133	713,280	(20,147)
0036	Extracurricular Activities	249,302	249,302	266,349	(17,047)
0041	General Administration	896,560	896,560	920,202	(23,642)
0051	Facilities Maintenance and Operations	1,068,162	1,068,162	1,081,069	(12,907)
0052	Security and Monitoring Services	118,416	118,416	111,116	7,300
0053	Data Processing Services	279,236	279,236	277,582	1,654
Debt Service:					
0071	Principal on Long Term Debt	147,152	146,394	-	146,394
0073	Bond Issuance Cost and Fees	-	758	-	758
Capital Outlay:					
0081	Facilities Acquisition and Construction	9,317	9,317	-	9,317
Intergovernmental:					
0099	Other Intergovernmental Charges	11,709	11,709	11,130	579
6030	Total Expenditures	8,269,480	8,962,613	9,151,825	(189,212)
1200	Net Change in Fund Balances	-	-	(77,600)	(77,600)
0100	Fund Balance - September 1 (Beginning)	2,779,550	2,779,550	2,779,550	-
3000	Fund Balance - August 31 (Ending)	\$ 2,779,550	\$ 2,779,550	\$ 2,701,950	\$ (77,600)

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, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0060715%	0.004028%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,146,194	\$ 1,075,935
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,672,517	2,942,014
Total	<u>\$ 5,818,711</u>	<u>\$ 4,017,949</u>
District's Covered-Employee Payroll	\$ 5,850,793	\$ 5,476,195
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.68%	19.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two 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."

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2016

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 225,375	\$ 179,685
Contribution in Relation to the Contractually Required Contribution	(225,375)	(179,685)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 6,202,071	\$ 5,850,793
Contributions as a Percentage of Covered-Employee Payroll	3.63%	3.07%

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, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two 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."

**COMBINING AND OTHER STATEMENTS**

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting
<b>ASSETS</b>				
1110	\$ -	\$ -	\$ -	\$ -
1220	-	-	-	-
1230	-	-	-	-
1240	-	-	54,669	-
1290	-	-	-	-
1410	3,373	1,032	-	461
1000	<u>\$ 3,373</u>	<u>\$ 1,032</u>	<u>\$ 54,669</u>	<u>\$ 461</u>
<b>LIABILITIES</b>				
2110	\$ -	\$ -	\$ -	\$ -
2180	3,373	1,032	-	461
2000	<u>3,373</u>	<u>1,032</u>	<u>-</u>	<u>461</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601	-	-	-	-
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	-	-	54,669	-
3480	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>54,669</u>	<u>-</u>
4000	<u>\$ 3,373</u>	<u>\$ 1,032</u>	<u>\$ 54,669</u>	<u>\$ 461</u>



263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	276 Title I - SIP Academy Grant	331 SSA - Career & Technical - Basic Grant	352 SSA - 21st Century Learning	404 Student Success Initiative	410 State Textbook Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	100,007	-	-	-	-	-
-	-	-	-	-	-	-	-
168	295	1,466	-	-	-	-	-
<u>\$ 168</u>	<u>\$ 295</u>	<u>\$ 101,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 100,007	\$ -	\$ -	\$ -	\$ -	\$ -
168	295	1,466	-	-	-	-	-
<u>168</u>	<u>295</u>	<u>101,473</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 168</u>	<u>\$ 295</u>	<u>\$ 101,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	415 Kindergarten and Pre-K Grants	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 44,281	\$ 44,281
1220	Property Taxes - Delinquent	-	-	14,462	14,462
1230	Allowance for Uncollectible Taxes (Credit)	-	-	(2,169)	(2,169)
1240	Receivables from Other Governments	-	154,676	-	154,676
1290	Other Receivables	-	-	2,402	2,402
1410	Prepayments	-	6,795	-	6,795
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 161,471</u>	<u>\$ 58,976</u>	<u>\$ 220,447</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 100,007	\$ -	\$ 100,007
2180	Due to Other Governments	-	6,795	2,218	9,013
2000	<b>Total Liabilities</b>	<u>-</u>	<u>106,802</u>	<u>2,218</u>	<u>109,020</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	12,293	12,293
2600	<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>12,293</u>	<u>12,293</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	54,669	-	54,669
3480	Retirement of Long-Term Debt	-	-	44,465	44,465
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>54,669</u>	<u>44,465</u>	<u>99,134</u>
4000	<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ -</u>	<u>\$ 161,471</u>	<u>\$ 58,976</u>	<u>\$ 220,447</u>

