

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2012**



SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012

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CERTIFICATE OF BOARD

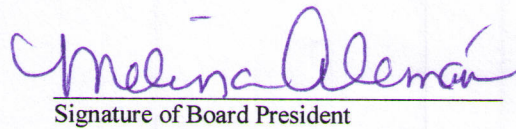
Santa Maria Independent School District  
Name of School District

Cameron  
County

031913  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2013.

  
\_\_\_\_\_  
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)



Francisco J. Espinoza CPA  
Certified Public Accountants

701 East Esperanza Suite B  
McAllen, Texas 78501

(956) 664-2395  
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**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND  
OTHER SUPPLEMENTARY INFORMATION INCLUDING THE  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of Trustees  
Santa Maria Independent School District  
P O Box 448  
Santa Maria, Texas 78592

Members of the Board:

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. 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 of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Maria Independent School District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013, on our consideration of the Santa Maria Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *accompanying required supplementary information, such as management's discussion* on pages 9 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Maria Independent School District's basic financial statements. The *accompanying supplementary information, such as the combining and individual nonmajor fund financial statements, and the TEA required schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *supplementary information, such as the combining and individual nonmajor fund financial statements and the supplementary schedule of expenditures of federal awards* have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Signature on file  
January 18, 2013



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Santa Maria Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$8,541,410 and \$6,966,801 for fiscal years ending August 31, 2012 and 2011, respectively.
- The District's expenses were \$ 1,574,608 less than the \$9,987,148 generated in local charges and other revenues for governmental activities.
- The general fund reported a fund balance of \$3,600,931 and \$2,207,929 for fiscal years ending August 31, 2012 and 2011, respectively.

### 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*, such as food service.
- *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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. 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 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 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.

#### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, curriculum and staff development, school district administrative support services and general administration. Grants and charges for services finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants and local sources.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net assets. The District's combined net assets were \$8,541,410 and \$6,966,801 for fiscal years ending August 31, 2012 and 2011, respectively. (See Table A-1).

**Table A-1**  
Santa Maria Independent School District's Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,291,993	\$ 2,322,903
Property taxes receivable(net of allowance)	132,366	151,154
Due from other governments	771,193	343,207
Other receivables	776	63
Inventories-supplies	7,195	13,190
Deferred expenditures	223,569	236,479
Other current assets	-	-
Total Current Assets	<u>4,427,092</u>	<u>3,066,996</u>
<b>Noncurrent Assets:</b>		
Land	247,824	247,824
Building, net	8,719,523	9,026,123
Furniture and equipment, net	92,212	121,648
Construction in progress	174,665	-
Total Noncurrent Assets	<u>9,234,224</u>	<u>9,395,595</u>
<b>Total Assets</b>	<u>13,661,316</u>	<u>12,462,591</u>
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	61,244	94,097
Payroll deductions & withholdings	87,782	207,034
Due to other governments	253,496	52,091
Deferred revenue	34,183	34,199
Total Current Liabilities	<u>436,705</u>	<u>387,421</u>
<b>Long-Term Liabilities:</b>		
Due with in a year	410,037	416,885
Due in more than one year	4,273,164	4,691,484
<b>Total Liabilities</b>	<u>5,119,906</u>	<u>5,495,790</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	4,774,592	4,523,705
Restricted for Food Service	209,537	231,589
Restricted for Debt Service	14,161	220,955
Restricted for Capital Projects	1,500,000	-
Restricted for Other Purposes	7,195	-
Unrestricted Net Assets	2,035,925	1,990,552
<b>Total Net Assets</b>	<u>\$ 8,541,410</u>	<u>\$ 6,966,801</u>

The \$2,035,925 of unrestricted net assets represents resources available after restricting net assets. Deferred expenditures are defined as expenditures that have been incurred but not yet recognized until a settlement is arrived at.

**Changes in net assets.** The District's total revenues were \$9,987,148 and \$8,915,429 for fiscal years ending August 31, 2012 and 2011, respectively. A significant portion, (70%), of the District's revenue comes from the state foundation program (See Figure A-3.), 18% comes from federal grants not restricted, while 12% relates to local and intermediate sources.

The total cost of all programs and services was \$8,412,540 and \$7,982,071 for fiscal years ending August 31, 2012 and 2011, respectively; 61% of these costs are for instructional and instructional related services and student services. The increase in cost is represented by the continuing improvement of salaries.

**Governmental Activities**

- Investment earnings decreased due to the decrease in investments.
- State funds received for the District's operations increase due to a increase in student population and property values.

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

**Table A-2**  
Changes in the District's Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<b>Program Revenues:</b>		
Charges for services	\$ 151,190	\$ 40,051
Operating grants and contributions	3,549,021	3,249,886
Property taxes	491,427	520,726
Grants and contributions not restricted	5,795,510	5,074,070
Investment Earnings	-	16,319
Miscellaneous revenue	-	14,377
Total Revenues	<u>9,987,148</u>	<u>8,915,429</u>
<b>Program Expenses:</b>		
11 Instruction	4,577,785	3,884,819
12 Instructional resources media services	6,245	24,861
13 Curriculum dev. and instructional staff dev.	129,479	116,825
21 Instructional leadership	165,853	43,328
23 School leadership	433,996	436,555
31 Guidance, counseling, and evaluation services	248,921	264,702
32 Social work services	-	-
33 Health services	66,694	79,108
34 Student Transportation	217,842	170,115
35 Food services	517,955	555,477
36 Curricular/Extracurricular activities	182,760	205,470
41 General administrator	572,609	706,875
51 Plant maintenance and operations	844,473	939,706
52 Security and monitoring	28,161	6,111
53 Data processing services	74,218	83,035
61 Community services	22,351	24,234
71 Debt Service	203,108	218,921
81 Facilities acquisition and construction	-	-
93 Payments related to SSA	109,098	212,508
99 Other Intergovernmental Charges	10,992	9,421
Total Expenditures	<u>8,412,540</u>	<u>7,982,071</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 1,574,608</u>	<u>\$ 933,358</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local revenues.

- The cost of all *governmental* activities this year was \$8,412,540.
- Those who directly benefited from program activities paid some of the cost. Other programs and services activities were paid by grants contributions.

