

**SANTA MARIA INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2013

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	i
Independent Auditors' Report	1
Management's Discussion and Analysis	4
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation for C-1	18
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	19
C-4 Reconciliation for C-3	21
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	22
Notes to the Financial Statements	23
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	41
<u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	42
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	45
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	48
J-2 Schedule of Expenditures for Computation of Indirect Cost	50
J-3 Fund Balance and Cash Flow Calculation Worksheet	51
J-4 Budgetary Comparison Schedule - Child Nutrition Fund	52
J-5 Budgetary Comparison Schedule - Debt Service Fund	53
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Report on Compliance For Each Major Federal Proram; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	56
Schedule of Findings and Questioned Costs	59
Schedule of Status of Prior Findings	60
Corrective Action Plan	61
K-1 Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63

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CERTIFICATE OF BOARD

Santa Maria Indendent 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) X approved _____ disapproved for the year ended , August 31, 2013 at a meeting of the Board of Trustees of such school district on the _____ of November, 2014.

Signature of Board Secretary

Signature of Board President

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

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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 (the District) as of and for the year ended August 31, 2013 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, 2013 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 nonmajor 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 nonmajor 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 nonmajor 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 combining and individual nonmajor 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, 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 October 30, 2014 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

October 30, 2014

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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, 2013. 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 \$9,616,546 and \$8,708,321, for fiscal years ending August 31, 2013 and 2012, respectively.
- The District's expenses were \$9,104,910, which is \$637,288 more than the 2012 amount of \$8,467,622.
- The General Fund reported a fund balance of \$2,761,432 and \$3,871,234 for fiscal years ending August 31, 2013 and 2012, respectively.
- The Debt Service Fund ended the year with a fund balance of \$78,314, which represents an increase of \$64,154.
- Revenues from governmental activities were \$10,013,135, which represents a (\$196,007) 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

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<u>Scope</u>	Entire district Government (except Fiduciary funds) and the district's component units	The activities of the district that are not proprietary or fiduciary	Activities of District similar to private business; self insurance	Instances in which the district is the trustee or agent for someone else's resources
<u>Required Financial net position Statements</u>	<i>Statement of Net position</i> <i>Statement of Activities</i>	<i>Balance Sheet</i> <i>Statement of revenues, expenditures & changes in fund balances</i> <hr/> <i>Statement of cash flows</i>	<i>Statement of net position</i> <i>Statement of rev, exp, & changes in net position</i> <i>Statement of flows</i>	<i>Statement of fiduciary</i> <i>Statement of in fiduciary net position</i>
<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 \$8,708,321 to \$9,616,546. 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 \$1,384,079 at August 31, 2013 which represents a (\$508,066) decrease from prior year. The District acquired investments in a TexPool account which accounted for the increase of \$1,392,536. The District's revenues exceeded the expenditures by \$908,225. The District paid bonds and other long-term debt in the amount of \$431,230. Furthermore, acquired capital assets, including completed capital projects, amounted to a net after disposals, before depreciation, of \$544,575. The District recorded depreciation in the amount of \$349,242. In addition, accumulated depreciation was \$4,667,377 as of August 31, 2013. (See note D on page 34)

Total Revenue decreased by (\$196,007) in fiscal 2013. Operating Grants & Contributions accounted for a majority of the decrease. Total Expenditures increased by \$637,288 during the year. 55% 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.

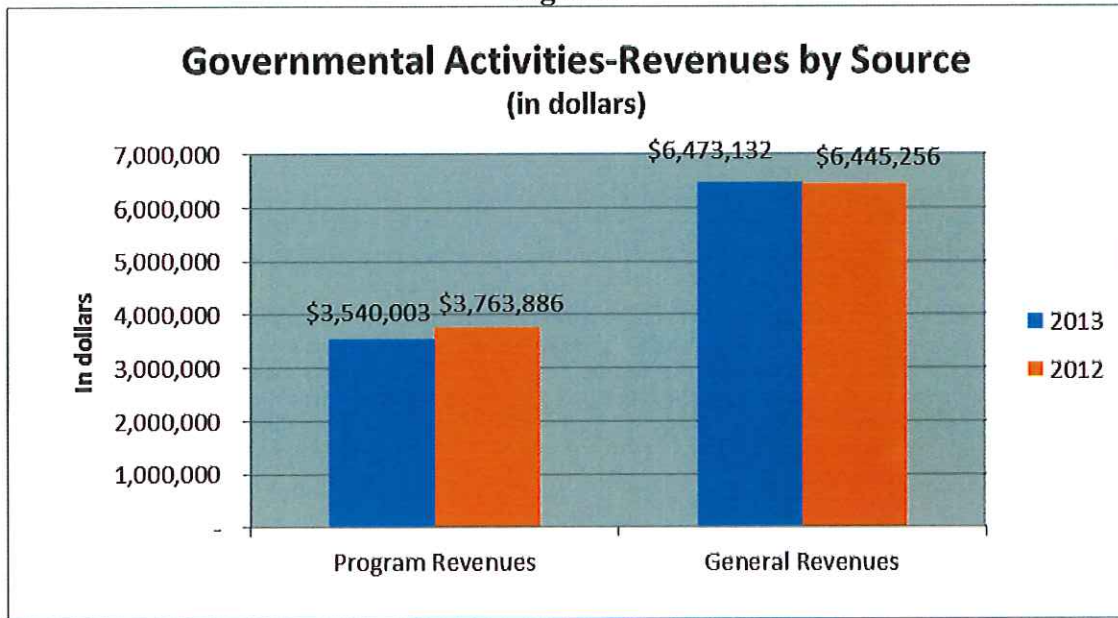
Table I
SANTA MARIA INDEPENDENT
SCHOOL DISTRICT

