

**SANTA MARIA INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2014

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

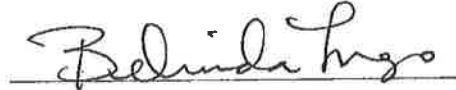
Santa Maria Independent School District
Name of School District

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, 2014 at a meeting of the Board of Trustees of such school district on the 21st of February, 2015.


Signature of Board Secretary


Signature of Board President

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

Raul Hernandez & Company, P. C.

5422 Holly Rd
Holly-Staples Square
Corpus Christi, Texas 78411
Office (361) 980-0428 Fax (361) 980-1002

Independent Auditors' Report

Board of Trustees
Santa Maria Independent School District
Santa Maria, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Independent School District as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Santa Maria Independent School District as of August 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are the responsibility of management and was derived from and relates 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 non-major fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The J-1 thru J-3 Schedules has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

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

Raul Hernandez & Company, P.C.
Corpus Christi, Texas
February 20, 2015

The first part of the document is a letter from the Secretary of the Department of the Interior to the Secretary of the Department of the Army. The letter discusses the proposed construction of a dam on the Colorado River and the impact it would have on the surrounding area. The Secretary of the Interior expresses concern about the potential damage to the environment and the loss of wildlife habitat. He requests that the Secretary of the Army take steps to mitigate these impacts.

The second part of the document is a report from the Bureau of Reclamation. The report provides a detailed analysis of the proposed dam project, including its location, design, and estimated cost. It also discusses the potential benefits of the project, such as increased water supply and improved flood control. The report concludes that the project is feasible and recommends that it be approved.

The third part of the document is a letter from the Secretary of the Army to the Secretary of the Interior. The letter responds to the concerns raised in the first letter and outlines the steps that will be taken to address them. The Secretary of the Army assures that the project will be designed and constructed in a way that minimizes environmental damage and maximizes the benefits to the community. He also provides information about the ongoing monitoring and maintenance of the dam.

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Approved: _____
Special Agent in Charge
U.S. Department of Justice

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2014. 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 \$9,465,512 and \$9,616,546, for fiscal years ending August 31, 2014 and 2013, respectively.
- The District's expenses were \$10,015,044, which is \$910,134 more than the 2013 amount of \$9,104,910.
- The General Fund reported a fund balance of \$2,969,972 and \$2,761,432 for fiscal years ending August 31, 2014 and 2013, respectively.
- The Debt Service Fund ended the year with a fund balance of \$80,060, which represents an increase of \$1,746.
- Revenues from governmental activities were \$10,031,325 which represents a \$18,190 decrease 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

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

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 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 23) 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 22. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the District's governmental activities increased from \$9,616,546 to \$9,465,512. 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 \$2,824,085 at August 31, 2014 which represents a \$1,020,440 increase from prior year. The District's revenues exceeded the expenditures by \$16,281. The District paid bonds and other long-term debt in the amount of \$313,293. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of \$431,270. The District recorded depreciation in the amount of \$373,978. In addition, accumulated depreciation was \$5,041,356 as of August 31, 2014. (See note D on page 34)

Total Revenue increased by \$18,190 in fiscal 2014. Charges for services accounted for a majority of the decrease. Total Expenditures increased by \$910,134 during the year. 50.97% 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.

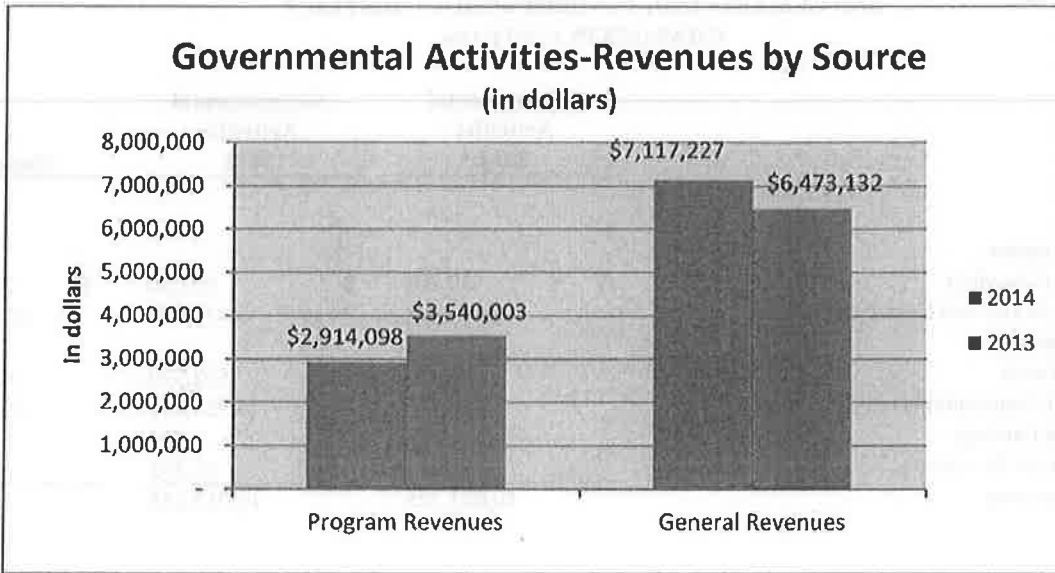
Table 1
SANTA MARIA INDEPENDENT
SCHOOL DISTRICT

ASSETS	Governmental Activities 2014	Governmental Activities 2013	Change
Cash and Cash Equivalents	\$ 1,675,490	\$ 2,877,325	(1,201,835)
Current Investments	1,961,886	1,392,536	569,350
Property Taxes Receivable (Delinquent)	134,033	131,538	2,495
Allowance for Uncollectible Taxes	(20,104)	(19,891)	(213)
Due from Other Governments	992,684	863,604	129,080
Other Receivables, net	57,433	1,619	55,814
Inventories	7,195	7,239	(44)
Prepayments	6,263	-	6,263
Capitalized Bond and Other Debt Issuance Costs	-	210,659	(210,659)
Total Current Assets:	4,814,880	5,464,629	(649,749)
Capital Assets:			-
Land	247,824	247,824	-
Buildings, Net	8,557,477	8,718,548	(161,071)
Furniture and Equipment, Net	467,109	349,016	118,093
Total Noncurrent Assets	9,272,410	9,315,388	(42,978)
Total Assets	\$ 14,087,290	\$ 14,780,017	\$ (692,727)
LIABILITIES			
Accounts Payable	458,168	557,606	(99,438)
Interest Payable	6,599	4,244	2,355
Accrued Wages Payable	86,359	144,953	(58,594)
Due to Fiduciary Funds	-	4,247	(4,247)
Due to Other Governments	111,871	157,780	(45,909)
Accrued Expenses	-	1,555	(1,555)
Unearned Revenue	7,195	28,205	(21,010)
Noncurrent Liabilities			
Due Within One Year	323,283	305,000	18,283
Due In More Than One Year	3,628,303	3,959,881	(331,578)
Total Liabilities	4,621,778	5,163,471	(541,693)
NET POSITION			
Net Investment in Capital Assets	5,320,822	5,050,507	270,315
Restricted for Federal and State Programs	287,616	291,544	(3,928)
Restricted for Debt Service	80,060	78,314	1,746
Restricted for Capital Projects	952,929	2,392,536	(1,439,607)
Restricted for Campus Activities	-	-	-
Restricted for Other Purposes	-	-	-
Unrestricted	2,824,085	1,803,645	1,020,440
Total Net Position	\$ 9,465,512	\$ 9,616,546	\$ (151,034)