**Table A-3**  
Net Cost of Selected District's Functions

	<u>Total Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>
Instruction	\$ 4,577,785	\$ 3,884,819
Curriculum & Staff Development	129,479	116,825
Instructional Leadership	165,853	43,328
Plant, Maintenance & Operations	844,473	939,706
School District Administration	572,609	706,875
Debt Service - Interest	203,108	218,921

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$9,987,148 and \$8,915,429 for fiscal years ending August 31, 2012 and 2011, respectively. The increase in revenues is a result of the decrease in state revenues.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget approximately 1 times. Actual expenditures were \$508,954 below the final budget amounts.

**CAPITAL ASSETS**

At the end of fiscal year 2012, the District had invested \$13,552,356 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount will be reduced by \$4,318,131 or 25% due to the recording of accumulated depreciation as required by GASB 34. The District continued to apply the capitalization policy with a \$5,000 threshold. Assets under the capitalization threshold of \$5,000 are continued to be inventoried and are not included in the totals of Table A-4.

The District's fiscal year 2011 capital budget projects spending approximately \$200,000 for capital projects, principally for building improvements.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Long Term Debt**

At the end of fiscal year 2011 the District had total debt of \$4,683,201 consisting of \$4,425,000 in a general obligation bonds, \$115,037 in bank loans and \$143,164 in bond premium. More detailed information about Long Term Debt is presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The budget for fiscal year 2012 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 2012 budget were the anticipation of the payments for loans / capital leases.

Expenditures for 2012 were budgeted at \$5,457,519 for the general fund while the actual expenditures for 2013 were \$5,510,009 representing an increase of \$53,000. The largest increments are increased salary schedule adjustments and mandatory increase in fringe benefits. The District added no new programs.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 (956) 262-1715.

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SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 3,291,969
1220 Property Taxes Receivable (Delinquent)	147,074
1230 Allowance for Uncollectible Taxes	(14,708)
1240 Due from Other Governments	771,193
1290 Other Receivables, net	800
1300 Inventories	7,195
1420 Capitalized Bond and Other Debt Issuance Costs	223,569
Capital Assets:	
1510 Land	247,824
1520 Buildings, Net	8,719,523
1530 Furniture and Equipment, Net	92,212
1580 Construction in Progress	174,665
1000 Total Assets	13,661,316
<b>LIABILITIES</b>	
2110 Accounts Payable	61,244
2120 Short Term Debt Payable	115,037
2160 Accrued Wages Payable	87,782
2180 Due to Other Governments	253,496
2190 Due to Student Groups	14,608
2200 Accrued Expenses	2,328
2300 Deferred Revenues	17,247
Noncurrent Liabilities	
2501 Due Within One Year	295,000
2502 Due in More Than One Year	4,273,164
2000 Total Liabilities	5,119,906
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	4,774,592
3820 Restricted for Federal and State Programs	209,537
3850 Restricted for Debt Service	14,161
3860 Restricted for Capital Projects	1,500,000
3890 Restricted for Other Purposes	7,195
3900 Unrestricted Net Assets	2,035,925
3000 Total Net Assets	\$ 8,541,410

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, 2012

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Assets
			Contributions	Primary Gov.
				Governmental
				Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,577,785	\$ 70,174	\$ 2,171,464	\$ (2,336,147)
12 Instructional Resources and Media Services	6,245	-	850	(5,395)
13 Curriculum and Staff Development	129,479	-	118,261	(11,218)
21 Instructional Leadership	165,853	-	163,959	(1,894)
23 School Leadership	433,996	-	107,253	(326,743)
31 Guidance, Counseling and Evaluation Services	248,921	-	235,319	(13,602)
33 Health Services	66,694	-	60,670	(6,024)
34 Student (Pupil) Transportation	217,842	-	9,679	(208,163)
35 Food Services	517,955	7,407	509,407	(1,141)
36 Extracurricular Activities	182,760	4,859	2,681	(175,220)
41 General Administration	572,609	-	12,382	(560,227)
51 Facilities Maintenance and Operations	844,473	-	16,220	(828,253)
52 Security and Monitoring Services	28,161	-	7,562	(20,599)
53 Data Processing Services	74,218	-	2,925	(71,293)
61 Community Services	22,351	-	21,290	(1,061)
72 Debt Service - Interest on Long Term Debt	202,554	-	-	(202,554)
73 Debt Service - Bond Issuance Cost and Fees	554	-	-	(554)
93 Payments related to Shared Services Arrangements	109,098	-	109,099	1
99 Other Intergovernmental Charges	10,992	-	-	(10,992)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 8,412,540	\$ 82,440	\$ 3,549,021	(4,781,079)
Data	General Revenues:			
Control	Taxes:			
Codes	MT	Property Taxes, Levied for General Purposes		399,285
	DT	Property Taxes, Levied for Debt Service		92,142
	SF	State Aid - Formula Grants		5,795,511
	MI	Miscellaneous Local and Intermediate Revenue		68,750
	TR	Total General Revenues		6,355,688
	CN	Change in Net Assets		1,574,609
	NB	Net Assets--Beginning		6,966,801
	NE	Net Assets--Ending		\$ 8,541,410

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	Major Special Revenue Fund	Major Special Revenue Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 3,855,501	\$ (295,703)	\$ 53,718
1220 Property Taxes - Delinquent	124,336	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(12,434)	-	-
1240 Receivables from Other Governments	14,458	317,823	15,559
1260 Due from Other Funds	76,826	-	-
1300 Inventories	7,195	-	-
1000 Total Assets	<u>\$ 4,065,882</u>	<u>\$ 22,120</u>	<u>\$ 69,277</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 41,792	\$ 19	\$ 17,003
2160 Accrued Wages Payable	60,342	21,700	-
2170 Due to Other Funds	23,869	-	183
2180 Due to Other Governments	197,285	-	52,091
2200 Accrued Expenditures	1,555	401	-
2300 Deferred Revenues	140,108	-	-
2000 Total Liabilities	<u>464,951</u>	<u>22,120</u>	<u>69,277</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	7,195	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	209,537	-	-
3480 Retirement of Long-Term Debt	-	-	-
Assigned Fund Balance:			
3550 Construction	1,500,000	-	-
3600 Unassigned Fund Balance	1,884,199	-	-
3000 Total Fund Balances	<u>3,600,931</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,065,882</u>	<u>\$ 22,120</u>	<u>\$ 69,277</u>

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

Other Funds	Total Governmental Funds
\$ (410,998)	\$ 3,202,518
22,738	147,074
(2,274)	(14,708)
423,353	771,193
22,869	99,695
-	7,195
\$ 55,688	\$ 4,212,967
\$ 2,430	\$ 61,244
5,740	87,782
-	24,052
4,120	253,496
372	2,328
20,464	160,572
33,126	589,474
-	7,195
-	209,537
14,161	14,161
-	1,500,000
8,401	1,892,600
22,562	3,623,493
\$ 55,688	\$ 4,212,967