	Governmental Activities 2013	Governmental Activities 2012	Change
ASSETS			
Cash and Cash Equivalents	\$ 2,877,325	\$ 3,934,099	\$ (1,056,774)
Current Investments	1,392,536	-	1,392,536
Property Taxes Receivable (net of allowance)	131,538	147,074	(15,536)
Allowance for Uncollectible Taxes	(19,891)	(14,708)	(5,183)
Due from Other Governments	863,604	1,040,076	(176,472)
Due from Fiduciary Funds	1,619	76,442	(74,823)
Inventories	7,239	7,195	44
Capitalized Bond and Other Debt			
Issuance Costs	210,659	223,569	(12,910)
Total Current Assets:	<u>\$ 5,464,629</u>	<u>\$ 5,413,747</u>	<u>\$ 50,882</u>
Capital Assets:			
Land	247,824	247,824	-
Buildings, Net	8,718,548	8,780,026	(61,478)
Furniture and Equipment, Net	349,016	92,206	256,810
Total Noncurrent Assets	<u>9,315,388</u>	<u>9,120,056</u>	<u>195,332</u>
Total Assets	<u>\$ 14,780,017</u>	<u>\$ 14,533,803</u>	<u>\$ 246,214</u>
LIABILITIES			
Accounts Payable	557,606	760,946	(203,340)
Interest Payable	4,244	4,348	(104)
Accrued Wages Payable	144,953	64,057	80,896
Due to Fiduciary Funds	4,247	800	3,447
Due to Other Governments	157,780	300,385	(142,605)
Accrued Expenses	1,555	2,329	(774)
Unearned Revenue	28,205	9,416	18,789
Noncurrent Liabilities			
Due Within One Year	305,000	410,037	(105,037)
Due in More Than One Year	3,959,881	4,273,164	(313,283)
Total Liabilities	<u>5,163,471</u>	<u>5,825,482</u>	<u>(662,011)</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	5,050,507	4,657,219	393,288
Restricted for Federal and State Programs	291,544	225,231	66,313
Restricted for Debt Service	78,314	14,160	64,154
Restricted for Capital Projects	2,392,536	1,500,000	892,536
Restricted for Other Purposes	419,566	419,566	-
Unrestricted	1,384,079	1,892,145	(508,066)
Total Net Position	<u>\$ 9,616,546</u>	<u>\$ 8,708,321</u>	<u>\$ 908,225</u>

Table II
SANTA MARIA INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET ASSETS

	Governmental Activities 2013	Governmental Activities 2012	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 60,060	\$ 24,838	\$ 35,222
Operating Grants and Contributions	3,479,943	3,739,048	(259,105)
General Revenues:			
Property Taxes	502,970	560,177	(57,207)
Grants and Contributions not Restricted	5,955,136	5,827,474	127,662
Investment Earnings	434	-	434
Miscellaneous Revenue	14,592	57,605	(43,013)
Total Revenue	10,013,135	10,209,142	(196,007)
Expenses:			
Instruction	4,951,429	4,542,868	408,561
Instructional Resources and Media Services	53,083	6,652	46,431
Curriculum and Instructional Staff Development	17,063	129,500	(112,437)
Instructional Leadership	130,791	165,539	(34,748)
School Leadership	496,851	437,930	58,921
Guidance, Counseling, and Evaluation Services	253,949	251,322	2,627
Social Work Services	21,450	-	21,450
Health Services	44,176	66,719	(22,543)
Student (Pupil) Transportation	261,763	205,556	56,207
Food Services	585,508	517,960	67,548
Extracurricular Activities	264,829	187,074	77,755
General Administration	695,721	537,183	158,538
Facilities Maintenance and Operations	887,974	974,178	(86,204)
Security and Monitoring Services	25,796	28,562	(2,766)
Data Processing Services	99,763	74,244	25,519
Community Services	24,197	22,620	1,577
Debt Service - Interest on Long Term Debt	176,710	186,160	(9,450)
Debt Service - Bond Issuance Costs and Fees	13,960	13,464	496
Payments related to SSA	88,885	109,099	(20,214)
Other Intergovernmental Charges	11,012	10,992	20
Total Expenses	9,104,910	8,467,622	637,288
Change in Net Position	908,225	1,741,520	(833,295)
Net Position - Beginning of Year	8,708,321	6,966,801	1,741,520
Net Position - End of Year	<u>\$ 9,616,546</u>	<u>\$ 8,708,321</u>	<u>\$ 908,225</u>