Table II
SANTA MARIA INDEPENDENT SCHOOL DISTRICT
CHANGES IN POSITION

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 110,204	\$ 60,060	\$ 50,144
Operating Grants and Contributions	2,803,894	3,479,943	(676,049)
General Revenues:			
Property Taxes	545,487	502,970	42,517
Grants and Contributions not Restricted	6,546,537	5,955,136	591,401
Investment Earnings	791	434	357
Miscellaneous Revenue	24,412	14,592	9,820
Total Revenue	<u>10,031,325</u>	<u>10,013,135</u>	<u>18,190</u>
Expenses:			
Instruction	5,105,090	4,951,429	153,661
Instructional Resources and Media Services	110,815	53,083	57,732
Curriculum and Instructional Staff Development	17,951	17,063	888
Instructional Leadership	158,210	130,791	27,419
School Leadership	493,235	496,851	(3,616)
Guidance, Counseling, and Evaluation Services	254,500	253,949	551
Social Work Services	22,421	21,450	971
Health Services	10,251	44,176	(33,925)
Student (Pupil) Transportation	257,885	261,763	(3,878)
Food Services	718,656	585,508	133,148
Extracurricular Activities	276,301	264,829	11,472
General Administration	1,007,003	695,721	311,282
Facilities Maintenance and Operations	1,144,460	887,974	256,486
Security and Monitoring Services	106,342	25,796	80,546
Data Processing Services	111,997	99,763	12,234
Community Services	43,388	24,197	19,191
Debt Service - Interest on Long Term Debt	166,172	176,710	(10,538)
Debt Service - Bond Issuance Costs and Fees	-	13,960	(13,960)
Payments related to SSA	-	88,885	(88,885)
Other Intergovernmental Charges	10,367	11,012	(645)
Total Expenses	<u>10,015,044</u>	<u>9,104,910</u>	<u>910,134</u>
Change in Net Position	16,281	908,225	(891,944)
Net Position - Beginning of Year	9,616,546	8,708,321	908,225
Prior Period Adjustment	(167,315)	-	(167,315)
Net Position - End of Year	<u>\$ 9,465,512</u>	<u>\$ 9,616,546</u>	<u>\$ 16,281</u>

Figure 1

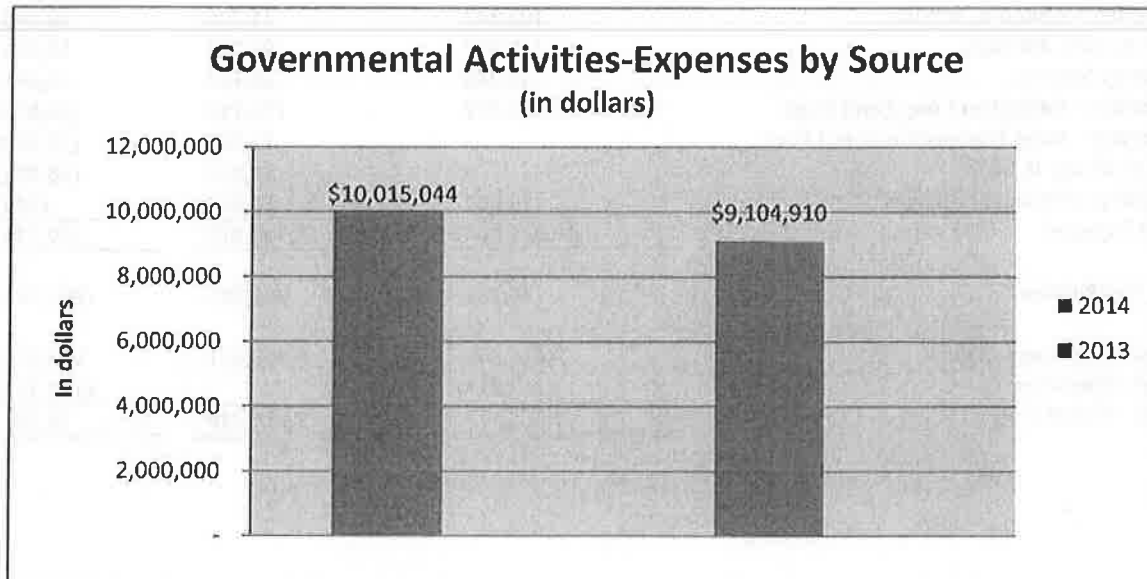


Governmental Activities

- 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 \$4,039,649, which represents a decrease of \$208,327 over last year's total of \$4,247,976.

The District's General Fund balance of \$2,969,972 reported on page 41- differs from the General Fund's budgetary fund balance of \$2,368,788 reported in the budgetary comparison schedule, which is a difference of \$601,184.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had \$14.3 million invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, and furniture & equipment.

This year's major additions included:

	2014	2013
Land	\$ 247,824	\$ 247,824
Buildings & Improvements	12,810,246	12,639,912
Furniture and Equipment	422,934	416,356
Vehicles	832,765	678,673
Totals at Historical Cost	14,313,769	13,982,765
Accumulated Depreciation	(5,041,356)	(4,667,377)
Total Capital Assets (Net)	\$ 9,272,413	\$ 9,315,388

More detailed information about the District's capital assets is presented in Note D (page 34) to the financial statements.

Debt

At year-end, the District had \$3,915,586 in bonds and other long-term debt outstanding, which decreased from the prior year balance of \$4,264,881.

More detailed information about the District's long-term liabilities is presented in Note G (page 36) 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 2014-2015 budget tax rates. One of those factors is the economy. The District's population has remained constant.

The adopted budget for 2014-2015 is \$6,897,161. The tax rate for the year 2014-2015 totaled 1.39. The appraised value for 2014-2015 budget was \$62,405,546 up approximately \$591 thousand. General operating state estimated revenue per student increased from \$9,508 to \$10,390 and general operating

appropriation per student increased from \$785 to \$860 in the 2014-2015 budget. The 2014-2015 refined average daily attendance is expected to be 720, 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) 262-1715.