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	760,975	145,991	26,191	53,993
5020 Total Revenues	<u>760,975</u>	<u>145,991</u>	<u>26,191</u>	<u>53,993</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	571,614	105,376	-	53,993
0013 Curriculum and Instructional Staff Development	4,600	-	-	-
0031 Guidance, Counseling and Evaluation Services	133,600	-	-	-
0032 Social Work Services	-	40,615	-	-
0035 Food Services	-	-	27,068	-
0061 Community Services	51,161	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0099 Other Intergovernmental Charges	-	-	-	-
6030 Total Expenditures	<u>760,975</u>	<u>145,991</u>	<u>27,068</u>	<u>53,993</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(877)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	(877)	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>55,546</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,669</u>	<u>\$ -</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, 2016

Data Control Codes	415 Kindergarten and Pre-K Grants	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 61,073	\$ 61,073
5800	State Program Revenues	-	100,752	407,742	508,494
5900	Federal Program Revenues	-	1,128,020	-	1,128,020
5020	Total Revenues	-	1,228,772	468,815	1,697,587
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	-	972,605	-	972,605
0013	Curriculum and Instructional Staff Development	-	4,600	-	4,600
0031	Guidance, Counseling and Evaluation Services	-	133,600	-	133,600
0032	Social Work Services	-	40,615	-	40,615
0035	Food Services	-	27,068	-	27,068
0061	Community Services	-	51,161	-	51,161
Debt Service:					
0071	Principal on Long Term Debt	-	-	365,000	365,000
0072	Interest on Long Term Debt	-	-	113,397	113,397
0073	Bond Issuance Cost and Fees	-	-	115,996	115,996
Intergovernmental:					
0099	Other Intergovernmental Charges	-	-	609	609
6030	Total Expenditures	-	1,229,649	595,002	1,824,651
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(877)	(126,187)	(127,064)
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	1,565,000	1,565,000
7916	Premium or Discount on Issuance of Bonds	-	-	149,969	149,969
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(1,600,496)	(1,600,496)
7080	Total Other Financing Sources (Uses)	-	-	114,473	114,473
1200	Net Change in Fund Balance	-	(877)	(11,714)	(12,591)
0100	Fund Balance - September 1 (Beginning)	-	55,546	56,179	111,725
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 54,669	\$ 44,465	\$ 99,134

**T.E.A. REQUIRED SCHEDULES**

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ 153,702,471
2008	1.040000	0.144700	38,252,279
2009	1.040000	0.225900	38,362,009
2010	1.040000	0.214900	38,133,308
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 (School year under audit)	1.170000	0.110000	41,084,909
1000 TOTALS			



(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 26,847	\$ -	\$ 3,390	\$ 440	\$ (167)	\$ 22,850
3,660	-	1,092	152	664	3,080
4,664	-	1,440	313	504	3,415
6,260	-	1,577	326	372	4,729
7,281	-	1,746	403	94	5,226
9,661	-	3,036	700	(240)	5,685
13,713	-	5,237	1,209	(235)	7,032
21,539	-	8,799	2,030	(235)	10,475
40,370	-	21,667	2,037	(55)	16,611
-	529,101	444,866	49,430	2,824	37,629
<u>\$ 133,995</u>	<u>\$ 529,101</u>	<u>\$ 492,850</u>	<u>\$ 57,040</u>	<u>\$ 3,526</u>	<u>\$ 116,732</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, 2016