Other Funds	Total Governmental Funds
\$ (410,974)	\$ 3,202,542
22,738	147,074
(2,274)	(14,708)
423,353	771,193
22,869	99,695
-	7,195
(24)	(24)
\$ 55,688	\$ 4,212,967
\$ 2,430	\$ 61,244
5,740	87,782
-	24,052
4,120	253,496
372	2,328
20,464	160,572
33,126	589,474
-	7,195
-	209,537
14,161	14,161
-	419,566
8,401	2,973,034
22,562	3,623,493
\$ 55,688	\$ 4,212,967

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	Major Special Revenue Fund	Major Special Revenue Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 542,554	\$ -	\$ -
5800 State Program Revenues	5,303,784	-	-
5900 Federal Program Revenues	542,407	1,542,254	338,328
5020 Total Revenues	<u>6,388,745</u>	<u>1,542,254</u>	<u>338,328</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	2,145,539	1,291,595	94,927
0012 Instructional Resources and Media Services	4,308	-	-
0013 Curriculum and Instructional Staff Development	6,112	10,955	-
0021 Instructional Leadership	-	110,679	53,280
0023 School Leadership	321,910	19,109	73,896
0031 Guidance, Counseling and Evaluation Services	1,733	102,748	-
0033 Health Services	2,566	-	-
0034 Student (Pupil) Transportation	193,271	-	3,721
0035 Food Services	486,385	-	-
0036 Extracurricular Activities	173,779	-	-
0041 General Administration	541,713	-	-
0051 Facilities Maintenance and Operations	817,482	-	3,406
0052 Security and Monitoring Services	20,726	7,168	-
0053 Data Processing Services	70,589	-	-
0061 Community Services	-	-	-
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	131,885	-	-
0072 Interest on Long Term Debt	10,006	-	-
0073 Bond Issuance Cost and Fees	-	-	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	9,569	-	-
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	109,098
0099 Other Intergovernmental Charges	10,992	-	-
6030 Total Expenditures	<u>4,948,565</u>	<u>1,542,254</u>	<u>338,328</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,440,180</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	5,677	-	-
8911 Transfers Out (Use)	(52,857)	-	-
7080 Total Other Financing Sources (Uses)	<u>(47,180)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	1,393,000	-	-
0100 Fund Balance - September 1 (Beginning)	<u>2,207,929</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,600,929</u>	<u>\$ -</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ 100,063	\$ 642,617
491,726	5,795,510
1,126,032	3,549,021
<u>1,717,821</u>	<u>9,987,148</u>
891,502	4,423,563
850	5,158
107,306	124,373
-	163,959
-	414,915
132,871	237,352
60,670	63,236
-	196,992
7,292	493,677
-	173,779
-	541,713
-	820,888
-	27,894
-	70,589
21,292	21,292
285,000	416,885
187,921	197,927
554	554
139,023	148,592
-	109,098
-	10,992
<u>1,834,281</u>	<u>8,663,428</u>
<u>(116,460)</u>	<u>1,323,720</u>
52,857	58,534
(5,677)	(58,534)
<u>47,180</u>	<u>-</u>
(69,280)	1,323,720
<u>91,843</u>	<u>2,299,772</u>
<u>\$ 22,563</u>	<u>\$ 3,623,492</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2012

<b>Total Fund Balances - Governmental Funds</b>	\$	3,623,493
<b>1</b> 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.		-
<b>2</b> 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 \$13,129,866 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.		4,523,704
<b>3</b> 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 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		586,923
<b>4</b> The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(336,035)
<b>5</b> 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.		143,325
<b>19 Net Assets of Governmental Activities</b>	<u>\$</u>	<u>8,541,410</u>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,323,720
<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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.</p>		
		586,923
<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>		
		(336,035)
<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>		
		1
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>1,574,609</u>

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



SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 89,451
Due from Other Funds	800
Other Receivables	800
Total Assets	<u>\$ 91,051</u>
<b>LIABILITIES</b>	
Due to Other Funds	\$ 76,443
Due to Student Groups	14,608
Total Liabilities	<u>\$ 91,051</u>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 487,200	\$ 487,200	\$ 542,554	\$ 55,354
5800 State Program Revenues	5,364,525	5,364,525	5,303,784	(60,741)
5900 Federal Program Revenues	532,221	532,221	542,407	10,186
5020 Total Revenues	6,383,946	6,383,946	6,388,745	4,799
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,386,117	2,386,117	2,145,539	240,578
0012 Instructional Resources and Media Services	51,900	29,370	4,308	25,062
0013 Curriculum and Instructional Staff Development	25,400	25,400	6,112	19,288
0023 School Leadership	342,676	342,676	321,910	20,766
0031 Guidance, Counseling and Evaluation Services	2,600	2,600	1,733	867
0033 Health Services	7,200	7,200	2,566	4,634
0034 Student (Pupil) Transportation	196,401	196,401	193,271	3,130
0035 Food Services	518,233	518,233	486,385	31,848
0036 Extracurricular Activities	197,704	197,704	173,779	23,925
0041 General Administration	491,256	542,000	541,713	287
0051 Facilities Maintenance and Operations	914,399	914,399	817,482	96,917
0052 Security and Monitoring Services	23,419	23,419	20,726	2,693
0053 Data Processing Services	108,814	71,000	70,589	411
Debt Service:				
0071 Principal on Long Term Debt	122,400	132,000	131,885	115
0072 Interest on Long Term Debt	18,000	18,000	10,006	7,994
Capital Outlay:				
0081 Facilities Acquisition and Construction	40,000	40,000	9,569	30,431
Intergovernmental:				
0099 Other Intergovernmental Charges	11,000	11,000	10,992	8
6030 Total Expenditures	5,457,519	5,457,519	4,948,565	508,954
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	926,427	926,427	1,440,180	513,753
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	5,700	5,677	(23)
8911 Transfers Out (Use)	-	(53,000)	(52,857)	143
7080 Total Other Financing Sources (Uses)	-	(47,300)	(47,180)	120
1200 Net Change in Fund Balances	926,427	879,127	1,393,000	513,873
0100 Fund Balance - September 1 (Beginning)	2,207,929	2,207,929	2,207,929	-
3000 Fund Balance - August 31 (Ending)	\$ 3,134,356	\$ 3,087,056	\$ 3,600,929	\$ 513,873

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE

Santa Maria Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Santa Maria Independent School District nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

#### D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

Governmental Funds:

1. 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.
2. 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.
3. Capital Projects Funds  
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.
4. 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.