2013	2014	2015
Revenue	10,000,000	10,500,000
Expenses	9,500,000	10,000,000
Surplus	500,000	500,000
Total	10,000,000	10,500,000

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,675,490
1120 Current Investments	1,961,886
1220 Property Taxes Receivable (Delinquent)	134,033
1230 Allowance for Uncollectible Taxes	(20,104)
1240 Due from Other Governments	992,684
1290 Other Receivables, net	57,433
1300 Inventories	7,195
1410 Prepayments	6,263
Capital Assets:	
1510 Land	247,824
1520 Buildings, Net	8,557,477
1530 Furniture and Equipment, Net	467,109
1000 Total Assets	14,087,290
LIABILITIES	
2110 Accounts Payable	458,168
2140 Interest Payable	6,599
2160 Accrued Wages Payable	86,359
2180 Due to Other Governments	111,871
2300 Unearned Revenue	7,195
Noncurrent Liabilities	
2501 Due Within One Year	323,283
2502 Due in More Than One Year	3,628,303
2000 Total Liabilities	4,621,778
NET POSITION	
3200 Net Investment in Capital Assets	5,320,822
3820 Restricted for Federal and State Programs	287,616
3850 Restricted for Debt Service	80,060
3860 Restricted for Capital Projects	952,929
3900 Unrestricted	2,824,085
3000 Total Net Position	\$ 9,465,512

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, 2014

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,105,090	\$ 31,286	\$ 1,753,301	\$ (3,320,503)
12 Instructional Resources and Media Services	110,815	-	894	(109,921)
13 Curriculum and Staff Development	17,951	-	-	(17,951)
21 Instructional Leadership	158,210	-	154,076	(4,134)
23 School Leadership	493,235	-	31,353	(461,882)
31 Guidance, Counseling and Evaluation Services	254,500	-	234,023	(20,477)
32 Social Work Services	22,421	-	22,754	333
33 Health Services	10,251	-	1,379	(8,872)
34 Student (Pupil) Transportation	257,885	71,315	-	(186,570)
35 Food Services	718,656	-	563,848	(154,808)
36 Extracurricular Activities	276,301	7,603	-	(268,698)
41 General Administration	1,007,003	-	-	(1,007,003)
51 Facilities Maintenance and Operations	1,144,460	-	-	(1,144,460)
52 Security and Monitoring Services	106,342	-	-	(106,342)
53 Data Processing Services	111,997	-	-	(111,997)
61 Community Services	43,388	-	42,266	(1,122)
72 Debt Service - Interest on Long Term Debt	166,172	-	-	(166,172)
99 Other Intergovernmental Charges	10,367	-	-	(10,367)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 10,015,044	\$ 110,204	\$ 2,803,894	(7,100,946)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	444,497
DT	Property Taxes, Levied for Debt Service	100,990
GC	Grants and Contributions not Restricted	6,546,537
IE	Investment Earnings	791
MI	Miscellaneous Local and Intermediate Revenue	24,411
TR	Total General Revenues	7,117,227
CN	Change in Net Position	16,281
NB	Net Position - Beginning	9,616,546
PA	Prior Period Adjustment	(167,315)
NE	Net Position - Ending	\$ 9,465,512

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

STATE OF CALIFORNIA
 DEPARTMENT OF REVENUE
 TAXPAYER INFORMATION

Year	Amount	Category	Code	Description	Amount
2014	100.00	Income	1	Wages	100.00
2014	100.00	Income	2	Dividends	100.00
2014	100.00	Income	3	Interest	100.00
2014	100.00	Income	4	Capital Gains	100.00
2014	100.00	Income	5	Rental	100.00
2014	100.00	Income	6	Retirement	100.00
2014	100.00	Income	7	Other	100.00
2014	100.00	Income	8	Unemployment	100.00
2014	100.00	Income	9	Alimony	100.00
2014	100.00	Income	10	Other	100.00
2014	100.00	Income	11	Other	100.00
2014	100.00	Income	12	Other	100.00
2014	100.00	Income	13	Other	100.00
2014	100.00	Income	14	Other	100.00
2014	100.00	Income	15	Other	100.00
2014	100.00	Income	16	Other	100.00
2014	100.00	Income	17	Other	100.00
2014	100.00	Income	18	Other	100.00
2014	100.00	Income	19	Other	100.00
2014	100.00	Income	20	Other	100.00
2014	100.00	Income	21	Other	100.00
2014	100.00	Income	22	Other	100.00
2014	100.00	Income	23	Other	100.00
2014	100.00	Income	24	Other	100.00
2014	100.00	Income	25	Other	100.00
2014	100.00	Income	26	Other	100.00
2014	100.00	Income	27	Other	100.00
2014	100.00	Income	28	Other	100.00
2014	100.00	Income	29	Other	100.00
2014	100.00	Income	30	Other	100.00
2014	100.00	Income	31	Other	100.00
2014	100.00	Income	32	Other	100.00
2014	100.00	Income	33	Other	100.00
2014	100.00	Income	34	Other	100.00
2014	100.00	Income	35	Other	100.00
2014	100.00	Income	36	Other	100.00
2014	100.00	Income	37	Other	100.00
2014	100.00	Income	38	Other	100.00
2014	100.00	Income	39	Other	100.00
2014	100.00	Income	40	Other	100.00
2014	100.00	Income	41	Other	100.00
2014	100.00	Income	42	Other	100.00
2014	100.00	Income	43	Other	100.00
2014	100.00	Income	44	Other	100.00
2014	100.00	Income	45	Other	100.00
2014	100.00	Income	46	Other	100.00
2014	100.00	Income	47	Other	100.00
2014	100.00	Income	48	Other	100.00
2014	100.00	Income	49	Other	100.00
2014	100.00	Income	50	Other	100.00

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	Major Special Revenue Fund	Major Special Revenue Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,488,743	\$ -	\$ 88,272
1120 Investments - Current	1,000,348	-	-
1220 Property Taxes - Delinquent	108,901	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(16,335)	-	-
1240 Receivables from Other Governments	574,885	140,861	-
1290 Other Receivables	49,275	-	-
1300 Inventories	7,195	-	-
1410 Prepayments	-	-	-
1000 Total Assets	<u>\$ 3,213,012</u>	<u>\$ 140,861</u>	<u>\$ 88,272</u>
LIABILITIES			
2110 Accounts Payable	\$ 69,031	\$ 133,761	\$ 183
2160 Accrued Wages Payable	74,248	-	-
2180 Due to Other Governments	-	7,100	88,089
2300 Unearned Revenues	7,195	-	-
2000 Total Liabilities	<u>150,474</u>	<u>140,861</u>	<u>88,272</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	92,566	-	-
2600 Total Deferred Inflows of Resources	<u>92,566</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	7,195	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	250,927	-	-
3480 Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
3510 Construction	-	-	-
3600 Unassigned Fund Balance	2,711,850	-	-
3000 Total Fund Balances	<u>2,969,972</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,213,012</u>	<u>\$ 140,861</u>	<u>\$ 88,272</u>

