

**SANTA MARIA  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2011*

Santa Maria Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2011

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*Introductory Section*

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

*LIST OF PRINCIPAL OFFICIALS*

*AUGUST 31, 2011*

Elected Officials

Name	Office
Consuelo de la Rosa	President
Jose F. Gonzales	Vice-President
Leonardo Martinez	Secretary
Melissa Aleman	Member
Noe Aleman	Member
Miguel Zavala	Member
Oscar Saldivar, Jr.	Member

Appointed Officials

Name	Position
Maria I. Chavez	Superintendent of Schools

CERTIFICATE OF BOARD

Santa Maria Independent School District  
Name of School District

Cameron  
County

031-913  
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, 2011, at a meeting of the board of trustees of such school district on the 16th day of April, 2012.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

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*Financial Section*



 *Oscar R. González, CPA  
&  
Associates, P.L.L.C.*  
*Certified Public Accountants*

*208 W. Ferguson Unit #1 • Pharr, Texas 78577  
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*Oscar R. González  
Melissa González*

**Independent Auditor's Report on Financial Statements**

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Maria Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Santa Maria Independent School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Santa Maria Independent School District as of August 31, 2011, and the respective changes in financial position 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 April 11, 2012, on our consideration of Santa Maria Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 31 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements, and other supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
Oscar R. Gonzalez, CPA and Associates, P.L.L.C.  
Certified Public Accountants  
Pharr, Texas

April 11, 2012

*Management's Discussion and Analysis*

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

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, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

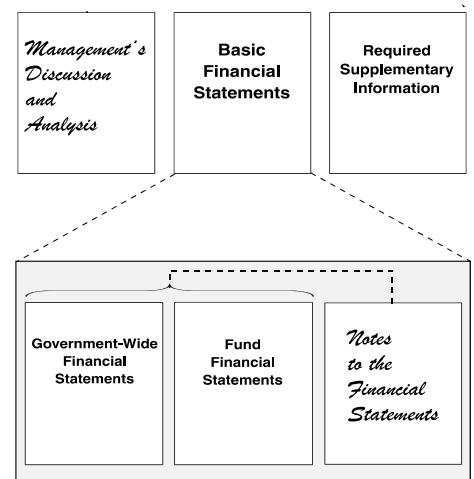
- The District's total combined net assets were \$6,966,801 at August 31, 2011.
- During the year, the District's expenses were \$7,982,071 which is \$933,358 less than the \$8,915,429 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased by \$189,652.
- The general fund reported a fund balance this year of \$2,207,929 an increase of \$868,512 compared to the fund balance of \$1,339,417 from last year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *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.

**Figure A-1, Required Components of the District's Annual Financial Report**



**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

Type of Statements	Government-wide		Fund Statements	
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

**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.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

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, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants 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 and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two types 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.
- *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 \$6,966,801 at August 31, 2011.

(See Table A-1 on next page)

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

**Net Assets (Continued)**

**Table A-1  
The District's Net Assets**

	<u>Governmental Activities</u>		<b>2010-2011 Increase (Decrease)</b>
	<u>2011</u>	<u>2010</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,322,903	\$ 773,689	\$ 1,549,214
Property Taxes Receivable (Net)	151,154	159,015	(7,861)
Due from Other Governments	343,207	701,138	(357,931)
Other Receivables (Net)	63	-	63
Inventories	13,190	13,190	-
Deferred Expenses	-	66,989	(66,989)
Capitalized Bond and Other Debt Issuance Costs	236,479	167,415	69,064
Capital Assets:			
Land	247,824	247,824	-
Buildings and Improvements, Net	9,026,123	8,870,236	155,887
Furniture and Equipment, Net	121,648	117,811	3,837
<b>Total Assets</b>	<u>12,462,591</u>	<u>11,117,307</u>	<u>1,345,284</u>
<b>LIABILITIES:</b>			
Accounts Payable	86,265	20,266	65,999
Short-Term Debt Payable	131,885	155,506	(23,621)
Interest Payable	7,832	7,558	274
Accrued Liabilities	207,034	139,197	67,837
Due to Fiduciary	-	7,276	(7,276)
Due to Other Governments	52,091	-	52,091
Unearned Revenue	34,199	34,201	(2)
Noncurrent Liabilities:			
Due Within One Year	285,000	245,000	40,000
Due in More Than One Year	4,691,484	4,372,881	318,603
<b>Total Liabilities</b>	<u>5,495,790</u>	<u>4,981,885</u>	<u>513,905</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,523,705	4,622,341	(98,636)
Restricted For:			
Federal and State Programs	231,589	172,281	59,308
Debt Service	220,955	291,998	(71,043)
Unrestricted	1,990,552	1,048,802	941,750
<b>Total Net Assets</b>	<u>\$ 6,966,801</u>	<u>\$ 6,135,422</u>	<u>\$ 831,379</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