Fiduciary Funds:

5. Agency Funds  
The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is Student Activity Fund

#### E. OTHER ACCOUNTING POLICIES

1. For purposes 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.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are

reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	50
Infrastructure	50
Vehicles	20 to 5
Office Equipment	5
Computer Equipment	5

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. By a majority vote in a scheduled meeting the governing board may commit fund balances and it may modify or rescind commitments. The board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.
7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUN BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSET

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Assets
Capital Assets at the Beginning of the year	247,824	0	247,824	
Land	247,824	0	247,824	
Buildings	12,321,874	(3,295,752)	9,026,122	
Furniture & Equipment	353,337	(312,262)	41,075	
Infrastructure	454,655	(374,082)	80,573	
Construction in Progress	0	0	0	
Change in Net Assets				9,395,594
			Payable at the Beginning	

Long-term Liabilities	of the	
at the Beginning of the year	Year	
Bonds Payable	<u>4,010,000</u>	
Less Deferred Charges	0	
Loans Payable	246,922	
Capital Leases Payable	151,447	
Compensated Absences	0	
Other	<u>0</u>	
Change in Net Assets		<u>(4,408,369)</u>
Net Adjustment to Net Assets		<u><u>4,987,225</u></u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIE**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

Current Year	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Capital Outlay			
Land	<u>0</u>		
Buildings & Improvements	0		
Furniture & Equipment	0		
Construction in Progress	<u>174,666</u>		
Total Capital Outlay	<u>174,666</u>	<u>174,666</u>	<u>174,666</u>
Debt Principal Payments			
Bond Principal	285,000		
Loan Principal	131,885		
Capital Lease Payments	8,283		
Other	<u>0</u>		
Total Principal Payments	<u>425,168</u>	<u>425,168</u>	<u>425,168</u>
Total Adjustment to Net Assets		<u><u>599,834</u></u>	<u><u>599,834</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

Adjustments to Revenue and Deferred Revenue	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Taxes Collected from Prior Year Levies	<u>81,325</u>	<u>(81,325)</u>	
Uncollected taxes (assumed collectible) from Current Year Levy	69,789	69,789	69,789
Uncollected Taxes (assumed collectible) from Prior Year Levy	0		0
Reclassify Proceeds of Bonds, Loans & Capital Leases			
New Bond Issue	0	0	0
Discount (Premium) on Issuance of Bonds	0	0	0
Capital Lease Proceeds	0	0	0
Other	0	0	0
Reclassify liabilities incurred but not liquidated this year			
Unused Vacation Pay and/or unused sick leave	0	0	0
Reclassify certain expenditures to prepaid assets:			
Prepaid Insurance Premiums	<u>0</u>	<u>0</u>	<u>0</u>
Total		<u><u>(11,536)</u></u>	<u><u>69,789</u></u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILIT**

**A. 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 General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. budget to actual rev The District compares the final amended Exhibit C-5 and the other two reports are in Exhibit J4.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
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:

	31-Aug-11
	Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	0
Nonappropriated Budget Funds	0
All Special Revenue Funds	<u>0</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP:

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits.)

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Santa Maria Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2011, Santa Maria Independent School District had the following investments.

Investment Type	Fair Value	Less than 1	1-5	6-10	More Than 10
a. Certificates of Deposit	0	0	0	0	0
b. U.S. Treasury	0	0	0	0	0
c. U.S. Agencies	0	0	0	0	0
d. The State of Texas	0	0	0	0	0
e. Municipal Securities	0	0	0	0	0
f. Money Market Savings Accounts	0	0	0	0	0
g. Bankers Acceptancies	0	0	0	0	0
h. Investment Pools	0	0	0	0	0
i. Repurchase Agreements	0	0	0	0	0
j. Guaranteed Investment Contracts	0	0	0	0	0
k. Common Trust Funds	0	0	0	0	0
l. Mutual Funds	0	0	0	0	0

Total 0 0 0 0 0

**Credit Risk** To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in items (e.) through (l.) above to the top 2 or 3 ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2011, the district's investments in items (e.) through (l.) above were \$0.

**Custodial Credit Risk for Investments** To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

**Concentration of Credit Risk** To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer of items (e.) through (l.), the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

**Interest Rate Risk** To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires (specify some policy guideline such as "at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis").

**Foreign Currency Risk for Investments** The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by (state an appropriate policy, such as, "limiting all investments denominated in a foreign currency to less than 5% of all investments".)

**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 located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

**D. INTERFUND BALANCES AND TRANSFER:**

Interfund balances at August 31, 2012 consisted of the following amounts:

	Governmental Funds	Agency Funds	Total
Due To General Fund From:			
General fund	0	76,443	76,443
Major Governmental Fund	183	0	183
Debt Service	0		0
Capital Project	0		0
Due To Non Major fund From:			
General fund	0	0	0
Due To General fund from Non Major Governmental Funds			
Non Major	23,869	0	23,869
Total	<u>24,052</u>	<u>76,443</u>	<u>100,495</u>

Interfund transfers for the year ended August 31, 2012 consisted of the following individual amounts:

Transfers to General Fund From:			
Non Major fund	5,677	0	5,677
Transfers to Nonmajor Governmental Funds From:			
General fund	52,857	0	52,857
	<u>58,534</u>	<u>0</u>	<u>58,534</u>

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLE**

Receivables at August 31, 2012 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities					
General Fund	111,902	14,458	76,826	0	203,186
Debt Service	20,464	0	0	0	20,464
Major Governmental Funds	0	333,382	0	0	333,382
Non Major Governmental Funds	0	423,353	22,869	0	446,222
Total Governmental Activities	<u>132,366</u>	<u>771,193</u>	<u>99,695</u>	<u>0</u>	<u>1,003,254</u>
Amounts not scheduled for collection					



during the subsequent year		0	0	0	0	0
Payables at August 31, 2012 were as follows:		Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities	Accounts					
General Fund	41,792	60,342	23,869	197,285	1,555	324,843
Debt Service	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0
Major Governmental Funds	17,022	21,700	183	52,091	401	91,397
Non Major Governmental Funds	2,430	5,740	0	4,120	372	12,662
Total Governmental Activities	61,244	87,782	24,052	253,496	2,328	428,902
Amounts not scheduled for payment during the subsequent	0	0	0	0	0	0