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

EXHIBIT C-1

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 98,475	\$ 1,675,490
961,538	-	1,961,886
-	25,132	134,033
-	(3,769)	(20,104)
-	276,938	992,684
-	8,158	57,433
-	-	7,195
-	6,263	6,263
<u>\$ 961,538</u>	<u>\$ 411,197</u>	<u>\$ 4,814,880</u>
\$ 8,610	\$ 246,583	\$ 458,168
-	12,111	86,359
-	14,393	109,582
-	-	7,195
<u>8,610</u>	<u>273,087</u>	<u>661,304</u>
-	21,361	113,927
-	21,361	113,927
-	-	7,195
-	36,689	287,616
-	80,060	80,060
952,928	-	952,928
-	-	2,711,850
<u>952,928</u>	<u>116,749</u>	<u>4,039,649</u>
<u>\$ 961,538</u>	<u>\$ 411,197</u>	<u>\$ 4,814,880</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2014

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,039,649
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 assets. The net effect of this consolidation is to increase(decrease) net assets.		-
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 \$13,982,763 and the accumulated depreciation was \$4,667,377. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		5,368,571
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 2014 capital outlays and debt principal payments is to increase (decrease) net assets.		431,270
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(373,978)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, 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 (decrease) net assets.		-
19 Net Assets of Governmental Activities	\$	9,465,512

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

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Major Special Revenue Fund	Major Special Revenue Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 579,461	\$ -	\$ -
5800 State Program Revenues	6,145,103	-	-
5900 Federal Program Revenues	547,429	1,224,704	17,002
5020 Total Revenues	<u>7,271,993</u>	<u>1,224,704</u>	<u>17,002</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,175,997	946,673	17,002
0012 Instructional Resources and Media Services	109,897	-	-
0013 Curriculum and Instructional Staff Development	12,304	-	-
0021 Instructional Leadership	2,040	154,076	-
0023 School Leadership	440,715	31,353	-
0031 Guidance, Counseling and Evaluation Services	7,353	92,602	-
0032 Social Work Services	-	-	-
0033 Health Services	5,058	-	-
0034 Student (Pupil) Transportation	302,104	-	-
0035 Food Services	650,521	-	-
0036 Extracurricular Activities	266,356	-	-
0041 General Administration	972,709	-	-
0051 Facilities Maintenance and Operations	930,500	-	-
0052 Security and Monitoring Services	106,116	-	-
0053 Data Processing Services	107,958	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	6,802	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	10,367	-	-
6030 Total Expenditures	<u>7,106,797</u>	<u>1,224,704</u>	<u>17,002</u>
1200 Net Change in Fund Balances	165,196	-	-
0100 Fund Balance - September 1 (Beginning)	2,761,432	-	-
1300 Increase (Decrease) in Fund Balance	43,344	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,969,972</u>	<u>\$ -</u>	<u>\$ -</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 443	\$ 121,985	\$ 701,889
-	377,856	6,522,959
-	1,017,342	2,806,477
443	1,517,183	10,031,325
-	768,629	4,908,301
-	(279)	109,618
-	-	12,304
-	-	156,116
-	-	472,068
-	141,755	241,710
-	22,421	22,421
-	1,379	6,437
101,645	-	403,749
-	41,171	691,692
-	-	266,356
-	-	972,709
-	-	930,500
-	-	106,116
-	-	107,958
-	42,266	42,266
-	305,000	305,000
-	172,100	172,100
338,406	-	345,208
-	-	10,367
440,051	1,494,442	10,282,996
(439,608)	22,741	(251,671)
1,392,536	94,008	4,247,976
-	-	43,344
\$ 952,928	\$ 116,749	\$ 4,039,649

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, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (251,671)

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 (decrease) net assets. -

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 2014 capital outlays and debt principal payments is to increase (decrease) net assets. 641,930

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 assets. (373,978)

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

Change in Net Assets of Governmental Activities \$ 16,281

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, 2014

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 37,479
Other Receivables	1,600
Total Assets	<u><u>\$ 39,079</u></u>
LIABILITIES	
Due to Student Groups	\$ 39,079
Total Liabilities	<u><u>\$ 39,079</u></u>

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

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
OFFICE OF THE ASSISTANT ATTORNEY GENERAL
REVENUE LAW ENFORCEMENT DIVISION

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
OFFICE OF THE ASSISTANT ATTORNEY GENERAL
REVENUE LAW ENFORCEMENT DIVISION

STATE OF CALIFORNIA
DEPARTMENT OF REVENUE
OFFICE OF THE ASSISTANT ATTORNEY GENERAL
REVENUE LAW ENFORCEMENT DIVISION

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
For The Year Ended August 31, 2014

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.

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.

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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.

Special Revenue Funds: Title I SIP Academy and 21st Century Grants: 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.

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

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.

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

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

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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. 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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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	\$ 108,901	\$ 25,130	\$ 134,031
Allowance for Uncollectible Taxes	(16,335)	(3,769)	(20,104)
Net Taxes	<u>\$ 92,566</u>	<u>\$ 21,361</u>	<u>\$ 113,927</u>

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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.

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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.

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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>
None reported	Not applicable	Not applicable

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 J4 and J5.

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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:

		August 31, 2014
		Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund		\$ 680,939
Nonappropriated Budget Funds		1,575,265
	All Special Revenue Funds	\$ 2,256,204

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.

Fund	Function	Amount of Excess
General Fund	General Administration	\$ 45,418
Debt Service	Interest on Long-Term Debt	14,600

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

1. Cash Deposits:

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,637,376 and the bank balance was \$3,089,324. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014, were entirely covered by the FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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, 2014.

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

Public Funds Investment Pools

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

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
For The Year Ended August 31, 2014

D. CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 247,824	\$ -	\$ -	\$ 247,824
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>247,824</u>	<u>-</u>	<u>-</u>	<u>247,824</u>
Capital assets being depreciated:				
Buildings and Improvements	12,639,912	170,334	-	12,810,246
Furniture and Equipment	416,356	6,578	-	422,934
Vehicles	678,673	154,091	-	832,764
Totals capital assets being depreciated	<u>13,734,941</u>	<u>331,003</u>	<u>-</u>	<u>14,065,944</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(3,921,370)	(331,405)	-	(4,252,775)
Furniture & Equipment	(354,753)	(4,201)	-	(358,954)
Vehicles	(391,254)	(38,373)	-	(429,627)
Total Accumulated Depreciation	<u>(4,667,377)</u>	<u>(373,979)</u>	<u>-</u>	<u>(5,041,356)</u>
Total capital assets being depreciated, net	<u>\$ 9,315,388</u>	<u>\$ (42,976)</u>	<u>\$ -</u>	<u>\$ 9,272,412</u>
Depreciation was charged to functions as follows:				
Instruction	\$ 196,789			
Instructional Resources and Media Services	1,197			
Curriculum Development and Instructional Staff Development	5,647			
Instructional Leadership	2,094			
School Leadership	21,167			
Guidance, Counseling, & Evaluating Services	12,790			
Health Services	3,814			
Student (Pupil) Transportation	8,227			
Food Services	26,964			
Cocurricular/Extracurricular Activities	9,948			
General Administration	34,294			
Plant Maintenance and Operation	45,663			
Security and Monitoring Services	224			
Data Processing Services	4,039			
Community Services	1,122			
Total Depreciation Expense	<u>\$ 373,979</u>			

E. INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

There were no balances due to and due from other funds at August 31, 2014.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
For The Year Ended August 31, 2014

F. FUND BALANCES

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

Nonspendable Fund Balances:		
Inventories	\$	7,195
Restricted Fund Balances:		
Federal/State Funds Grant Restrictions		287,616
Debt Service		80,060
		367,676
Assigned:		
Construction		952,928
		952,928
Unassigned:		2,711,850
Total Fund Balance		\$ 4,039,649

G. LONG-TERM OBLIGATIONS

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

1. Long-Term Obligations Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term Obligations, for the year ended August 31, 2014, are as follows:

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 09/01/13	Increases	Decreases	Ending Balance 8/31/2014	Due within one year
2004 Unlimited Tax School Building bond	2/15/2034	3-5%	\$ 2,065,000	\$ 6,758	\$ 1,670,000	\$ -	\$ 50,000	\$ 1,620,000	\$ 50,000
2010 Unlimited Tax Refunding bond	2/15/2031	3-5%	2,445,000	69,463	1,820,000	-	225,000	1,595,000	235,000
2010 Unlimited Tax School Building bond	2/15/2030	3-5%	735,000	24,500	640,000	-	30,000	610,000	30,000
Premium and discount			159,730	-	134,871	-	8,283	126,588	8,283
Total				\$ 100,721	\$ 4,264,871	\$ -	\$ 313,283	\$ 3,951,588	\$ 323,283

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
For The Year Ended August 31, 2014

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2014, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2015	315,000	160,653	475,653 ✓
2016	330,000	150,753	480,753 ✓
2017	135,000	143,528	278,528 ✓
2018	140,000	139,053	279,053 ✓
2019	145,000	134,193	279,193 ✓
Thereafter	2,760,000	998,819	3,758,819
Totals	<u>\$ 3,825,000</u>	<u>\$ 1,726,999</u>	<u>\$ 5,551,999</u>

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 2014, 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

Plan Description. The Santa Maria Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements For The Year Ended August 31, 2014

rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system.

(2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal year 2014, 2013 and 2012, and a state contribution rate of 6.4% for fiscal year 2014. State contributions to TRS made on behalf of the Santa Maria Independent School District's employees for the year ended August 31, 2014 were \$349,116. The Santa Maria Independent School District paid additional state contributions for the year ended August 31, 2014 in the amount of \$6,999 on the portion of the employees' salaries that exceeded the statutory minimum.

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 2014, 2013 and 2012 were \$17,959, \$11,801, and \$9,573, 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 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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. 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, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$35,457, \$30,495, and \$28,970, respectively, and the school district's contributions were \$29,987, \$20,571, and \$19,542, respectively, which equaled the required contributions each year.

K. HEALTH CARE COVERAGE

During the year ended August 31, 2014, 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</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 92,566	\$ -	\$ 21,361	\$ 113,927
Federal Grant	7,195	-	-	7,195
Total Deferred Revenue	<u>\$ 99,761</u>	<u>\$ -</u>	<u>\$ 21,361</u>	<u>\$ 121,122</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2014

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, 2014, 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	\$ 574,885	\$ -	\$ 574,885
Special Revenue	32,435	385,365	417,800
Total	<u>607,320</u>	<u>385,365</u>	<u>992,685</u>

<u>DUE TO FUND</u>			
General	-	-	-
Special Revenue	90,306	19,274	109,580
Total	<u>\$ 90,306</u>	<u>\$ 19,274</u>	<u>\$ 109,580</u>

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	\$ 418,736	\$ -	\$ 95,768	\$ -	\$ 514,504
Penalties, Interest and Other					
Tax-related Income	25,760	-	5,222	-	30,982
Investment Income	348	-	-	443	791
Food Sales	50,320	20,995	-	-	71,315
Co-curricular Student Activities	7,602	-	-	-	7,602
Other	76,696	-	-	-	76,696
Total	<u>\$ 579,462</u>	<u>\$ 20,995</u>	<u>\$ 100,990</u>	<u>\$ 443</u>	<u>\$ 701,890</u>

P. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 20, 2015, 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, 2014

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 2013-2014		\$ 398,509
b) Subtract any non-medical expenditures		
Life Insurance	\$ -	
Long-Term Disability	-	-
c) 2013-2014 Maintenance of Effort		\$ 398,509

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.

S. RECLASSIFICATION OF BEGINNING NET POSITION

The balance of net position at the beginning of the fiscal year 2014 has been restated from the balance previously reported in 2013, to reflect a reclassification of \$210,659 to implement the new GASB pronouncement number 65. Consequently, net position for 2013 has been restated to reflect this decrease. The effect of the implementation is a decrease to ending net position as August 31, 2014.

T. PRIOR PERIOD ADJUSTMENT

The fund balance at the beginning of the year for 2014 has been restated from the balance previously in 2013 to reflect an adjustment of \$43,344 for an overstatement of liabilities. The effect of the correction of this error is an increase to the ending fund balance at August 31, 2014.

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Supplementary Table 1
Genetic parameters for the 1000 Genomes Project
Panel A: LD and genetic diversity
Panel B: Genetic diversity and LD

Population	Sample size	Panel A		Panel B		Reference
		LD	Genetic diversity	LD	Genetic diversity	
CEU	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
YRI	1092	0.60	0.0001	0.60	0.0001	1000 Genomes Project
CHB	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHS	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
JPT	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
FIN	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
GBR	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
IBZ	1064	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CEU+YRI	2156	0.70	0.0001	0.70	0.0001	1000 Genomes Project
CEU+CHB	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CEU+CHS	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CEU+JPT	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CEU+FIN	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CEU+GBR	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CEU+IBZ	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
YRI+CHB	2156	0.70	0.0001	0.70	0.0001	1000 Genomes Project
YRI+CHS	2156	0.70	0.0001	0.70	0.0001	1000 Genomes Project
YRI+JPT	2156	0.60	0.0001	0.60	0.0001	1000 Genomes Project
YRI+FIN	2156	0.60	0.0001	0.60	0.0001	1000 Genomes Project
YRI+GBR	2156	0.60	0.0001	0.60	0.0001	1000 Genomes Project
YRI+IBZ	2156	0.60	0.0001	0.60	0.0001	1000 Genomes Project
CHB+CHS	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHB+JPT	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHB+FIN	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHB+GBR	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHB+IBZ	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHS+JPT	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHS+FIN	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHS+GBR	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
CHS+IBZ	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
JPT+FIN	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
JPT+GBR	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
JPT+IBZ	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
FIN+GBR	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
FIN+IBZ	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project
GBR+IBZ	2128	0.80	0.0001	0.80	0.0001	1000 Genomes Project