**Table A-2  
The District's Revenues and Expenditures**

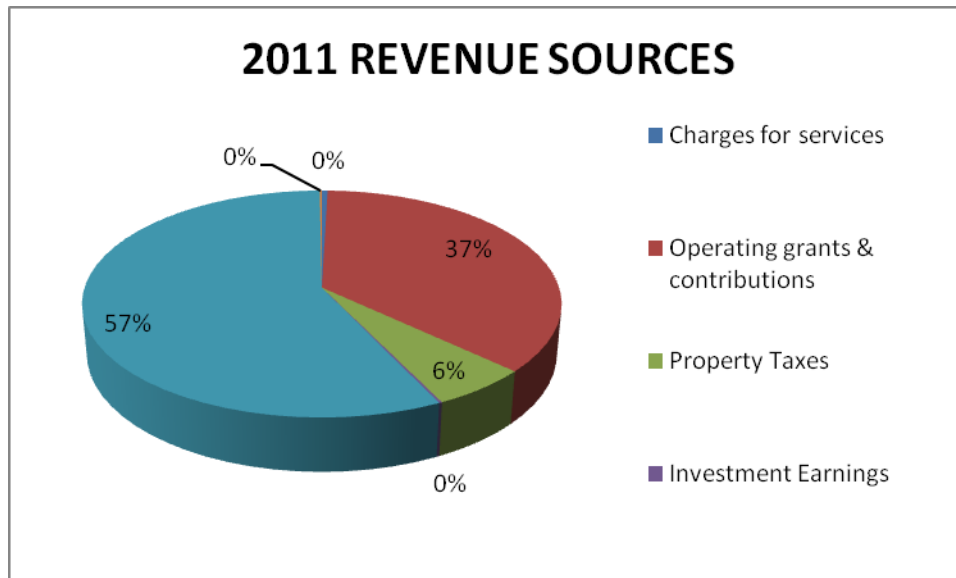
	<b>Governmental Activities</b>		<b>2010-2011</b>
	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>
<b>Program Revenues</b>			
Charges for services	\$ 40,051	\$ 15,121	\$ 24,930
Operating grants & contributions	3,249,886	3,585,922	(336,036)
<b>General Revenues</b>			
Property Taxes	520,726	485,721	35,005
Investment Earnings	16,319	11,194	5,125
Grants and Contributions Not Restricted to Specific Programs	5,074,070	5,157,500	(83,430)
Miscellaneous	14,377	7,735	6,642
<b>Total Revenues</b>	<u>8,915,429</u>	<u>9,263,193</u>	<u>(347,764)</u>
<b>Program Expenses</b>			
Instruction	3,884,819	4,025,724	(140,905)
Instructional Resources and Media Services	24,861	45,131	(20,270)
Curriculum and Staff Development	116,825	167,521	(50,696)
Instructional Leadership	43,328	94,589	(51,261)
School Leadership	436,555	418,984	17,571
Guidance, Counseling, & Evaluation Services	264,702	221,060	43,642
Health Services	79,108	78,502	606
Student Transportation	170,115	181,272	(11,157)
Food Service	555,477	656,806	(101,329)
Cocurricular/Extracurricular Activities	205,470	223,006	(17,536)
General Administration	706,875	484,975	221,900
Plant Maintenance and Operations	939,706	707,229	232,477
Security and Monitoring Services	6,111	7,663	(1,552)
Data Processing Services	83,035	76,731	6,304
Community Services	24,234	31,919	(7,685)
Interest on Long-term Debt	204,111	188,743	15,368
Bond Issuance Costs and Fees	14,810	3,913	10,897
Payments Related to Shared Services Arrangements	212,508	167,352	45,156
Other Intergovernmental Charges	9,421	11,299	(1,878)
<b>Total Expenditures</b>	<u>7,982,071</u>	<u>7,792,419</u>	<u>189,652</u>
Change in Net Assets	933,358	1,470,774	(537,416)
Net Assets - Beginning	6,135,418	4,119,538	2,015,880
Prior Period Adjustment	(101,975)	545,109.00	(647,084)
Net Assets - Beginning, as Restated	6,033,443	4,664,647	1,368,796
Net Assets - Ending	<u>\$ 6,966,801</u>	<u>\$ 6,135,418</u>	<u>\$ 831,383</u>

**Changes in net assets.** The District's total revenues were \$8,915,429. A significant portion, 57%, of the District's revenue comes from grants and contributions not restricted to specific programs (See Figure A-3.) 37% comes from operating grants and contributions, while only 6% relates to property taxes.