Figure 1

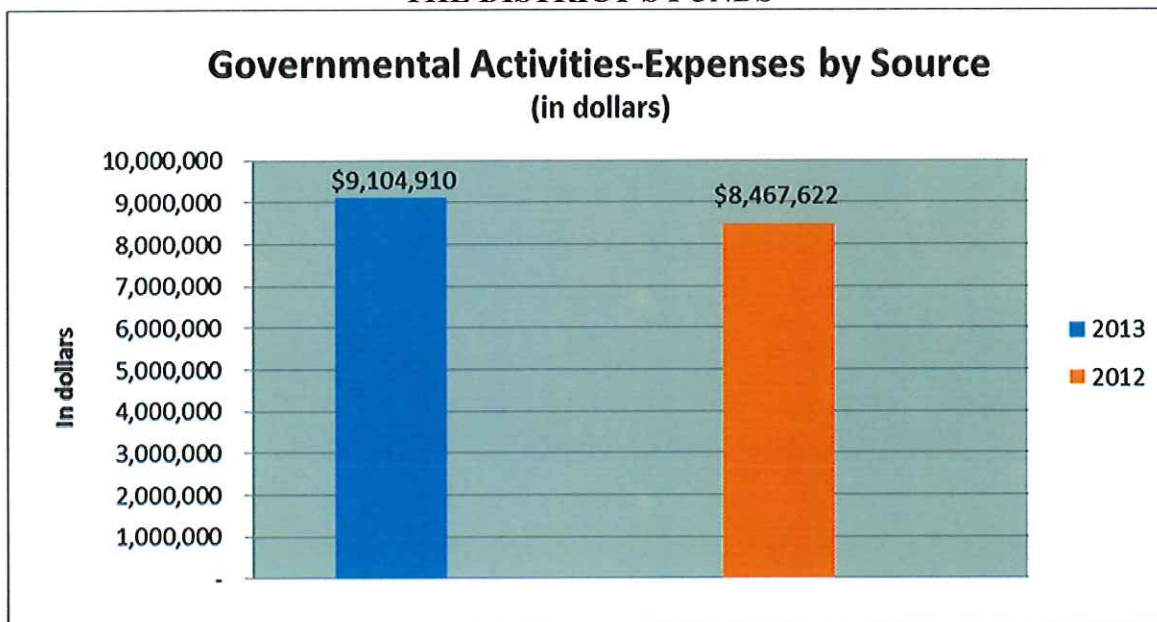


Governmental Activities

- 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 \$4,247,976, which represents an increase of \$346,888 over last year's total of \$3,901,088.

The District's General Fund balance of \$2,761,432 reported on page 41- differs from the General Fund's budgetary fund balance of \$3,937,234 reported in the budgetary comparison schedule, which is a difference of \$1,175,802.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had \$13.9 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:

	2013	2012
Land	\$ 247,824	\$ 247,824
Buildings & Improvements	12,639,912	12,382,374
Furniture and Equipment	416,356	353,337
Vehicles	678,673	454,655
Totals at Historical Cost	13,982,765	13,438,190
Accumulated Depreciation	(4,667,377)	(4,318,131)
Total Capital Assets (Net)	\$ 9,315,388	\$ 9,120,059

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 \$4,264,871 in bonds and other long-term debt outstanding, which decreased from the prior year balance of \$4,683,191.

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 budget for fiscal year 2014 was created to meet new educational and financial requirements passed by the state and federal governments. Other significant events that had major impact in the development of the 2014 budget were the anticipation of the payments for loans / capital leases.

Expenditures for 2014 were budgeted at \$6,788,055 for the general fund while the actual expenditures for 2013 were \$6,379,664.

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,877,325
1120 Current Investments	1,392,536
1220 Property Taxes Receivable (Delinquent)	131,538
1230 Allowance for Uncollectible Taxes	(19,891)
1240 Due from Other Governments	863,604
1290 Other Receivables, net	1,619
1300 Inventories	7,239
1420 Capitalized Bond and Other Debt Issuance Costs	210,659
Capital Assets:	
1510 Land	247,824
1520 Buildings, Net	8,718,548
1530 Furniture and Equipment, Net	349,016
1000 Total Assets	<u>14,780,017</u>
LIABILITIES	
2110 Accounts Payable	557,606
2140 Interest Payable	4,244
2160 Accrued Wages Payable	144,953
2177 Due to Fiduciary Funds	4,247
2180 Due to Other Governments	157,780
2200 Accrued Expenses	1,555
2300 Unearned Revenue	28,205
Noncurrent Liabilities	
2501 Due Within One Year	305,000
2502 Due in More Than One Year	3,959,881
2000 Total Liabilities	<u>5,163,471</u>
NET POSITION	
3200 Net Investment in Capital Assets	5,050,507
3820 Restricted for Federal and State Programs	291,544
3850 Restricted for Debt Service	78,314
3860 Restricted for Capital Projects	2,392,536
3890 Restricted for Other Purposes	419,566
3900 Unrestricted	1,384,079
3000 Total Net Position	<u>\$ 9,616,546</u>

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, 2013

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,951,429	\$ 8,003	\$ 2,192,770	\$ (2,750,656)
12 Instructional Resources and Media Services	53,083	-	(345)	(53,428)
13 Curriculum and Staff Development	17,063	-	44	(17,019)
21 Instructional Leadership	130,791	-	120,399	(10,392)
23 School Leadership	496,851	-	146,981	(349,870)
31 Guidance, Counseling and Evaluation Services	253,949	-	239,658	(14,291)
32 Social Work Services	21,450	-	21,450	-
33 Health Services	44,176	-	15,154	(29,022)
34 Student (Pupil) Transportation	261,763	42,492	12,676	(206,595)
35 Food Services	585,508	-	595,894	10,386
36 Extracurricular Activities	264,829	9,565	3,675	(251,589)
41 General Administration	695,721	-	14,091	(681,630)
51 Facilities Maintenance and Operations	887,974	-	4,998	(882,976)
52 Security and Monitoring Services	25,796	-	464	(25,332)
53 Data Processing Services	99,763	-	-	(99,763)
61 Community Services	24,197	-	23,149	(1,048)
72 Debt Service - Interest on Long Term Debt	176,710	-	-	(176,710)
73 Debt Service - Bond Issuance Cost and Fees	13,960	-	-	(13,960)
93 Payments related to Shared Services Arrangements	88,885	-	88,885	-
99 Other Intergovernmental Charges	11,012	-	-	(11,012)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,104,910	\$ 60,060	\$ 3,479,943	(5,564,907)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		398,962
DT	Property Taxes, Levied for Debt Service		104,008
GC	Grants and Contributions not Restricted		5,955,136
IE	Investment Earnings		434
MI	Miscellaneous Local and Intermediate Revenue		14,592
TR	Total General Revenues		6,473,132
CN	Change in Net Position		908,225
NB	Net Position - Beginning		8,708,321
NE	Net Position--Ending		\$ 9,616,546