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, 2014

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	\$ 456,500	\$ 508,020	\$ 579,461	\$ 71,441
5800 State Program Revenues	5,952,744	6,012,602	6,145,103	132,501
5900 Federal Program Revenues	70,400	609,661	547,429	(62,232)
5020 Total Revenues	6,479,644	7,130,283	7,271,993	141,710
EXPENDITURES:				
Current:				
0011 Instruction	3,330,712	3,330,712	3,175,997	154,715
0012 Instructional Resources and Media Services	121,289	121,289	109,897	11,392
0013 Curriculum and Instructional Staff Development	20,964	20,964	12,304	8,660
0021 Instructional Leadership	12,950	12,950	2,040	10,910
0023 School Leadership	445,532	445,532	440,715	4,817
0031 Guidance, Counseling and Evaluation Services	12,750	12,750	7,353	5,397
0033 Health Services	18,700	18,700	5,058	13,642
0034 Student (Pupil) Transportation	390,659	390,659	302,104	88,555
0035 Food Services	-	650,639	650,521	118
0036 Extracurricular Activities	285,253	285,253	266,356	18,897
0041 General Administration	927,291	927,291	972,709	(45,418)
0051 Facilities Maintenance and Operations	982,579	982,579	930,500	52,079
0052 Security and Monitoring Services	119,824	119,824	106,116	13,708
0053 Data Processing Services	118,056	118,056	107,958	10,098
Debt Service:				
0071 Principal on Long Term Debt	10,303	3,303	-	3,303
0072 Interest on Long Term Debt	-	6,000	-	6,000
0073 Bond Issuance Cost and Fees	-	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	107,770	107,770	6,802	100,968
Intergovernmental:				
0099 Other Intergovernmental Charges	11,000	11,000	10,367	633
6030 Total Expenditures	6,915,632	7,566,271	7,106,797	459,474
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(435,988)	(435,988)	165,196	601,184
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(1,000,000)	-	-	-
1200 Net Change in Fund Balances	(1,435,988)	(435,988)	165,196	601,184
0100 Fund Balance - September 1 (Beginning)	2,761,432	2,761,432	2,761,432	-
1300 Increase (Decrease) in Fund Balance	-	-	43,344	43,344
3000 Fund Balance - August 31 (Ending)	\$ 1,325,444	\$ 2,325,444	\$ 2,969,972	\$ 644,528

Statement of Financial Position
 December 31, 2012
 (Amounts in thousands of dollars)

Code	2012	2011	2010	2009	2008
100	1,000	1,000	1,000	1,000	1,000
101	100	100	100	100	100
102	200	200	200	200	200
103	300	300	300	300	300
104	400	400	400	400	400
105	500	500	500	500	500
106	600	600	600	600	600
107	700	700	700	700	700
108	800	800	800	800	800
109	900	900	900	900	900
110	1,000	1,000	1,000	1,000	1,000
111	1,100	1,100	1,100	1,100	1,100
112	1,200	1,200	1,200	1,200	1,200
113	1,300	1,300	1,300	1,300	1,300
114	1,400	1,400	1,400	1,400	1,400
115	1,500	1,500	1,500	1,500	1,500
116	1,600	1,600	1,600	1,600	1,600
117	1,700	1,700	1,700	1,700	1,700
118	1,800	1,800	1,800	1,800	1,800
119	1,900	1,900	1,900	1,900	1,900
120	2,000	2,000	2,000	2,000	2,000

COMBINING AND OTHER STATEMENTS

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

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
ASSETS				
1110	\$ -	\$ -	\$ -	\$ 2,499
1220	-	-	-	-
1230	-	-	-	-
1240	93,545	8,948	48,463	11,260
1290	-	-	-	-
1410	2,904	1,268	-	441
1000	<u>\$ 96,449</u>	<u>\$ 10,216</u>	<u>\$ 48,463</u>	<u>\$ 14,200</u>
LIABILITIES				
2110	\$ 79,316	\$ 8,008	\$ 11,774	\$ 12,577
2160	10,233	-	-	886
2180	6,900	2,208	-	737
2000	<u>96,449</u>	<u>10,216</u>	<u>11,774</u>	<u>14,200</u>
DEFERRED INFLOWS OF RESOURCES				
2601	-	-	-	-
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	-	36,689	-
3480	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>36,689</u>	<u>-</u>
4000	<u>\$ 96,449</u>	<u>\$ 10,216</u>	<u>\$ 48,463</u>	<u>\$ 14,200</u>

EXHIBIT H-1

263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	331 SSA - Career & Technical - Basic Grant	404 Student Success Initiative	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 16,100	\$ -	\$ -	\$ -	\$ -	\$ 18,599	\$ 79,876	\$ 98,475
-	-	-	-	-	-	25,132	25,132
-	-	-	-	-	-	(3,769)	(3,769)
1,036	1,068	80,183	329	32,106	276,938	-	276,938
-	2,834	-	11	2,912	5,757	2,401	8,158
-	-	1,650	-	-	6,263	-	6,263
<u>\$ 17,136</u>	<u>\$ 3,902</u>	<u>\$ 81,833</u>	<u>\$ 340</u>	<u>\$ 35,018</u>	<u>\$ 307,557</u>	<u>\$ 103,640</u>	<u>\$ 411,197</u>
\$ 15,891	\$ 3,644	\$ 80,015	\$ 340	\$ 35,018	\$ 246,583	\$ -	\$ 246,583
-	-	992	-	-	12,111	-	12,111
1,245	258	826	-	-	12,174	2,219	14,393
<u>17,136</u>	<u>3,902</u>	<u>81,833</u>	<u>340</u>	<u>35,018</u>	<u>270,868</u>	<u>2,219</u>	<u>273,087</u>
-	-	-	-	-	-	21,361	21,361
-	-	-	-	-	-	21,361	21,361
-	-	-	-	-	36,689	-	36,689
-	-	-	-	-	-	80,060	80,060
-	-	-	-	-	36,689	80,060	116,749
<u>\$ 17,136</u>	<u>\$ 3,902</u>	<u>\$ 81,833</u>	<u>\$ 340</u>	<u>\$ 35,018</u>	<u>\$ 307,557</u>	<u>\$ 103,640</u>	<u>\$ 411,197</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, 2014