(See Chart on Next Page)

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

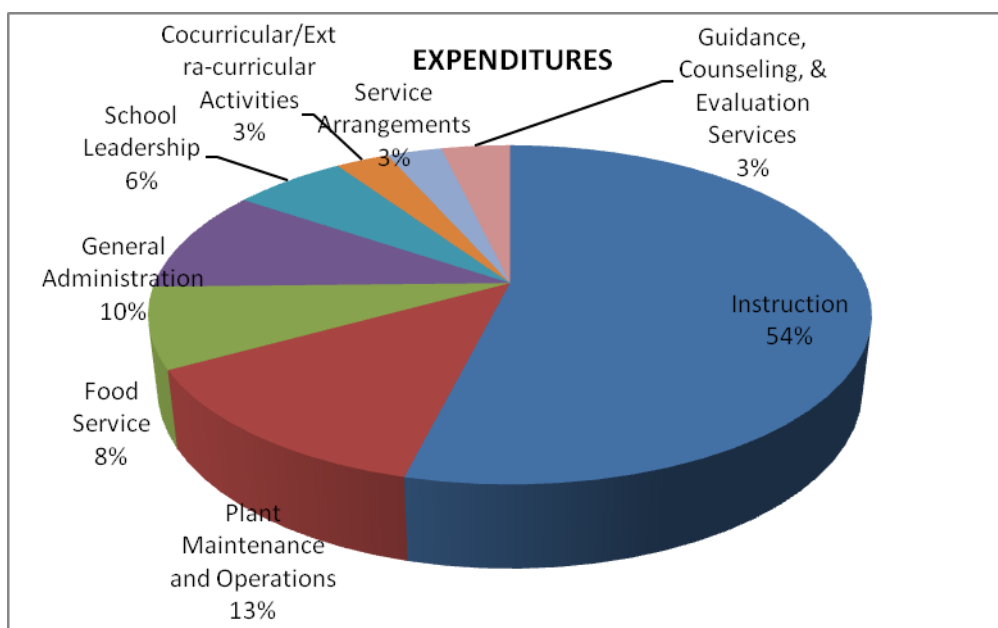
**Change in Net Assets (Continued)**



**Governmental Activities**

- Tax Revenues increased to \$520,726 an increase of \$35,005 from last year.
- The cost of all governmental activities this year was \$7,982,071, an increase of \$189,652 from last year.
- Some of the costs were paid by operating grants and contributions in the amount of \$3,249,886; and by grants and contributions (not restricted) in the amount of \$5,074,070.

Table A-2, 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 tax dollars. The total cost of all programs and services was \$7,982,071; 54% of these costs are for instruction. While 13% pertains to plant maintenance and operations, and 10% pertains to general administration.





**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

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

Revenues from governmental fund types totaled \$8,923,287, a decrease of 3.7% in comparison to last year. The decrease in revenues is a result of the finalization of ARRA funding which was a temporal funding. Total Expenditures increased 2.1% to \$8,613,614. Instruction decreased by 0.8%. Food Service, as well, also experienced a decrease by 18.9%. In addition, we experience an increase in plant maintenance and operation by 27.9%.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$380,867 below final budget amounts. The most significant positive variances resulted from plant maintenance and operation, and support services (not student based).

On the other hand, resources available were \$336,129 above the final budgeted amount. As noted earlier:

- State program revenues were more than expected.
- Increased average daily attendance caused state funding to exceed beginning budget amounts for the current year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2011, the District had invested \$13,377,690 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$489,065 or 4 percent over last year.

**Table A-3  
The District's Capital Assets**

	<b>Governmental Activities</b>		<b>2010-2011</b>
	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>
Land	\$ 247,824	\$ 247,824	-
Buildings & Improvements	12,321,874	11,870,670	451,204
Furniture & Equipment	353,337	315,476	37,861
Vehicles	454,655	454,655	-
<b>Total capital assets</b>	<b>13,377,690</b>	<b>12,888,625</b>	<b>489,065</b>
<b>Total accumulated depreciation</b>	<b>3,982,096</b>	<b>3,652,755</b>	<b>329,341</b>
<b>Net capital assets</b>	<b>\$ 9,395,594</b>	<b>\$ 9,235,870</b>	<b>159,724</b>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
AS OF AUGUST 31, 2011**

**Long Term Debt**

At year-end the District had \$4,956,922 outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-4  
The District's Long-Term Debt**

	<b>Governmental Activities</b>		<b>2010-2011</b>
	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>
General Obligation Bonds	\$ 4,710,000	\$ 4,255,000	\$ 455,000
Notes Payable	246,922	405,631	(158,709)
<b>Total long-term debt</b>	<b>\$ 4,956,922</b>	<b>\$ 4,660,631</b>	<b>\$ 296,291</b>

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

- Total appraised value for school tax purposes used for 2011-2012 totaled \$38,000,227.
- There are no current intentions to issue bonds.