#### F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2012, was as follows:

Governmental Activities:	Beginning Balance	Primary Additions	Government Retirements	Ending Balance
Land	247,824	0	0	247,824
Buildings and Improvements	12,321,874	0	0	12,321,874
Furniture and Equipment	353,337	0	0	353,337
Vehicles	454,655	0	0	454,655
Construction in Progress	0	174,666	0	174,666
Totals at Historic Cost	13,377,690	174,666	0	13,552,356
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,295,752)	(306,599)	0	(3,602,351)
Furniture and Equipment	(312,262)	(20,850)	0	(333,112)
Vehicles	(374,082)	(8,586)	0	(382,668)
Total Accumulated Depreciation	(3,982,096)	(336,035)	0	(4,318,131)
Governmental Activities Capital Assets, Net	9,395,594	(161,369)	0	9,234,225

Depreciation expense was charged to governmental functions as follows:

Instruction	176,223
Instructional Resources and Media Services	1,087
Curriculum Development and Instructional Staff Development	5,106
Instructional Leadership	1,894
School Leadership	19,081
Guidance, Counseling and Evaluation Services	11,569
Social Work Services	0
Health Services	3,458
Student (Pupil) Transportation	7,435
Food Services	24,278
Cocurricular/Extracurricular Activities	8,981
General Administration	30,896
Plant Maintenance and Operations	41,072
Security and Monitoring	267
Data Processing services	3,629
Community Services	1,059
Total Depreciation Expense	336,035

#### G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term for the year ended August 31, 2012 is as follows:

DESCRIPTION/Purp	Interest Rate	Amounts Original Issue	Interest Current Year	Outstanding 08/31/2011	Payable Amounts		Outstanding 08/31/2012
					Issued	Retired	
2004 Schoolhouse bo	3.50%	2,015,000	79,784	1,765,000		45,000	1,720,000
2010 Unlimited Tax F 3	- 5%	2,445,000	25,700	2,245,000		210,000	2,035,000
2010 Unlimited Tax F 3	- 5%	735,000	25,700	700,000		30,000	670,000
Loan First National	5.00%	510,151	10,006	246,922		131,885	115,037
Premium and discount		159,730	0	151,447	0	8,283	143,164
TOTAL		5,864,881	141,190	5,108,369	0	425,168	4,683,201
Debt Issuance Cost		249,389		236,479	0	12,910	223,569
TOTAL		249,389		236,479	0	12,910	223,569

Debt service requirements are as follows:

Year Ended August 31,	Leases		Loans		General Obligation Bonds		Total Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	0	0	115,037	2,838	295,000	179,165	592,040
2014	0	0	0	0	305,000	170,091	475,091
2015	0	0	0	0	315,000	160,653	475,653
2016	0	0	0	0	330,000	150,752	480,752
2017	0	0	0	0	135,000	143,527	278,527
2018-2034	0	0	0	0	3,045,000	1,272,066	4,317,066
Total	<u>0</u>	<u>0</u>	<u>115,037</u>	<u>2,838</u>	<u>4,425,000</u>	<u>2,076,254</u>	<u>6,619,129</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture.

Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2012.

#### H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFIT

Vacations are taken within the same year they are earned, any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category / class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

#### I. DEFINED BENEFIT PENSION PLAN

**Plan Description.** 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 806, respectively. 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 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.tris.state.tx.us, under the TRS Publications heading.

**Funding Policy.** State law provides for fiscal year 2011 a state contribution rate of 6.64% and a member contribution rate of 6.64%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.4% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: requires the legislature to establish a member contribution rate of not less than 6.0% of the member's (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 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (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's 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 contributions made on behalf of Santa Maria Independent School District's employees for the year ended August 31, 2012 was \$146,969. Santa Maria Independent School District paid additional state contributions for the year ended August 31, 2012 in the amount of \$82,708, on the portion of the employees' salaries that exceeded the statutory minimum.

#### Post Retirement Benefits

Medicare Part D. Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result this provision 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 pharmacy claims paid by TRS-Care on behalf of plan participants. GASB Statement No. 24 requires recognition of these on-behalf payments in the financial statements. Medicare Part D payments made on-behalf of the District's participants for the year ended August 31, 2012 is \$18,162.

#### J. DEFERRED REVENUE

Deferred revenue at yearend consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	111,902	0	20,464	132,366
Federal Grant	28,206	0	0	28,206
Total Deferred Revenue	<u>140,108</u>	<u>0</u>	<u>20,464</u>	<u>160,572</u>

#### K. DUE FROM / TO 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, 2011, 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.

	State Entitlements	Federal Grants	Total
Due from Fund	0	14,458	14,458
General	0	756,735	756,735
Special Revenue	<u>0</u>	<u>771,193</u>	<u>771,193</u>

Due to Fund			
General	197,285	0	197,285
Special Revenue	<u>0</u>	<u>56,211</u>	<u>56,211</u>
	<u>197,285</u>	<u>56,211</u>	<u>253,496</u>

L. REVENUE FROM LOCAL AND INTERMEDIATE SOURCE:

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	415,168	0	92,705	0	507,873
Penalties, Interest and Other					
Tax-related Income	45,079	0	7,224	0	52,303
Investment Income	0	0	0	0	0
Food Sales	7,273	134	0	0	7,407
Co-curricular Student Activities	4,859	0	0	0	4,859
Other	70,175	0	0	0	70,175
Total	<u>542,554</u>	<u>134</u>	<u>99,929</u>	<u>0</u>	<u>642,617</u>

M. FUND BALANCES

Restricted, Assigned and Unassigned fund balances are as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Restricted					
Debt Service	0	0	14,161	0	14,161
Construction Projects	0	0	0	0	0
Food Service	216,732	0	0	0	216,732
Total Restricted	216,732	0	14,161	0	230,893
Assigned					
Construction Projects	1,500,000	0	0	0	1,500,000
Total Assigned	1,500,000	0	0	0	1,500,000
Unassigned	1,884,199	8,401	0	0	1,892,600
Total Fund Balances	3,600,931	8,401	14,161	0	3,623,493