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
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 20,995	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	651,162	143,053	41,171	64,817
5020 Total Revenues	<u>651,162</u>	<u>143,053</u>	<u>62,166</u>	<u>64,817</u>
EXPENDITURES:				
Current:				
0011 Instruction	466,041	120,632	-	64,817
0012 Instructional Resources and Media Services	(279)	-	-	-
0031 Guidance, Counseling and Evaluation Services	141,755	-	-	-
0032 Social Work Services	-	22,421	-	-
0033 Health Services	1,379	-	-	-
0035 Food Services	-	-	41,171	-
0061 Community Services	42,266	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
6030 Total Expenditures	<u>651,162</u>	<u>143,053</u>	<u>41,171</u>	<u>64,817</u>
1200 Net Change in Fund Balance	-	-	20,995	-
0100 Fund Balance - September 1 (Beginning)	-	-	15,694	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,689</u>	<u>\$ -</u>

EXHIBIT H-2

263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	331 SSA - Career & Technical - Basic Grant	404 Student Success Initiative	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,995	\$ 100,990	\$ 121,985
-	-	-	-	-	-	377,856	377,856
10,319	7,936	85,577	13,307	-	1,017,342	-	1,017,342
10,319	7,936	85,577	13,307	-	1,038,337	478,846	1,517,183
10,319	7,936	85,577	13,307	-	768,629	-	768,629
-	-	-	-	-	(279)	-	(279)
-	-	-	-	-	141,755	-	141,755
-	-	-	-	-	22,421	-	22,421
-	-	-	-	-	1,379	-	1,379
-	-	-	-	-	41,171	-	41,171
-	-	-	-	-	42,266	-	42,266
-	-	-	-	-	-	305,000	305,000
-	-	-	-	-	-	172,100	172,100
10,319	7,936	85,577	13,307	-	1,017,342	477,100	1,494,442
-	-	-	-	-	20,995	1,746	22,741
-	-	-	-	-	15,694	78,314	94,008
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,689	\$ 80,060	\$ 116,749

Year	Month	Day	Time	Location	Activity	Remarks	Signature
2017	12	15	10:00	...	...	...	...
2017	12	16	10:00	...	...	...	...
2017	12	17	10:00	...	...	...	...
2017	12	18	10:00	...	...	...	...
2017	12	19	10:00	...	...	...	...
2017	12	20	10:00	...	...	...	...
2017	12	21	10:00	...	...	...	...
2017	12	22	10:00	...	...	...	...
2017	12	23	10:00	...	...	...	...
2017	12	24	10:00	...	...	...	...
2017	12	25	10:00	...	...	...	...
2017	12	26	10:00	...	...	...	...
2017	12	27	10:00	...	...	...	...
2017	12	28	10:00	...	...	...	...
2017	12	29	10:00	...	...	...	...
2017	12	30	10:00	...	...	...	...
2017	12	31	10:00	...	...	...	...
2018	1	1	10:00	...	...	...	...
2018	1	2	10:00	...	...	...	...
2018	1	3	10:00	...	...	...	...
2018	1	4	10:00	...	...	...	...
2018	1	5	10:00	...	...	...	...
2018	1	6	10:00	...	...	...	...
2018	1	7	10:00	...	...	...	...
2018	1	8	10:00	...	...	...	...
2018	1	9	10:00	...	...	...	...
2018	1	10	10:00	...	...	...	...
2018	1	11	10:00	...	...	...	...
2018	1	12	10:00	...	...	...	...
2018	1	13	10:00	...	...	...	...
2018	1	14	10:00	...	...	...	...
2018	1	15	10:00	...	...	...	...
2018	1	16	10:00	...	...	...	...
2018	1	17	10:00	...	...	...	...
2018	1	18	10:00	...	...	...	...
2018	1	19	10:00	...	...	...	...
2018	1	20	10:00	...	...	...	...
2018	1	21	10:00	...	...	...	...
2018	1	22	10:00	...	...	...	...
2018	1	23	10:00	...	...	...	...
2018	1	24	10:00	...	...	...	...
2018	1	25	10:00	...	...	...	...
2018	1	26	10:00
2018	1	27	10:00
2018	1	28	10:00
2018	1	29	10:00
2018	1	30	10:00
2018	1	31	10:00

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T.E.A. REQUIRED SCHEDULES

Course Number	Course Title	Prerequisites		Credit Hours
		Prerequisite 1	Prerequisite 2	
121-344-01	Math 101	None	None	3
121-344-02	Math 102	121-344-01	None	3
121-344-03	Math 103	121-344-01	121-344-02	3
121-344-04	Math 104	121-344-02	121-344-03	3
121-344-05	Math 105	121-344-03	121-344-04	3
121-344-06	Math 106	121-344-04	121-344-05	3
121-344-07	Math 107	121-344-05	121-344-06	3
121-344-08	Math 108	121-344-06	121-344-07	3
121-344-09	Math 109	121-344-07	121-344-08	3
121-344-10	Math 110	121-344-08	121-344-09	3
121-344-11	Math 111	121-344-09	121-344-10	3
121-344-12	Math 112	121-344-10	121-344-11	3
121-344-13	Math 113	121-344-11	121-344-12	3
121-344-14	Math 114	121-344-12	121-344-13	3
121-344-15	Math 115	121-344-13	121-344-14	3
121-344-16	Math 116	121-344-14	121-344-15	3
121-344-17	Math 117	121-344-15	121-344-16	3
121-344-18	Math 118	121-344-16	121-344-17	3
121-344-19	Math 119	121-344-17	121-344-18	3
121-344-20	Math 120	121-344-18	121-344-19	3

T.E.A. REQUIRED SCHEDULES

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1) (2) Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ 83,947,523
2006	1.500000	0.196600	35,190,623
2007	1.370100	0.196600	34,564,325
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 (School year under audit)	1.040000	0.240000	40,939,688
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 22,641	\$ -	\$ 2,417	\$ 269	\$ -	\$ 19,955
5,737	-	659	86	-	4,992
6,006	-	970	139	-	4,897
5,565	-	1,002	139	-	4,424
7,407	-	923	201	-	6,283
10,164	-	1,679	347	308	8,446
11,836	-	2,425	560	314	9,165
21,097	-	6,947	1,604	254	12,800
41,085	-	17,567	4,054	24	19,488
-	524,028	391,481	90,523	1,559	43,583
<u>\$ 131,538</u>	<u>\$ 524,028</u>	<u>\$ 426,070</u>	<u>\$ 97,922</u>	<u>\$ 2,459</u>	<u>\$ 134,033</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2014

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 211,581	\$ 208,201	\$ -	\$ -	419,782
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	194,084	-	-	-	194,084
6212	Audit Services	-	-	-	18,500	-	-	18,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	10,367	-	-	-	-	10,367
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	5,151	16,500	-	-	21,651
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	8,449	-	-	8,449
6290	Miscellaneous Contr.	-	-	51,766	-	-	-	51,766
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,540	-	53,728	16,126	-	-	71,394
6410	Travel, Subsistence, Stipends	14,133	-	8,517	4,664	-	-	27,314
6420	Ins. and Bonding Costs	-	-	-	5,102	-	-	5,102
6430	Election Costs	5,829	-	-	-	-	-	5,829
6490	Miscellaneous Operating	7,545	-	26,774	14,857	-	-	49,176
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 29,047	\$ 10,367	\$ 551,601	\$ 292,399	\$ -	\$ -	\$ 883,414