These indicators were taken into account when adopting the general fund budget for 2011-12. Amounts available for appropriation in the general fund budget are \$5,416,519. Estimated revenues for the general fund are estimated at \$6,383,946.

The 2011-12 maintenance tax rates are adopted at \$1.04/100 and the debt service tax rate is set at \$0.24/100.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Santa Maria INDEPENDENT SCHOOL DISTRICT, P.O. Box 448, Santa Maria, Texas 78592.

*Basic Financial Statements*

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2011**

1

Data Control Codes	Governmental Activities
<b>ASSETS:</b>	
1110 <i>Cash and Cash Equivalents</i>	\$ 2,322,903
1225 <i>Property Taxes Receivable (Net)</i>	151,154
1240 <i>Due from Other Governments</i>	343,207
1290 <i>Other Receivables (Net)</i>	63
1300 <i>Inventories</i>	13,190
1420 <i>Capitalized Bond and Other Debt Issuance Costs</i>	236,479
Capital Assets:	
1510 <i>Land</i>	247,824
1520 <i>Buildings and Improvements, Net</i>	9,026,123
1530 <i>Furniture and Equipment, Net</i>	121,648
1000 <b>Total Assets</b>	<b>12,462,591</b>
<b>LIABILITIES:</b>	
2110 <i>Accounts Payable</i>	86,265
2120 <i>Short-Term Debt Payable</i>	131,885
2140 <i>Interest Payable</i>	7,832
2165 <i>Accrued Liabilities</i>	207,034
2180 <i>Due to Other Governments</i>	52,091
2300 <i>Unearned Revenue</i>	34,199
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	285,000
2502 <i>Due in More Than One Year</i>	4,691,484
2000 <b>Total Liabilities</b>	<b>5,495,790</b>
<b>NET ASSETS</b>	
3200 <b>Invested in Capital Assets, Net of Related Debt</b>	<b>4,523,705</b>
Restricted For:	
3820 <i>Federal and State Programs</i>	231,589
3850 <i>Debt Service</i>	220,955
3900 <i>Unrestricted</i>	1,990,552
3000 <b>Total Net Assets</b>	<b>\$ 6,966,801</b>

The accompanying notes are an integral part of this statement.

# SANTA MARIA INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	<b>Governmental Activities:</b>				
11	<i>Instruction</i>	\$ 3,884,819	\$ 2,740	\$ 1,626,241	\$ (2,255,838)
12	<i>Instructional Resources and Media Services</i>	24,861	4	21,278	(3,579)
13	<i>Curriculum and Staff Development</i>	116,825	14	101,174	(15,637)
21	<i>Instructional Leadership</i>	43,328	--	41,937	(1,391)
23	<i>School Leadership</i>	436,555	429	86,578	(349,548)
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	264,702	46	217,194	(47,462)
33	<i>Health Services</i>	79,108	16	63,287	(15,805)
34	<i>Student Transportation</i>	170,115	197	10,322	(159,596)
35	<i>Food Service</i>	555,477	34,391	488,153	(32,933)
36	<i>Cocurricular/Extracurricular Activities</i>	205,470	250	2,822	(202,398)
41	<i>General Administration</i>	706,875	860	9,707	(696,308)
51	<i>Plant Maintenance and Operations</i>	939,706	985	17,512	(921,209)
52	<i>Security and Monitoring Services</i>	6,111	7	84	(6,020)
53	<i>Data Processing Services</i>	83,035	78	19,366	(63,591)
61	<i>Community Services</i>	24,234	--	23,175	(1,059)
72	<i>Interest on Long-term Debt</i>	204,111	22	305,836	101,747
73	<i>Bond Issuance Costs and Fees</i>	14,810	--	--	(14,810)
93	<i>Payments Related to Shared Services Arrangements</i>	212,508	--	215,085	2,577
99	<i>Other Intergovernmental Charges</i>	9,421	12	135	(9,274)
TG	Total Governmental Activities	7,982,071	40,051	3,249,886	(4,692,134)
TP	Total Primary Government	\$ 7,982,071	\$ 40,051	\$ 3,249,886	(4,692,134)
	<b>General Revenues:</b>				
MT	<i>Property Taxes, Levied for General Purposes</i>				424,451
DT	<i>Property Taxes, Levied for Debt Service</i>				96,275
IE	<i>Investment Earnings</i>				16,319
GC	<i>Grants and Contributions Not Restricted to Specific Progra</i>				5,074,070
MI	<i>Miscellaneous</i>				14,377
TR	Total General Revenues				5,625,492
CN	Change in Net Assets				933,358
NB	Net Assets - Beginning				6,135,418
PA	Prior Period Adjustment				(101,975)
	Net Assets - Beginning, as Restated				6,033,443
NE	Net Assets - Ending				\$ 6,966,801

The accompanying notes are an integral part of this statement.