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	\$ 65,000	\$ 65,000	\$ 51,642	\$ (13,358)
5800 State Program Revenues	18,133	18,133	2,793	(15,340)
5900 Federal Program Revenues	610,000	610,000	553,256	(56,744)
5020 Total Revenues	693,133	693,133	607,691	(85,442)
EXPENDITURES:				
0035 Food Services	693,133	693,133	713,280	(20,147)
6030 Total Expenditures	693,133	693,133	713,280	(20,147)
1200 Net Change in Fund Balances	-	-	(105,589)	(105,589)
0100 Fund Balance - September 1 (Beginning)	97,220	-	97,219	97,219
3000 Fund Balance - August 31 (Ending)	\$ 97,220	\$ -	\$ (8,370)	\$ (8,370)

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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 98,197	\$ 98,197	\$ 61,073	\$ (37,124)
5800	State Program Revenues	387,013	387,013	407,742	20,729
5020	Total Revenues	485,210	485,210	468,815	(16,395)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	309,710	309,710	365,000	(55,290)
0072	Interest on Long Term Debt	162,500	162,500	113,397	49,103
0073	Bond Issuance Cost and Fees	13,000	13,000	115,996	(102,996)
Intergovernmental:					
0099	Other Intergovernmental Charges	-	-	609	(609)
6030	Total Expenditures	485,210	485,210	595,002	(109,792)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(126,187)	(126,187)
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	1,565,000	1,565,000
7916	Premium or Discount on Issuance of Bonds	-	-	149,969	149,969
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(1,600,496)	(1,600,496)
7080	Total Other Financing Sources (Uses)	-	-	114,473	114,473
1200	Net Change in Fund Balances	-	-	(11,714)	(11,714)
0100	Fund Balance - September 1 (Beginning)	56,179	56,179	56,179	-
3000	Fund Balance - August 31 (Ending)	\$ 56,179	\$ 56,179	\$ 44,465	\$ (11,714)

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

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**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 Auditor's 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, 2016, 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 25, 2017.

**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.

*Raal Hernandez & Company, P.C.*

Corpus Christi, Texas

January 25, 2017



**Raul Hernandez & Company, P.C.**  
Certified Public Accountants  
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**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 Auditor's 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, 2016. 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, 2016.

**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, 2016, and have issued our report thereon dated January 25, 2017, 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 25, 2017

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2016

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unmodified
2. Significant deficiencies in internal controls disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
3. Noncompliance material to the financial statements of the auditee disclosed by the audit of the financial statements	None
4. Significant deficiencies in internal controls over major programs disclosed by the audit of the financial statements	None
a. Significant deficiencies that were material weaknesses	None
5. Type of auditor's report issued on compliance for major programs	Unmodified
6. Findings disclosed by the audit of the financial statements which the auditor is required to report	None
7. Major Programs:	
84.010 Title I Grants to Local Educational Agencies	
8. The dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
9. Auditee qualified as a low-risk auditee	Yes

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

A. Questioned Costs: \$ 0.

. Findings and questioned costs for state and federal awards. None.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

NONE

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2016

N/A

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16 - 610101031913	\$ 760,975
ESEA, Title I, Part C - Migratory Children	84.011	16 - 615001031913	145,991
SSA - Career and Technical - Basic Grant	84.048	16-420006108910	13,304
GEAR UP	84.334S	P-334A110180-15	73,382
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	16 - 696001031913	14,342
Title III, Part A - English Language Acquisition	84.365A	16-671001031913	39,842
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16-694501031913	53,993
Total Passed Through State Department of Education			\$ 1,101,829
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			\$ 1,101,829
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 194,254
*National School Lunch Program - Cash Assistance	10.555	71301601	359,002
*Summer Feeding Program - Cash Assistance	10.559	71401601	26,191
Total Child Nutrition Cluster			579,447
Total Passed Through the State Department of Agriculture			\$ 579,447
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			\$ 579,447
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 1,681,276

\*Clustered Programs

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2016

- 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 2015, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.