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 9,365,846

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 257,838
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 916,023
Food (Function 35, 6341 and 6499)	(13) 306,777
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	292,399

SubTotal: 1,773,036

Net Allowed Direct Cost \$ 7,592,810

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 12,810,246
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 1,255,698
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 \$10,367 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2014

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 2,969,972
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 7,195	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	250,927	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	1,200,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>1,458,122</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 1,511,850</u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

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, 2014

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	\$ 51,520	\$ 51,520	\$ 95,727	\$ 44,207
5800 State Program Revenues	59,858	59,858	2,226	(57,632)
5900 Federal Program Revenues	539,261	539,261	520,451	(18,810)
5020 Total Revenues	650,639	650,639	618,404	(32,235)
EXPENDITURES:				
Current:				
0035 Food Services	650,639	650,639	650,521	118
6030 Total Expenditures	650,639	650,639	650,521	118
1200 Net Change in Fund Balances	-	-	(32,117)	(32,117)
0100 Fund Balance - September 1 (Beginning)	283,045	283,045	283,045	-
3000 Fund Balance - August 31 (Ending)	\$ 283,045	\$ 283,045	\$ 250,928	\$ (32,117)

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, 2014

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	\$ 51,520	\$ 88,383	\$ 100,990	\$ 12,607
5800 State Program Revenues	5,858	391,827	377,856	(13,971)
5900 Federal Program Revenues	539,261	-	-	-
5020 Total Revenues	596,639	480,210	478,846	(1,364)
EXPENDITURES:				
0035 Food Services	650,639	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	319,710	305,000	14,710
0072 Interest on Long Term Debt	-	157,500	172,100	(14,600)
0073 Bond Issuance Cost and Fees	-	3,000	-	3,000
6030 Total Expenditures	650,639	480,210	477,100	3,110
1200 Net Change in Fund Balances	(54,000)	-	1,746	1,746
0100 Fund Balance - September 1 (Beginning)	78,314	78,314	78,314	-
3000 Fund Balance - August 31 (Ending)	\$ 24,314	\$ 78,314	\$ 80,060	\$ 1,746

1. The following table shows the results of the 2010 election for the
 2010-2011 fiscal year. The results are shown in dollars and cents.
 The results are shown in dollars and cents.

Account Number	Account Name	Budgeted Amount		Actual Amount	Variance	Account Description
		2010	2011			
1000	General Fund	1000000	1000000	1000000	0	General Fund
1001	Salaries	500000	500000	500000	0	Salaries
1002	Benefits	100000	100000	100000	0	Benefits
1003	Travel	50000	50000	50000	0	Travel
1004	Supplies	100000	100000	100000	0	Supplies
1005	Utilities	100000	100000	100000	0	Utilities
1006	Depreciation	100000	100000	100000	0	Depreciation
1007	Interest	100000	100000	100000	0	Interest
1008	Other	100000	100000	100000	0	Other
1009	Reserve	100000	100000	100000	0	Reserve
1010	Capital	100000	100000	100000	0	Capital
1011	Debt	100000	100000	100000	0	Debt
1012	Grants	100000	100000	100000	0	Grants
1013	Transfers	100000	100000	100000	0	Transfers
1014	Other	100000	100000	100000	0	Other
1015	Reserve	100000	100000	100000	0	Reserve
1016	Capital	100000	100000	100000	0	Capital
1017	Debt	100000	100000	100000	0	Debt
1018	Grants	100000	100000	100000	0	Grants
1019	Transfers	100000	100000	100000	0	Transfers
1020	Other	100000	100000	100000	0	Other

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REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS

REPORTS OF
FEDERAL CONTROL COMPLIANCE

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FEDERAL AGENCIES

Raul Hernandez & Company, P. C.

Certified Public Accountants

5422 Holly Rd

Holly-Staples Square

Corpus Christi, Texas 78411

Office (361) 980-0428 Fax (361) 980-1002

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

Independent Auditors' Report

Board of Trustees
Santa Maria Independent School District
Santa Maria, Texas

Members of the Board:

We have audited, in accordance with the auditing standards general 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, 2014 and related notes the financial statements, which collectively comprise Santa Maria Independent School District's basic financial statements, and have issued our report thereon dated February 20, 2015.

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 controls) 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 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Raul Hernandez & Company, P.C.

February 20, 2015

Raul Hernandez & Company, P.C.

Certified Public Accountants

5422 Holly Rd

Holly-Staples Square

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Board of Trustees
Santa Maria Independent School District
Santa Maria, Texas

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 Circular A-133 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, 2014. Santa Maria Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Santa Maria Independent School District's 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Santa Maria Independent School District as of and for the year ended August 31, 2014, and have issued our report thereon dated February 20, 2015 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 OMB Circular A-133 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 expenditure 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, TX

February 20, 2015

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

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: | |
| School Breakfast Program - CFDA 10.553 | |
| National School Lunch Program - CFDA 10.555 | |
| Title I Grants to Local Educational Agencies - CFDA 84.010 | |
| School Improvement Grants - CFDA 84.377 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs | \$ 300,000 |
| 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, 2014

NONE

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

N/A

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101031913	\$ 225
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101031913	650,937
Total CFDA Number 84.010A			<u>651,162</u>
Total Title I Cluster			<u>651,162</u>
ESEA, Title I, Part C - Migratory Children	84.011	14615001031913	143,053
SSA - Career and Technical - Basic Grant	84.048	0015610284010001	13,307
SSA - 21st Century Community Learning Centers	84.287	126950127110023	17,002
GEAR UP	84.334S	P33YA11018013	85,577
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	14696001031913	7,936
Title III, Part A - English Language Acquisition	84.365A	14671001031913	10,319
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501031913	3,385
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501031913	61,432
Total CFDA Number 84.367A			<u>64,817</u>
Title I SIP Academy Grant	84.377A	136107047110032	1,224,704
Total Passed Through State Department of Education			<u>\$ 2,217,877</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 2,217,877</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 167,543
*National School Lunch Program - Cash Assistance	10.555	71301401	338,540
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301401	14,368
Total CFDA Number 10.555			<u>352,908</u>
Total Child Nutrition Cluster			<u>520,451</u>
Total Passed Through the State Department of Agriculture			<u>\$ 520,451</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 520,451</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,738,328</u>

*Clustered Programs

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

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

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

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

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

SCHOOLS FIRST QUESTIONNAIRE

Santa Maria Independent School District

Fiscal Year 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$-0-