## SANTA MARIA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 2,254,883	\$ 14,645	\$ 53,373	\$ 2,322,901
1225	Taxes Receivable, Net	129,657	21,497	--	151,154
1240	Due from Other Governments	183,797	--	159,410	343,207
1260	Due from Other Funds	94,838	4	90,956	185,798
1290	Other Receivables	63	--	--	63
1300	Inventories	13,190	--	--	13,190
1000	Total Assets	\$ 2,676,428	\$ 36,146	\$ 303,739	\$ 3,016,313
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 220	\$ --	\$ 86,044	\$ 86,264
2150	Payroll Deductions & Withholdings	58,550	--	--	58,550
2160	Accrued Wages Payable	119,559	--	28,925	148,484
2170	Due to Other Funds	126,313	58,894	592	185,799
2180	Due to Other Governments	--	--	52,091	52,091
2300	Deferred Revenue	163,857	21,496	--	185,353
2000	Total Liabilities	468,499	80,390	167,652	716,541
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	13,190	--	--	13,190
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	180,538	--	--	180,538
3480	Retirement of Long-Term Debt	--	(44,244)	--	(44,244)
3490	Other Restrictions of Fund Balance	419,565	--	130,410	549,975
3600	Unassigned	1,594,636	--	--	1,594,636
Unassigned, Reported in Nonmajor:					
3610	Special Revenue Funds	--	--	5,677	5,677
3000	Total Fund Balances	2,207,929	(44,244)	136,087	2,299,772
4000	Total Liabilities and Fund Balances	\$ 2,676,428	\$ 36,146	\$ 303,739	\$ 3,016,313

The accompanying notes are an integral part of this statement.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 AUGUST 31, 2011

Total fund balances - governmental funds balance sheet	\$ 2,299,772
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,395,595
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	151,154
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,710,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	451
Payables for notes which are not due in the current period are not reported in the funds.	(246,922)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(159,730)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	236,479
Rounding difference	<u>2</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 6,966,801</u>

The accompanying notes are an integral part of this statement.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 486,730	\$ 112,602	\$ --	\$ 599,332
5800 State Program Revenues	5,084,053	305,593	177,239	5,566,885
5900 Federal Program Revenues	530,574	--	2,226,496	2,757,070
5020 Total Revenues	6,101,357	418,195	2,403,735	8,923,287
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,108,375	--	1,600,809	3,709,184
0012 Instructional Resources and Media Services	3,524	--	20,250	23,774
0013 Curriculum and Staff Development	10,970	--	100,749	111,719
0021 Instructional Leadership	--	--	41,434	41,434
0023 School Leadership	336,710	--	80,764	417,474
0031 Guidance, Counseling, & Evaluation Services	36,463	--	216,670	253,133
0033 Health Services	12,543	--	63,107	75,650
0034 Student Transportation	154,676	--	8,004	162,680
0035 Food Service	519,746	--	11,453	531,199
0036 Cocurricular/Extracurricular Activities	196,489	--	--	196,489
0041 General Administration	675,979	--	--	675,979
0051 Plant Maintenance and Operations	773,926	--	124,707	898,633
0052 Security and Monitoring Services	5,844	--	--	5,844
0053 Data Processing Services	60,915	--	18,491	79,406
0061 Community Services	--	--	23,175	23,175
0071 Principal on Long-term Debt	158,715	280,000	--	438,715
0072 Interest on Long-term Debt	16,931	195,188	--	212,119
0073 Bond Issuance Costs and Fees	--	1,900	81,974	83,874
0081 Capital Outlay	--	--	451,204	451,204
0093 Payments to Shared Service Arrangements	--	--	212,508	212,508
0099 Other Intergovernmental Charges	9,421	--	--	9,421
6030 Total Expenditures	5,081,227	477,088	3,055,299	8,613,614
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	1,020,130	(58,893)	(651,564)	309,673
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	--	735,000	735,000
7916 Premium or Discount on Issuance of Bonds	--	--	46,974	46,974
8949 Other Uses	(43,966)	--	--	(43,966)
7080 Total Other Financing Sources and (Uses)	(43,966)	--	781,974	738,008
1200 Net Change in Fund Balances	976,164	(58,893)	130,410	1,047,681
0100 Fund Balances - Beginning	1,339,417	14,649	--	1,354,066
1300 Prior Period Adjustment	(107,652)	--	5,677	(101,975)
Fund Balances - Beginning, as Restated	1,231,765	14,649	5,677	1,252,091
3000 Fund Balances - Ending	\$ 2,207,929	\$ (44,244)	\$ 136,087	\$ 2,299,772

The accompanying notes are an integral part of this statement.