**REQUIRED SUPPLEMENTARY  
INFORMATION**

## **COMBINING AND OTHER STATEMENTS**

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	242 Summer Feeding Program	244 Career and Technical - Basic Grant
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ (179,430)	\$ (61,174)	\$ 8,401	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	181,860	61,174	-	-
1260 Due from Other Funds	6,112	-	-	-
1410 Deferred Expenditures	-	-	-	-
1000 Total Assets	<u>\$ 8,542</u>	<u>\$ -</u>	<u>\$ 8,401</u>	<u>\$ -</u>
<b>LIABILITIES AND FUNDBALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 2,430	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	5,740	-	-	-
2180 Due to Other Governments	-	-	-	-
2200 Accrued Expenditures	372	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>8,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
3600 Unassigned Fund Balance	-	-	8,401	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>8,401</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 8,542</u>	<u>\$ -</u>	<u>\$ 8,401</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	263 Title III, A EnglishLang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	287 Education Jobs Fund	399 Investment Capital Funds	404 Student Success Initiative	429 Other State Special Revenue Funds
\$ (411)	\$ (2,817)	\$ (12,092)	\$ (93,151)	\$ (14,618)	\$ -	\$ (63,548)	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
411	2,215	9,264	93,175	14,618	-	60,636	-
-	602	2,828	-	-	-	2,912	-
-	-	-	(24)	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	Total Nonmajor Special Revenue Funds	599	699	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ (418,840)	\$ 16,479	\$ (8,613)	\$ (410,974)
1220 Property Taxes - Delinquent	-	22,738	-	22,738
1230 Allowance for Uncollectible Taxes (Credit)	-	(2,274)	-	(2,274)
1240 Receivables from Other Governments	423,353	-	-	423,353
1260 Due from Other Funds	12,454	1,802	8,613	22,869
1410 Deferred Expenditures	(24)	-	-	(24)
1000 Total Assets	<u>\$ 16,943</u>	<u>\$ 38,745</u>	<u>\$ -</u>	<u>\$ 55,688</u>
<b>LIABILITIES AND FUNDBALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 2,430	\$ -	\$ -	\$ 2,430
2160 Accrued Wages Payable	5,740	-	-	5,740
2180 Due to Other Governments	-	4,120	-	4,120
2200 Accrued Expenditures	372	-	-	372
2300 Deferred Revenues	-	20,464	-	20,464
2000 Total Liabilities	<u>8,542</u>	<u>24,584</u>	<u>-</u>	<u>33,126</u>
Fund Balances:				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	14,161	-	14,161
3600 Unassigned Fund Balance	8,401	-	-	8,401
3000 Total Fund Balances	<u>8,401</u>	<u>14,161</u>	<u>-</u>	<u>22,562</u>
4000 Total Liabilities and Fund Balances	<u>\$ 16,943</u>	<u>\$ 38,745</u>	<u>\$ -</u>	<u>\$ 55,688</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, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	242 Summer Feeding Program	244 Career and Technical - Basic Grant
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 134	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	665,831	137,155	15,560	16,002
5020 Total Revenues	<u>665,831</u>	<u>137,155</u>	<u>15,694</u>	<u>16,002</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	427,223	116,584	-	16,002
0012 Instructional Resources and Media Services	850	-	-	-
0013 Curriculum and Instructional Staff Development	46,065	-	-	-
0031 Guidance, Counseling and Evaluation Services	109,731	20,571	-	-
0033 Health Services	60,670	-	-	-
0035 Food Services	-	-	7,292	-
0061 Community Services	21,292	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>665,831</u>	<u>137,155</u>	<u>7,292</u>	<u>16,002</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>8,402</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	8,402	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,402</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	263 Title III, A EnglishLang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	287 Education Jobs Fund	399 Investment Capital Funds	404 Student Success Initiative	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	62,233	41,786
44,134	18,448	14,923	68,893	145,086	-	-	-
44,134	18,448	14,923	68,893	145,086	-	62,233	41,786
44,134	18,448	14,923	68,893	145,086	-	992	39,217
-	-	-	-	-	-	-	-
-	-	-	-	-	-	61,241	-
-	-	-	-	-	-	-	2,569
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
44,134	18,448	14,923	68,893	145,086	-	62,233	41,786
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(5,677)	-	-
-	-	-	-	-	(5,677)	-	-
-	-	-	-	-	(5,677)	-	-
-	-	-	-	-	5,677	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Total Nonmajor Special Revenue Funds	599	699	Total Nonmajor Governmental Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 134	\$ 99,929	\$ -	\$ 100,063
5800	State Program Revenues	104,019	387,707	-	491,726
5900	Federal Program Revenues	1,126,032	-	-	1,126,032
5020	Total Revenues	<u>1,230,185</u>	<u>487,636</u>	<u>-</u>	<u>1,717,821</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	891,502	-	-	891,502
0012	Instructional Resources and Media Services	850	-	-	850
0013	Curriculum and Instructional Staff Development	107,306	-	-	107,306
0031	Guidance, Counseling and Evaluation Services	132,871	-	-	132,871
0033	Health Services	60,670	-	-	60,670
0035	Food Services	7,292	-	-	7,292
0061	Community Services	21,292	-	-	21,292
Debt Service:					
0071	Principal on Long Term Debt	-	285,000	-	285,000
0072	Interest on Long Term Debt	-	187,921	-	187,921
0073	Bond Issuance Cost and Fees	-	554	-	554
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	139,023	139,023
6030	Total Expenditures	<u>1,221,783</u>	<u>473,475</u>	<u>139,023</u>	<u>1,834,281</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,402</u>	<u>14,161</u>	<u>(139,023)</u>	<u>(116,460)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	44,244	8,613	52,857
8911	Transfers Out (Use)	(5,677)	-	-	(5,677)
7080	Total Other Financing Sources (Uses)	<u>(5,677)</u>	<u>44,244</u>	<u>8,613</u>	<u>47,180</u>
1200	Net Change in Fund Balance	2,725	58,405	(130,410)	(69,280)
0100	Fund Balance - September 1 (Beginning)	<u>5,677</u>	<u>(44,244)</u>	<u>130,410</u>	<u>91,843</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 8,402</u>	<u>\$ 14,161</u>	<u>\$ -</u>	<u>\$ 22,563</u>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	\$ 1.440000	\$ 0.160000	\$ 24,891,039
2004	1.400000	0.160000	29,061,592
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 (School year under audit)	1.040000	0.240000	39,547,355
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 23,520	\$ -	\$ 6,116	\$ 499	\$ (899)	\$ 16,006
8,744	-	3,236	360	-	5,148
10,078	-	2,751	361	-	6,966
11,947	-	4,502	590	-	6,855
14,574	-	4,894	702	-	8,978
14,828	-	4,924	685	(486)	8,733
21,032	-	7,387	1,604	841	12,882
24,506	-	8,299	1,715	1,687	16,179
38,720	-	16,379	3,780	1,532	20,093
-	496,392	359,177	82,887	(9,096)	45,232
<u>\$ 167,949</u>	<u>\$ 496,392</u>	<u>\$ 417,665</u>	<u>\$ 93,183</u>	<u>\$ (6,421)</u>	<u>\$ 147,072</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2012