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

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	Title I SIP Academy Grant	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,718,134	\$ -	\$ -
1120 Investments - Current	-	-	1,392,536
1220 Property Taxes - Delinquent	109,450	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(16,645)	-	-
1240 Receivables from Other Governments	216,817	312,174	-
1260 Due from Other Funds	64,059	-	8,613
1290 Other Receivables	1,619	-	-
1300 Inventories	7,239	-	-
1000 Total Assets	<u>\$ 3,100,673</u>	<u>\$ 312,174</u>	<u>\$ 1,401,149</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ 304,894	\$ 8,613
2160 Accrued Wages Payable	120,470	7,100	-
2170 Due to Other Funds	28,732	180	-
2180 Due to Other Governments	67,474	-	-
2200 Accrued Expenditures	1,555	-	-
2300 Unearned Revenues	121,010	-	-
2000 Total Liabilities	<u>339,241</u>	<u>312,174</u>	<u>8,613</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	7,239	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	275,850	-	-
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	419,566	-	-
Assigned Fund Balance:			
3550 Construction	-	-	1,392,536
3600 Unassigned Fund Balance	2,058,777	-	-
3000 Total Fund Balances	<u>2,761,432</u>	<u>-</u>	<u>1,392,536</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,100,673</u>	<u>\$ 312,174</u>	<u>\$ 1,401,149</u>

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

Other Funds	Total Governmental Funds
\$ 159,191	\$ 2,877,325
-	1,392,536
22,088	131,538
(3,246)	(19,891)
334,613	863,604
8,159	80,831
-	1,619
-	7,239
<u>\$ 520,805</u>	<u>\$ 5,334,801</u>
\$ 244,099	\$ 557,606
17,383	144,953
56,166	85,078
90,306	157,780
-	1,555
18,843	139,853
<u>426,797</u>	<u>1,086,825</u>
-	7,239
15,694	291,544
78,314	78,314
-	419,566
-	1,392,536
-	2,058,777
<u>94,008</u>	<u>4,247,976</u>
<u>\$ 520,805</u>	<u>\$ 5,334,801</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,247,976
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 \$13,377,690 and the accumulated depreciation was \$3,982,096. 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.		4,767,724
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 2013 capital outlays and debt principal payments is to increase (decrease) net assets.		950,088
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(349,242)
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	\$	9,616,546

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, 2013

Data Control Codes	10 General Fund	Title I SIP Academy Grant	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 537,311	\$ -	\$ 434
5800 State Program Revenues	5,698,910	-	-
5900 Federal Program Revenues	597,338	1,385,489	-
5020 Total Revenues	6,833,559	1,385,489	434
EXPENDITURES:			
Current:			
0011 Instruction	2,680,592	1,147,694	-
0012 Instructional Resources and Media Services	52,310	-	-
0013 Curriculum and Instructional Staff Development	11,711	44	-
0021 Instructional Leadership	8,436	77,210	-
0023 School Leadership	347,594	53,993	-
0031 Guidance, Counseling and Evaluation Services	2,312	106,323	-
0032 Social Work Services	-	-	-
0033 Health Services	25,425	-	-
0034 Student (Pupil) Transportation	364,389	-	107,898
0035 Food Services	576,258	-	-
0036 Extracurricular Activities	255,504	-	-
0041 General Administration	663,661	-	-
0051 Facilities Maintenance and Operations	874,439	225	-
0052 Security and Monitoring Services	25,552	-	-
0053 Data Processing Services	95,991	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	115,303	-	-
0072 Interest on Long Term Debt	1,866	-	-
0073 Bond Issuance Cost and Fees	-	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	268,324	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0099 Other Intergovernmental Charges	9,997	-	-
6030 Total Expenditures	6,379,664	1,385,489	107,898
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	453,895	-	(107,464)
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	1,500,000
8911 Transfers Out (Use)	(1,500,000)	-	-
8949 Other (Uses)	(63,697)	-	-
7080 Total Other Financing Sources (Uses)	(1,563,697)	-	1,500,000
1200 Net Change in Fund Balances	(1,109,802)	-	1,392,536
0100 Fund Balance - September 1 (Beginning)	3,871,234	-	-
3000 Fund Balance - August 31 (Ending)	\$ 2,761,432	\$ -	\$ 1,392,536

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

Other Funds	Total Governmental Funds
\$ 104,008	\$ 641,753
476,658	6,175,568
1,316,193	3,299,020
<u>1,896,859</u>	<u>10,116,341</u>
939,720	4,768,006
(345)	51,965
-	11,755
43,189	128,835
75,462	477,049
133,335	241,970
21,450	21,450
15,154	40,579
12,676	484,963
-	576,258
-	255,504
-	663,661
-	874,664
-	25,552
-	95,991
23,149	23,149
298,800	414,103
179,165	181,031
1,050	1,050
-	268,324
88,885	88,885
1,015	11,012
<u>1,832,705</u>	<u>9,705,756</u>
<u>64,154</u>	<u>410,585</u>
-	1,500,000
-	(1,500,000)
-	(63,697)
-	(63,697)
64,154	346,888
29,854	3,901,088
<u>\$ 94,008</u>	<u>\$ 4,247,976</u>

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	346,888
<p>The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.</p>		
		-
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase (decrease) net assets.</p>		
		950,088
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(349,242)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing 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.</p>		
		(39,509)
Change in Net Assets of Governmental Activities	\$	908,225

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, 2013

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 20,284
Due from Other Funds	17,975
Other Receivables	820
Total Assets	<u>\$ 39,079</u>
LIABILITIES	
Due to Other Funds	\$ 12,928
Due to Student Groups	26,151
Total Liabilities	<u>\$ 39,079</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