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2011

Net change in fund balances - total governmental funds	\$ 1,047,681
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	489,064
The depreciation of capital assets used in governmental activities is not reported in the funds.	(329,341)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,861)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	438,715
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	90,257
(Increase) decrease in accrued interest from beginning of period to end of period.	(13,184)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(735,000)
Bond premiums are reported in the funds but not in the SOA.	(46,974)
Rounding difference	1
Change in net assets of governmental activities - Statement of Activities	<u>\$ 933,358</u>

The accompanying notes are an integral part of this statement.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2011

Data Control Codes		Agency Fund
		Student Activity
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 13,008
1000	Total Assets	<u>\$ 13,008</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 13,008
2000	Total Liabilities	<u>13,008</u>
	<b>NET ASSETS</b>	
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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

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

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. **Receivable and Payable Balances**

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. **Interfund Activity**

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

f. **Use of Estimates**

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

g. **Data Control Codes**

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

h. **The District has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for all districts for the fiscal year ending in 2011. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances which are non-spendable and spendable.**

**Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

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

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

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

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

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

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

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

**2. Deficit Fund Balance or Fund Net Assets of Individual Funds**

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Debt Service Fund	\$ (44,244)	The District has contracted with an advisor for guidance in requesting TEA to provide the funds for the deficit amount.

**C. Deposits and Investments**

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

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,322,903 and the bank balance was \$2,576,750. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$0.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$3,177,936 and occurred during the month of February, 2011.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$3,177,936.

2. Investments:

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

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

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

The District's investment at August 31, 2011 are shown below.

Investment or Investment Type	Maturity	Fair Value
None	N/A	\$ --
Total Investments		\$ --

3. Analysis of Specific Deposit and Investment Risks

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

- a. Credit Risk  
 Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.
- b. Custodial Credit Risk  
 Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

with securities held by the pledging financial institution's trust department or agent but not in the District's name.

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

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

- c. **Concentration of Credit Risk**  
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.
- d. **Interest Rate Risk**  
This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.
- e. **Foreign Currency Risk**  
This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

**Investment Accounting Policy**

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

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2011, was as follows:

<u>Governmental activities:</u>	<u>Beginning</u>			<u>Ending</u>
<u>Capital assets not being depreciated:</u>	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Land	\$ 247,824	\$ --	\$ --	\$ 247,824
Construction in progress	--	--	--	--
<b>Total capital assets not being depreciated</b>	<b>247,824</b>	<b>--</b>	<b>--</b>	<b>247,824</b>
 <i>Capital assets being depreciated:</i>				
Buildings and improvements	11,870,670	451,204	--	12,321,874
Equipment	315,476	37,861	--	353,337
Vehicles	454,655	--	--	454,655
<b>Total capital assets being depreciated</b>	<b>12,640,801</b>	<b>489,065</b>	<b>--</b>	<b>13,129,866</b>
Less accumulated depreciation for:				
Buildings and improvements	(3,000,434)	(295,318)	--	(3,295,752)
Equipment	(296,520)	(15,742)	--	(312,262)
Vehicles	(355,801)	(18,281)	--	(374,082)
<b>Total accumulated depreciation</b>	<b>(3,652,755)</b>	<b>(329,341)</b>	<b>--</b>	<b>(3,982,096)</b>
<b>Total capital assets being depreciated, net</b>	<b>8,988,046</b>	<b>159,724</b>	<b>--</b>	<b>9,147,770</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 9,235,870</b>	<b>\$ 159,724</b>	<b>\$ --</b>	<b>\$ 9,395,594</b>



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

Depreciation was charged to functions as follows:

Instruction	\$ 169,529
Instructional Resources and Media Services	1,087
Curriculum and Staff Development	5,106
Instructional Leadership	1,894
School Leadership	19,081
Guidance, Counseling, & Evaluation Services	11,569
Health Services	3,458
Student Transportation	7,435
Food Services	24,278
Extracurricular Activities	8,981
General Administration	30,896
Plant Maintenance and Operations	41,072
Security and Monitoring Services	267
Data Processing Services	3,629
Community Services	1,059
	<b>\$ 329,341</b>

**E. Interfund Balances and Activities**

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

Balances due to and due from other funds at August 31, 2011, consisted of the following:

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

Fund	Receivable	Payable
<b>General Fund:</b>		
General Fund	\$ 35,352	\$ 35,352
Special Revenue Fund	592	90,957
Debt Service Fund	58,894	4
<b>Total General Fund</b>	<b>94,838</b>	<b>126,312</b>
<b>Special Revenues Fund</b>		
General Fund	90,957	592
<b>Total Special Revenues Fund</b>	<b>90,957</b>	<b>592</b>
<b>Debt Service Fund</b>		
General Fund	4	58,894
<b>Total Debt Service Fund</b>	<b>4</b>	<b>58,894</b>
<b>Total</b>	<b>\$ 185,798</b>	<b>\$ 185,798</b>

The District did not have Transfers In or Transfers Out for the year ended August 31, 2011.