**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	\$ -	\$ -	\$ 165,177	\$ 132,964	\$ -	\$ -	\$ 298,141
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	100,535	-	-	-	100,535
6212	Audit Services	-	-	-	16,500	-	-	16,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	10,992	-	-	-	-	10,992
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	5,000	-	-	5,000
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	4,000	36,160	-	-	40,160
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	4,983	-	-	4,983
6290	Miscellaneous Contr.	-	-	14,451	-	-	-	14,451
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,423	-	6,749	5,218	-	-	13,390
6410	Travel, Subsistence, Stipends	40,555	-	7,078	4,135	-	-	51,768
6420	Ins. and Bonding Costs	-	-	4,829	-	-	-	4,829
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	1,226	-	6,848	12,378	-	-	20,452
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 43,204</b>	<b>\$ 10,992</b>	<b>\$ 309,667</b>	<b>\$ 217,338</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 581,201</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 8,050,930

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 767,526
Total Debt & Lease(6500)	(11)	141,891
Plant Maintenance (Function 51, 6100-6400)	(12)	758,218
Food (Function 35, 6341 and 6499)	(13)	214,924
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		217,338

SubTotal: 2,099,898

Net Allowed Direct Cost \$ 5,951,032

CUMULATIVE

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

(8) NOTE A: \$28,496 in Function 53 expenditures are included in this report on administrative costs.  
 \$10,992 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 FUNDS AS OF AUGUST 31, 2012

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 3,600,930
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 7,195	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	629,033	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	115,037	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,500,000	
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.	1,300,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>3,551,335</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 49,595</u></u>

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 36,000	\$ 36,000	\$ 7,273	\$ (28,727)
5800 State Program Revenues	59,858	59,858	43,342	(16,516)
5900 Federal Program Revenues	458,000	458,000	458,773	773
5020 Total Revenues	<u>553,858</u>	<u>553,858</u>	<u>509,388</u>	<u>(44,470)</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>518,233</u>	<u>518,233</u>	<u>486,385</u>	<u>31,848</u>
6030 Total Expenditures	<u>518,233</u>	<u>518,233</u>	<u>486,385</u>	<u>31,848</u>
1200 Net Change in Fund Balances	35,625	35,625	23,003	(12,622)
0100 Fund Balance - September 1 (Beginning)	<u>193,728</u>	<u>193,728</u>	<u>193,728</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 229,353</u>	<u>\$ 229,353</u>	<u>\$ 216,731</u>	<u>\$ (12,622)</u>

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, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 95,000	\$ 95,000	\$ 99,929	\$ 4,929
5800	State Program Revenues	391,827	391,827	387,707	(4,120)
5020	Total Revenues	486,827	486,827	487,636	809
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	285,000	285,000	285,000	-
0072	Interest on Long Term Debt	187,920	187,920	187,921	(1)
0073	Bond Issuance Cost and Fees	600	600	554	46
6030	Total Expenditures	473,520	473,520	473,475	45
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	13,307	13,307	14,161	854
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	44,244	44,244	-
7080	Total Other Financing Sources (Uses)	-	44,244	44,244	-
1200	Net Change in Fund Balances	13,307	57,551	58,405	854
0100	Fund Balance - September 1 (Beginning)	(44,244)	(44,244)	(44,244)	-
3000	Fund Balance - August 31 (Ending)	\$ (30,937)	\$ 13,307	\$ 14,161	\$ 854

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

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

Independent Auditor's Report

Board of Trustees  
Santa Maria Independent School District  
P O Box 448  
Santa Maria, Texas 78592

Members of the Board:

We have audited 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, 2012, which collectively comprise Santa Maria Independent School District's basic financial statements and we have issued our report thereon dated January 18, 2013.

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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Santa Maria Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Santa Maria Independent School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial

reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, members of the board of trustee, others within the entity, and the Texas Education Agency and is not intended to be and should not be used by anyone other than these specified parties.

Signature on file

January 18, 2013

Francisco J. Espinoza CPA  
Certified Public Accountants

701 East Esperanza Suite B  
McAllen, Texas 78501

(956) 664-2395  
fax (956) 686-3420

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees  
Santa Maria Independent School District  
P O Box 448  
Santa Maria, Texas 78592

Members of the Board:

**Compliance**

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, 2012. Santa Maria Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Santa Maria Independent School District's management. Our responsibility is to express an opinion on Santa Maria Independent School District's compliance based on our audit.

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. 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. Our audit does not provide a legal determination of Santa Maria Independent School District's compliance with those requirements.

In our opinion, Santa Maria Independent School District complied, in all material respects, with the 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, 2012.

### **Internal Control Over Compliance**

Management of Santa Maria Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Santa Maria Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

*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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Santa Maria Independent School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Santa Maria Independent School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, members of the board of trustees, others within the entity, the Texas Education Agency, federal awarding agencies, and passthrough entities and is not intended to be and should not be used by anyone other than these specified parties.

Signature on file

January 18, 2013



SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**I. Summary of the Auditor's Results:**

- a. The type of report issued on the financial statements of the Santa Maria Independent School District was an unqualified opinion.
- b. NO, deficiencies in internal control and NO, material weaknesses were disclosed by the audit of the financial statements.
- c. The audit disclosed NO, instances of noncompliance which is material to the financial statements of the auditee.
- d. NO, deficiencies in internal control over major programs were disclosed by the audit and NO, material weaknesses.
- e. The auditor's report issued on compliance for major programs was unqualified opinion.
- f. Audit findings which the auditor is required to report. These include:
  - 1. Deficiencies in internal control over major programs. NONE
  - 2. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program. NONE
  - 3. Compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000. NONE
  - 4. Known questioned costs greater than \$10,000 for a Federal program which is not audited as a major program. NONE
  - 5. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion. NONE
  - 6. Known fraud affecting a Federal award. NONE
  - 7. Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding. NONE
- g. Major programs are: ESEA Title 1, Part A – Improving Basic Programs CFDA 84.010A, 21<sup>ST</sup> Century Community Learning Centers CFDA 84.287, Title I SIP Academy Grant CFDA 84.377A, Education Jobs AFFA CFDA 84.410
- h. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- i. The auditee does not qualify as a low-risk auditee. Low Risk NO.