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, 2013

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 Grant: 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, 2013

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, 2013

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

3. FINANCIAL STATEMENT AMOUNTS

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 109,450	\$ 22,088	\$ 131,538
Allowance for Uncollectible Taxes	(16,645)	(3,246)	(19,891)
Net Taxes	<u>\$ 92,805</u>	<u>\$ 18,842</u>	<u>\$ 111,647</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, 2013

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, 2013

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, 2013

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at it's 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, 2013 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 590,000
Nonappropriated Budget Funds	<u>2,553,061</u>
All Special Revenue Funds	<u>\$ 3,143,061</u>

5. Excess of expenditure over appropriations

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

<u>Fund</u>	<u>Function</u>	<u>Amount of Excess</u>
General Fund	Instructional Resources & Media Services	\$ 19,816
General Fund	School Leadership	14,287
General Fund	Student (Pupil) Transportation	1,949
General Fund	General Administration	59,443
General Fund	Facilities Maintenance & Operations	6,031
Debt Service Fund	Principal on Long Term Debt	18,090
Debt Service Fund	Other Intergovernmental Charges	1,015

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

C. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,319,721 and the bank balance was \$2,784,122. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, 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, 2013.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

D. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2013, 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	12,382,375	257,537	-	12,639,912
Furniture and Equipment	353,337	63,019	-	416,356
Vehicles	454,655	224,018	-	678,673
Totals capital assets being depreciated	<u>13,190,367</u>	<u>544,574</u>	<u>-</u>	<u>13,734,941</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(3,602,345)	(319,025)	-	(3,921,370)
Furniture & Equipment	(333,112)	(21,641)	-	(354,753)
Vehicles	(382,668)	(8,586)	-	(391,254)
Total Accumulated Depreciation	<u>(4,318,125)</u>	<u>(349,252)</u>	<u>-</u>	<u>(4,667,377)</u>
Total capital assets being depreciated, net	<u>\$ 9,120,066</u>	<u>\$ 195,322</u>	<u>\$ -</u>	<u>\$ 9,315,388</u>

Depreciation was charged to functions as follows:

Instruction	\$ 183,423
Instructional Resources and Media Services	1,118
Curriculum Development and Instructional Staff Development	5,308
Instructional Leadership	1,956
School Leadership	19,802
Guidance, Counseling, & Evaluating Services	11,979
Health Services	3,597
Student (Pupil) Transportation	7,718
Food Services	25,215
Cocurricular/Extracurricular Activities	9,325
General Administration	32,060
Plant Maintenance and Operation	42,677
Security and Monitoring Services	244
Data Processing Services	3,772
Community Services	1,058
Total Depreciation Expense	<u>\$ 349,252</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

E. INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2013, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 63,061	Short-term loans
General Fund	Agency Fund	5,047	Short-term loans
General Fund	Debt Service Fund	200	Short-term loans
	TOTAL GENERAL FUND	\$ 68,308	
Special Revenue	General Fund	18,684	Short-term loans
Debt Service	General Fund	2,402	Short-term loans
Capital Projects	General Fund	1,008,613	Short-term loans
	Total	\$ 1,098,007	

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

F. FUND BALANCES

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

Nonspendable Fund Balances:		
Inventories		<u>\$ 7,239</u>
Restricted Fund Balances:		
Federal/State Funds Grant Restrictions		291,544
Debt Service		78,314
Other Restricted Fund Balance		419,566
		<u>789,424</u>
Assigned:		
General Fund:		
Construction		1,392,536
		<u>1,392,536</u>
Unassigned:		<u>2,058,777</u>
Total Fund Balance		<u><u>\$ 4,247,976</u></u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

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, 2013, are as follows:

Description	Maturity Date	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Outstanding 09/01/12	Increases	Decreases	Ending Balance 8/31/13	Due within one year
2004 Unlimited Tax School Building bond	2/15/2034	3 -5%	\$ 2,065,000	\$ 78,003	\$ 1,720,000	\$ -	\$ 50,000	\$ 1,670,000	\$ 50,000
2010 Unlimited Tax Refunding bond	2/15/2031	3 -5%	2,445,000	73,063	2,035,000	-	215,000	1,820,000	225,000
2010 Unlimited Tax School Building bond	2/15/2030	3 -5%	735,000	25,100	670,000	-	30,000	640,000	30,000
Loan First National	6/27/2013	5.00%	510,151	1,866	115,037	-	115,037	-	-
Premium and discount			159,730	-	143,154	-	8,283	134,871	-
Total				\$ 178,032	\$ 4,683,191	\$ -	\$ 418,320	\$ 4,264,871	\$ 305,000
Debt Issuance Cost				249,389	223,569	-	12,910	210,659	
Total				\$ 249,389	\$ 223,569	\$ -	\$ 12,910	\$ 210,659	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2013, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2014	305,000	170,089	475,089
2015	315,000	160,653	475,653
2016	330,000	150,752	480,752
2017	135,000	143,527	278,527
2018	140,000	136,593	276,593
Thereafter	2,905,000	1,139,446	4,044,446
Totals	\$ 4,130,000	\$ 1,901,060	\$ 6,031,060

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

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 2013, 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 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 2013, 2012 and 2011, and a state contribution rate of 6% for fiscal year 2013 and 6.644% for fiscal years 2012 and 2011. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2011