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2011, are as follows:

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

Description	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 09/01/2010
School House Bond-Series 2004	08/15/2034	3.50	\$ 2,015,000	\$ 1,810,000
Unlimited Tax Refunding Bonds Series 2010	08/15/2031	3.00-5.00	2,445,000	2,445,000
Unlimited Tax Building Bonds Series 2010	08/31/2030	2.00-5.00	735,000	--
<b>Total Bonds Payable</b>			<b>5,195,000</b>	<b>4,255,000</b>
<b>Loans</b>				
First National Bank	8/27/2013	5%	510,151	372,214
First National Bank	8/27/2011	4%	290,000	33,417
<b>Total Loans Payable</b>			<b>800,151</b>	<b>405,631</b>
<b>Total General Long-Term Obligation</b>			<b>\$ 5,995,151</b>	<b>\$ 4,660,631</b>

Description	Outstanding Balance 09/01/2010	Issued Current	Retired Current	Outstanding Balance 08/31/2011	Amounts Due Within One Year
School House Bond-Series 2004	\$ 1,810,000	\$ --	\$ 45,000	\$ 1,765,000	\$ 45,000
Unlimited Tax Refunding Bonds Series 201	2,445,000	--	200,000	2,245,000	210,000
Unlimited Tax Building Bonds Series 2010	--	735,000	35,000	700,000	30,000
<b>Total Bonds Payable</b>	<b>4,255,000</b>	<b>735,000</b>	<b>280,000</b>	<b>4,710,000</b>	<b>285,000</b>
<b>Loans</b>					
First National Bank	372,214	--	125,292	246,922	131,885
First National Bank	33,417	--	33,417	--	--
<b>Total Loans Payable</b>	<b>405,631</b>	<b>--</b>	<b>158,709</b>	<b>246,922</b>	<b>131,885</b>
<b>Subtotal</b>	<b>4,660,631</b>	<b>735,000</b>	<b>438,709</b>	<b>4,956,922</b>	<b>416,885</b>
Premium and Discount	112,756	46,974	8,283	151,447	--
<b>Total Bonds Payable</b>	<b>\$ 4,773,387</b>	<b>\$ 781,974</b>	<b>\$ 446,992</b>	<b>\$ 5,108,369</b>	<b>\$ 416,885</b>
Cost of Issuance	167,415	81,974	12,910	236,479	
<b>Total Cost of Issuance</b>	<b>\$ 167,415</b>	<b>\$ 81,974</b>	<b>\$ 12,910</b>	<b>\$ 236,479</b>	

**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2011, are as follows:

Year Ending August 31,	Governmental Activities				
	Loans		General Obligations		Total
	Principal	Interest	Principal	Interest	
2012	\$ 131,885	\$ 10,006	\$ 285,000	\$ 187,922	\$ 614,813
2013	115,037	2,838	295,000	179,166	592,041
2014	--	--	305,000	170,091	475,091
2015	--	--	315,000	160,653	475,653
2016	--	--	330,000	151,753	481,753
2017-2021	--	--	740,000	667,458	1,407,458
2022-2026	--	--	930,000	489,181	1,419,181
2027-2031	--	--	1,160,000	231,956	1,391,956
2032-2034	--	--	350,000	27,000	377,000
<b>Totals</b>	<b>\$ 246,922</b>	<b>\$ 12,844</b>	<b>\$ 4,710,000</b>	<b>\$ 2,265,180</b>	<b>\$ 7,234,946</b>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2011, 2010 and 2009 were \$229,303, \$221,759 and \$208,601, respectively. The District paid additional state contributions for the years ending August 31, 2011, 2010 and 2009 in the amount of \$0, \$0 and \$0, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Retiree Health Care Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

heading, by writing to the System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$0, \$0, and \$0, respectively, the active member contributions were \$23,288, \$22,522, and \$21,186, respectively, and the District's contributions were \$19,706, \$19,057, and \$17,927, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$6,915, \$8,919, and \$8,048, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$279 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TASB are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies.

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The District is involved in various legal proceedings arising from its operations. The District believes that the outcome of these proceedings, individually and in the aggregate will have no material effect on the District's financial position.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2011

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
La Villa ISD	\$ 212,508
Total	\$ 212,508

M. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring thru April 4, 2012, the date the report was available to be issued. No subsequent events were noted.