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.**

NONE

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above**

NONE

**Santa Maria Independent School District**  
**Summary Schedule of Prior Year Findings and Questioned Cost**  
**For the Year Ended August 31, 2012**

**B. Financial Statement findings**

Schedule Reference (2011-1) FINANCIAL STATEMENT PREPARATION AND OTHER REPORTING MATTERS

**Recommendation:** The Santa Maria ISO's Financial Staff should obtain training in financial reporting and foot note presentation in order for its financial statements to comply with GAAP.

**Current Status:** Corrected

Schedule Reference (2011-2) CONTROLS OVER CASH BALANCES AND RECONCILIATIONS

**Recommendation:** Bank reconciliations need to be prepared on a monthly basis and should be revised for accuracy and proper reflection of the bank balance and the balance per books as of the date being prepared,

**Current Status:** Corrected

Schedule Reference (2011-3) CONTROLS OVER PROCUREMENT DOCUMENTATION

**Recommendation:** Purchase orders and invoices need to be documented and filed in accordance with Santa Maria ISO's Fiscal Policy Manual, adopted by the District's Board of Education.

**Current Status:** Corrected

Schedule Reference (2011-4) CONTROLS OVER CUTOFF PROCEDURES OF ACCOUNTS PAYABLE TRANSACTIONS

**Recommendation:** Cutoff procedures need to be performed on expenditures occurring near after the end of the fiscal year in order to assure that transactions that were incurred during the fiscal year are included as expenditures in the proper year.

**Current Status:** Corrected

Schedule Reference (2011-5) CONTROLS OVER SALARY APPROVALS NOT IN ACCORDANCE WITH POLICY

**Recommendation:** Since the policy was board approved, only Board of trustees can grant permission of an exemption to the policy.

**Current Status:** Corrected

Schedule Reference (2011-6) CONTROLS OVER PROCEDURES FOR BEGINNING BALANCES ROLL-FORWARD

**Recommendation:** Management should ensure that before any activity is posted to the new fiscal year, beginning balances have been correctly rolled forward, and that beginning balance amounts match prior year's ending balances.

**Current Status:** Corrected

Schedule Reference (2011-7) CONTROLS OVER REPORTING OF FINANCIAL INFORMATION TO STATE AGENCY

**Recommendation:** Management should ensure that financial information is prepared on a timely and is accurate, by the time that it is initially requested by the auditor, to prevent any delays in the submission of audit report to the State Agency.

**Current Status:** Corrected

Schedule Reference (2011-8) EXPENDITURES IN EXCESS OF APPROPRIATIONS

**Recommendation:** Budget versus actual comparisons must be made on a monthly basis. Control over expenditures should include a review of available budget amounts prior to approval of purchase orders and the budget should be amended as needed.

**Current Status:** Corrected

C. Federal Award Findings and Questioned Costs

Schedule Reference (2011-9) INTERNAL CONTROLS OVER REPORTING REQUIREMENTS

**Recommendation:** Backup documentation for reimbursement requests to the Title I, Part A and the Title I, Part A, ARRA has to be prepared, filed and safeguarded, in order for Management to support claims requested.

**Questioned Costs:** -\$0

**Current Status:** Corrected

Schedule Reference (2011-10) INTERNAL CONTROLS OVER ALLOWABLE AND UNALLOWABLE COSTS DOCUMENTATION

**Recommendation:** Proper documentation must be prepared, filed and safeguarded in order to prove that costs are being made only for allowable expenditures under the specific program.

Questioned Costs: -\$0

**Current Status:** Corrected

Schedule Reference (2011 -11) COMPLIANCE OVER ACTIVITIES ALLOWED OR UNALLOWED

**Recommendation:** Management should get sufficient understanding of staff, processes and controls in order to identify where unallowable activities or costs could be charged to the SFSF program and not be detected.

Questioned Costs: -\$0

**Current Status:** Corrected

Schedule Reference (2011-12) COMPLIANCE OVER REPORTING REQUIREMENTS OF ARRA FUNDS

**Recommendation:** Management should obtain a better understanding of the CCR date and keep the CCR expiration date current for at least one month before the end of the next reporting quarter as recommended by the reporting requirements of ARRA Section 1512 Quarterly reports.

Questioned Cost -\$0

**Current Status:** Corrected

Schedule Reference (2011-13) COMPLIANCE OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT REQUIREMENTS

**Recommendation:** Management needs to identify the equipment purchased under the 21 st Century program and make sure to create a system where they can document the description, identification, source, ownership, acquisition, location, condition, and cost of all equipment. Additionally a physical inventory must be taken at least once every two years and documentation needs to be updated depending on the results of the inventory.

Questioned Cost -\$0

**Current Status:** Corrected

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101	\$ 691,239
ESEA, Title I, Part C - Migratory Children	84.011	12615001	142,388
Career and Technical - Basic Grant	84.048	12420006	16,613
SSA - 21st Century Community Learning Centers	84.287	116950127110023	351,841
GEAR UP	84.334S	P334A050083	68,893
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	12696001	15,492
Title III, Part A - English Language Acquisition	84.365A	12671001	19,758
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501	46,229
Title I SIP Academy Grant	84.377A	116107047110040	1,443,245
Title I SIP Academy Grant	84.377A	126107047110032	125,923
Total CFDA Number 84.377A			<u>1,569,168</u>
Education Jobs Fund- ARRA	84.410	11550101	<u>145,086</u>
Total Passed Through State Department of Education			<u>\$ 3,066,707</u>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<u>\$ 3,066,707</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 144,271
*National School Lunch Program - Cash Assistance	10.555	71301101	287,458
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301101	27,044
Total CFDA Number 10.555			<u>314,502</u>
Total Child Nutrition Cluster			<u>458,773</u>
Total Passed Through the State Department of Agriculture			<u>\$ 458,773</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<u>\$ 458,773</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,525,480</u>

\*Clustered Programs

SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2012

1. 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.
2. 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, the Expendable Trust Funds, and Agency Funds. 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.

3. 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.

## SCHOOLS FIRST QUESTIONNAIRE

Santa Maria Independent School District

Fiscal Year 2012

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