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

and increased to 6.644% for the period of January through August 2012. State contributions to TRS made on behalf of the Santa Maria Independent School District's employees for the year ended August 31, 2013 were \$146,969. The Santa Maria Independent School District paid additional state contributions for the year ended August 31, 2013 in the amount of \$82,708 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 2013, 2012 and 2011 were \$18,162, \$6,915, and \$8,919, 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 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$30,495, \$28,970, and \$27,446, respectively, and the school district's contributions were \$20,571, \$19,542, and \$18,513, respectively, which equaled the required contributions each year.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

K. HEALTH CARE COVERAGE

During the year ended August 31, 2013, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$279 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 collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying 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	\$ 113,816	\$ -	\$ 18,843	\$ 132,659
Federal Grant	<u>7,195</u>	<u>-</u>	<u>-</u>	<u>7,195</u>
Total Deferred Revenue	<u>\$ 121,011</u>	<u>\$ -</u>	<u>\$ 18,843</u>	<u>\$ 139,854</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
For The Year Ended August 31, 2013

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, 2013, 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	\$ 216,817	\$ -	\$ 216,817
Special Revenue	-	646,787	646,787
Total	<u>216,817</u>	<u>646,787</u>	<u>863,604</u>

<u>DUE TO FUND</u>			
General	67,474	-	67,474
Special Revenue	-	90,306	90,306
Total	<u>\$ 67,474</u>	<u>\$ 90,306</u>	<u>\$ 157,780</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	\$ 431,926	\$ -	\$ 98,444	\$ -	\$ 530,370
Penalties, Interest and Other Tax-related Income	30,733	-	5,564	-	36,297
Investment Income	-	-	-	-	-
Food Sales	42,492	-	-	-	42,492
Co-curricular Student Activities	9,565	-	-	-	9,565
Other	22,596	-	-	434	23,030
Total	<u>\$ 537,312</u>	<u>\$ -</u>	<u>\$ 104,008</u>	<u>\$ 434</u>	<u>\$ 641,754</u>

P. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 30, 2014, the date which the financial statements were available to be issued.

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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, 2013

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	\$ 514,700	\$ 514,700	\$ 537,311	\$ 22,611
5800	State Program Revenues	5,503,778	5,503,778	5,698,910	195,132
5900	Federal Program Revenues	564,542	564,542	597,338	32,796
5020	Total Revenues	6,583,020	6,583,020	6,833,559	250,539
EXPENDITURES:					
Current:					
0011	Instruction	2,748,935	2,791,935	2,680,592	111,343
0012	Instructional Resources and Media Services	51,494	32,494	52,310	(19,816)
0013	Curriculum and Instructional Staff Development	17,165	17,165	11,711	5,454
0021	Instructional Leadership	10,000	10,000	8,436	1,564
0023	School Leadership	333,307	333,307	347,594	(14,287)
0031	Guidance, Counseling and Evaluation Services	7,600	7,600	2,312	5,288
0033	Health Services	30,200	30,200	25,425	4,775
0034	Student (Pupil) Transportation	363,440	362,440	364,389	(1,949)
0035	Food Services	590,000	590,000	576,258	13,742
0036	Extracurricular Activities	262,195	262,195	255,504	6,691
0041	General Administration	607,218	604,218	663,661	(59,443)
0051	Facilities Maintenance and Operations	888,408	868,408	874,439	(6,031)
0052	Security and Monitoring Services	33,969	33,969	25,552	8,417
0053	Data Processing Services	109,016	109,016	95,991	13,025
Debt Service:					
0071	Principal on Long Term Debt	117,303	117,303	115,303	2,000
0072	Interest on Long Term Debt	6,000	6,000	1,866	4,134
0073	Bond Issuance Cost and Fees	1,000	1,000	-	1,000
Capital Outlay:					
0081	Facilities Acquisition and Construction	328,770	328,770	268,324	60,446
Intergovernmental:					
0099	Other Intergovernmental Charges	11,000	11,000	9,997	1,003
6030	Total Expenditures	6,517,020	6,517,020	6,379,664	137,356
1100	Excess of Revenues Over Expenditures	66,000	66,000	453,895	387,895
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(1,500,000)	(1,500,000)
8949	Other (Uses)	-	-	(63,697)	(63,697)
7080	Total Other Financing Sources (Uses)	-	-	(1,563,697)	(1,563,697)
1200	Net Change in Fund Balances	66,000	66,000	(1,109,802)	(1,175,802)
0100	Fund Balance - September 1 (Beginning)	3,871,234	3,871,234	3,871,234	-
3000	Fund Balance - August 31 (Ending)	\$ 3,937,234	\$ 3,937,234	\$ 2,761,432	\$ (1,175,802)

COMBINING AND OTHER STATEMENTS

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	242 Summer Feeding Program
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 8,402
1220 Property Taxes - Delinquent	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-
1240 Receivables from Other Governments	130,280	14,733	7,292
1260 Due from Other Funds	-	-	-
1000 Total Assets	<u>\$ 130,280</u>	<u>\$ 14,733</u>	<u>\$ 15,694</u>
LIABILITIES			
2110 Accounts Payable	\$ 97,266	\$ 4,832	\$ -
2160 Accrued Wages Payable	13,012	2,808	-
2170 Due to Other Funds	20,002	7,093	-
2180 Due to Other Governments	-	-	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>130,280</u>	<u>14,733</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	15,694
3480 Retirement of Long-Term Debt	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>15,694</u>
4000 Total Liabilities and Fund Balances	<u>\$ 130,280</u>	<u>\$ 14,733</u>	<u>\$ 15,694</u>

EXHIBIT H-1 (Cont'd)

255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	331 SSA - Career & Technical - Basic Grant	352 SSA - 21st Century Learning	404 Student Success Initiative	Total Nonmajor Special Revenue Funds
\$ -	\$ 14,259	\$ -	\$ -	\$ -	\$ 58,400	\$ -	\$ 81,061
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
33,033	1,632	3,923	79,161	-	29,872	34,687	334,613
-	-	2,834	-	11	-	2,912	5,757
<u>\$ 33,033</u>	<u>\$ 15,891</u>	<u>\$ 6,757</u>	<u>\$ 79,161</u>	<u>\$ 11</u>	<u>\$ 88,272</u>	<u>\$ 37,599</u>	<u>\$ 421,431</u>
\$ 19,720	\$ -	\$ 6,757	\$ 77,914	\$ 11	\$ -	\$ 37,599	\$ 244,099
737	-	-	826	-	-	-	17,383
12,576	15,891	-	421	-	183	-	56,166
-	-	-	-	-	88,089	-	88,089
-	-	-	-	-	-	-	-
<u>33,033</u>	<u>15,891</u>	<u>6,757</u>	<u>79,161</u>	<u>11</u>	<u>88,272</u>	<u>37,599</u>	<u>405,737</u>
-	-	-	-	-	-	-	15,694
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	15,694
<u>\$ 33,033</u>	<u>\$ 15,891</u>	<u>\$ 6,757</u>	<u>\$ 79,161</u>	<u>\$ 11</u>	<u>\$ 88,272</u>	<u>\$ 37,599</u>	<u>\$ 421,431</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 78,130	\$ 159,191
1220 Property Taxes - Delinquent	22,088	22,088
1230 Allowance for Uncollectible Taxes (Credit)	(3,246)	(3,246)
1240 Receivables from Other Governments	-	334,613
1260 Due from Other Funds	2,402	8,159
1000 Total Assets	<u>\$ 99,374</u>	<u>\$ 520,805</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 244,099
2160 Accrued Wages Payable	-	17,383
2170 Due to Other Funds	-	56,166
2180 Due to Other Governments	2,217	90,306
2300 Unearned Revenues	18,843	18,843
2000 Total Liabilities	<u>21,060</u>	<u>426,797</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	15,694
3480 Retirement of Long-Term Debt	78,314	78,314
3000 Total Fund Balances	<u>78,314</u>	<u>94,008</u>
4000 Total Liabilities and Fund Balances	<u>\$ 99,374</u>	<u>\$ 520,805</u>

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	242 Summer Feeding Program
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	662,351	170,436	-
5020 Total Revenues	<u>662,351</u>	<u>170,436</u>	<u>-</u>
EXPENDITURES:			
Current:			
0011 Instruction	490,725	149,319	-
0012 Instructional Resources and Media Services	(345)	-	-
0021 Instructional Leadership	-	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	133,668	(333)	-
0032 Social Work Services	-	21,450	-
0033 Health Services	15,154	-	-
0034 Student (Pupil) Transportation	-	-	-
0061 Community Services	23,149	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	-	-
0072 Interest on Long Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0099 Other Intergovernmental Charges	-	-	-
6030 Total Expenditures	<u>662,351</u>	<u>170,436</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>15,694</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,694</u>

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	331 SSA - Career & Technical - Basic Grant	352 SSA - 21st Century Learning	404 Student Success Initiative	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	36,482	36,482
49,933	30,058	11,787	84,150	10,879	296,599	-	1,316,193
<u>49,933</u>	<u>30,058</u>	<u>11,787</u>	<u>84,150</u>	<u>10,879</u>	<u>296,599</u>	<u>36,482</u>	<u>1,352,675</u>
49,933	30,058	11,787	84,150	10,879	76,387	36,482	939,720
-	-	-	-	-	-	-	(345)
-	-	-	-	-	43,189	-	43,189
-	-	-	-	-	75,462	-	75,462
-	-	-	-	-	-	-	133,335
-	-	-	-	-	-	-	21,450
-	-	-	-	-	-	-	15,154
-	-	-	-	-	12,676	-	12,676
-	-	-	-	-	-	-	23,149
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	88,885	-	88,885
-	-	-	-	-	-	-	-
<u>49,933</u>	<u>30,058</u>	<u>11,787</u>	<u>84,150</u>	<u>10,879</u>	<u>296,599</u>	<u>36,482</u>	<u>1,352,675</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	15,694
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,694</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, 2013

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 104,008	\$ 104,008
5800 State Program Revenues	440,176	476,658
5900 Federal Program Revenues	-	1,316,193
5020 Total Revenues	<u>544,184</u>	<u>1,896,859</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	939,720
0012 Instructional Resources and Media Services	-	(345)
0021 Instructional Leadership	-	43,189
0023 School Leadership	-	75,462
0031 Guidance, Counseling and Evaluation Services	-	133,335
0032 Social Work Services	-	21,450
0033 Health Services	-	15,154
0034 Student (Pupil) Transportation	-	12,676
0061 Community Services	-	23,149
Debt Service:		
0071 Principal on Long Term Debt	298,800	298,800
0072 Interest on Long Term Debt	179,165	179,165
0073 Bond Issuance Cost and Fees	1,050	1,050
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	-	88,885
0099 Other Intergovernmental Charges	1,015	1,015
6030 Total Expenditures	<u>480,030</u>	<u>1,832,705</u>
1200 Net Change in Fund Balance	64,154	64,154
0100 Fund Balance - September 1 (Beginning)	14,160	29,854
3000 Fund Balance - August 31 (Ending)	<u>\$ 78,314</u>	<u>\$ 94,008</u>

T.E.A. REQUIRED SCHEDULES

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ 53,952,631
2005	1.500000	0.196600	29,994,892
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 (School year under audit)	Various	Various	Various
1000 TOTALS			

	(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$	21,154	\$ -	\$ 4,002	\$ 457	\$ (11)	\$ 16,684
	6,966	-	756	100	(153)	5,957
	6,855	-	853	112	(153)	5,737
	8,978	-	2,352	338	(282)	6,006
	8,733	-	2,593	361	(214)	5,565
	12,882	-	4,846	782	153	7,407
	16,179	-	5,026	1,039	50	10,164
	20,093	-	7,110	1,198	51	11,836
	45,234	-	19,684	4,543	90	21,097
	-	518,283	385,294	88,914	(2,990)	41,085
\$	<u>147,074</u>	\$ <u>518,283</u>	\$ <u>432,516</u>	\$ <u>97,844</u>	\$ <u>(3,459)</u>	\$ <u>131,538</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 192,990	\$ 150,620	\$ -	\$ -	\$ 343,610
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	83,433	-	-	-	83,433
6212	Audit Services	-	-	-	20,500	-	-	20,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	9,997	-	-	-	-	9,997
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	1,200	-	-	1,200
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	4,666	37,650	-	-	42,316
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,599	-	-	5,599
6290	Miscellaneous Contr.	-	-	16,377	-	-	-	16,377
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,589	-	22,271	11,459	-	-	35,319
6410	Travel, Subsistence, Stipends	44,027	-	8,106	2,357	-	-	54,490
6420	Ins. and Bonding Costs	-	-	-	5,494	-	-	5,494
6430	Election Costs	4,238	-	-	-	-	-	4,238
6490	Miscellaneous Operating	7,846	-	22,756	11,233	-	-	41,835
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 57,700	\$ 9,997	\$ 350,599	\$ 246,112	\$ -	\$ -	\$ 664,408

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 9,117,875

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 793,938
Total Debt & Lease(6500)	(11)	117,169
Plant Maintenance (Function 51, 6100-6400)	(12)	839,960
Food (Function 35, 6341 and 6499)	(13)	274,007
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		246,112

SubTotal:

2,271,187

Net Allowed Direct Cost

\$ 6,846,688

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 12,639,912
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)	\$ 1,095,029
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$36 in Function 53 expenditures are included in this report on administrative costs.

\$9,997 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, 2013

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 2,761,432
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 7,239	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	695,416	
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)		1,902,655
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		\$ 858,777

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, 2013

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	\$ 36,000	\$ 36,000	\$ 42,499	\$ 6,499
5800 State Program Revenues	59,858	59,858	45,934	(13,924)
5900 Federal Program Revenues	494,142	494,142	549,961	55,819
5020 Total Revenues	590,000	590,000	638,394	48,394
EXPENDITURES:				
0035 Food Services	59,000	590,000	576,302	13,698
6030 Total Expenditures	59,000	590,000	576,302	13,698
1200 Net Change in Fund Balances	531,000	-	62,092	62,092
0100 Fund Balance - September 1 (Beginning)	216,731	216,731	216,731	-
3000 Fund Balance - August 31 (Ending)	\$ 747,731	\$ 216,731	\$ 278,823	\$ 62,092

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, 2013

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	\$ 88,383	\$ 88,383	\$ 104,008	\$ 15,625
5800	State Program Revenues	391,827	391,827	440,176	48,349
5020	Total Revenues	480,210	480,210	544,184	63,974
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	280,710	280,710	298,800	(18,090)
0072	Interest on Long Term Debt	196,500	196,500	179,165	17,335
0073	Bond Issuance Cost and Fees	3,000	3,000	1,050	1,950
Intergovernmental:					
0099	Other Intergovernmental Charges	-	-	1,015	(1,015)
6030	Total Expenditures	480,210	480,210	480,030	180
1200	Net Change in Fund Balances	-	-	64,154	64,154
0100	Fund Balance - September 1 (Beginning)	14,160	14,160	14,160	-
3000	Fund Balance - August 31 (Ending)	\$ 14,160	\$ 14,160	\$ 78,314	\$ 64,154

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REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS

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Raul Hernandez & Company, P.C.

Certified Public Accountants
5422 Holly Rd
Holly-Staples Square
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

**Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Independent School District, as of and for the year ended August 31, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Corpus Christi, Texas

October 30, 2014

Raul Hernandez & Company, P.C.

Certified Public Accountants
5422 Holly Rd
Holly-Staples Square
Corpus Christi, Texas 78411
Office (361)980-0482 Fax (361)980-1002

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, 2013. 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, 2013.

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, 2013, and have issued our report thereon dated October 30, 2014, 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

October 30, 2014

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2013

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements of the auditee	Unqualified
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	Unqualified
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	No

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.

I. 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, 2013

(Prepared by the District's Administration)

NONE

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

N/A

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(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	12610101	\$ 662,352
ESEA, Title I, Part C - Migratory Children	84.011	12615001	170,436
SSA - Career and Technical - Basic Grant	84.048	12420006	10,879
SSA - 21st Century Community Learning Centers	84.287	116950127110023	296,599
GEAR UP	84.334S	P334A050083	84,150
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	12696001	11,787
Title III, Part A - English Language Acquisition	84.365A	12671001	30,058
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501	49,933
Title I SIP Academy Grant	84.377A	116107047110040	1,367,092
Title I SIP Academy Grant	84.377A	126107047110032	18,398
Total CFDA Number 84.377A			<u>1,385,490</u>
Total Passed Through State Department of Education			<u>\$ 2,701,684</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 2,701,684</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 183,563
*National School Lunch Program - Cash Assistance	10.555	71301101	355,754
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301101	10,644
Total CFDA Number 10.555			<u>366,398</u>
Total Child Nutrition Cluster			<u>549,961</u>
Total Passed Through the State Department of Agriculture			<u>\$ 549,961</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 549,961</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,251,645</u>

*Clustered Programs

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

- 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 2012, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.