N. Increase (Decrease) in Net Assets

Prior Period Adjustments

<u>Fund Level</u>	<u>Governmental Activities</u>
<u>General Fund</u>	
Adjustment to correct prior year's receivable from State	\$ (107,766)
Adjustment to correct prior year's cash balance	114
<u>Special Revenue Fund</u>	
Adjustment to correct prior year's cash balance	5,677
Net Increase in Net Assets	\$ (101,975)

O. Expenditures Exceeded Appropriations

At August 31, 2011, the District exceeded the budget in the following functional level:

<u>Data Control Codes</u>	<u>Function</u>	<u>Amounts Exceeding Budget</u>
71	Principal on Long-Term Debt	\$ (13,797)
	Total	\$ (13,797)

P. Fund Balances

Governmental Fund Balances for the district are classified in the following hierarchy:

**Nonspendable**

Nonspendable Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**Restricted**

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation. Federal Laws, Texas Statutes, and local ordinances require that certain revenues be specifically designated for the purposes of food service, federal and state programs, debt service, and capital projects.

**Committed**

Amounts that can only be used for specific purposes pursuant to approval by formal action by the board.

**Assigned**

For the General Fund, amounts that are appropriated by the Board or the Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned fund balances are amounts that are available for any purpose; these amounts can be reported only in the District's General Fund. The unassigned amount as of August 31, 2011 is \$ 1,600,313. The District's unassigned fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local emergencies without borrowing. In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted, committed, assigned, and unassigned. The purpose of the Capital Projects Fund is to pay for voter approved capital projects and the purpose of the Debt Service fund is to account for funds used to pay for the long and short term debt obligations used to fund the District's capital projects.

The District's governmental fund balance designations can be identified as follows:

Fund Balance Description:	General	Debt Service	Other Governmental
Nonspendable			
Inventories	\$ 13,190	\$ --	\$ --
Restricted			
Federal/State Grant Restrictions	180,558	--	--
Retirement of long-term debt	--	(44,244)	--
Other Restriction of Fund Balance	--	--	130,410
<b>Total Nonspendable, Restricted, Committed, and Assigned Governmental Fund Balances</b>	<b>\$ 193,748</b>	<b>\$ (44,244)</b>	<b>\$ 130,410</b>
<b>Total Nonspendable, Restricted, Committed, and Assigned Governmental Fund Balances</b>	<b>\$ 699,459</b>		

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 423,236	\$ 456,236	\$ 486,730	\$ 30,494		
5800	State Program Revenues	4,885,992	4,855,992	5,084,053	228,061		
5900	Federal Program Revenues	1,170,251	453,000	530,574	77,574		
5020	Total Revenues	6,479,479	5,765,228	6,101,357	336,129		
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,867,856	2,154,170	2,108,375	45,795		
0012	Instructional Resources and Media Services	13,397	13,397	3,524	9,873		
0013	Curriculum and Staff Development	21,679	21,179	10,970	10,209		
	Total Instruction & Instr. Related Services	2,902,932	2,188,746	2,122,869	65,877		
Instructional and School Leadership:							
0023	School Leadership	347,263	347,267	336,710	10,557		
	Total Instructional & School Leadership	347,263	347,267	336,710	10,557		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	133,187	39,121	36,463	2,658		
0033	Health Services	13,676	13,976	12,543	1,433		
0034	Student (Pupil) Transportation	180,329	180,329	154,676	25,653		
0035	Food Services	514,800	547,800	519,746	28,054		
0036	Cocurricular/Extracurricular Activities	211,207	208,435	196,489	11,946		
	Total Support Services - Student (Pupil)	1,053,199	989,661	919,917	69,744		
Administrative Support Services:							
0041	General Administration	517,838	690,438	675,979	14,459		
	Total Administrative Support Services	517,838	690,438	675,979	14,459		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	868,996	887,978	773,926	114,052		
0052	Security and Monitoring Services	6,395	8,395	5,844	2,551		
0053	Data Processing Services	92,500	151,400	60,915	90,485		
	Total Support Services - Nonstudent Based	967,891	1,047,773	840,685	207,088		
Debt Service:							
0071	Principal on Long-Term Debt	185,109	170,255	158,715	11,540		
0072	Interest on Long-Term Debt	--	17,454	16,931	523		
	Total Debt Service	185,109	187,709	175,646	12,063		
0099	Other Intergovernmental Charges	10,500	10,500	9,421	1,079		
	Total Intergovernmental Charges	10,500	10,500	9,421	1,079		
6030	Total Expenditures	5,984,732	5,462,094	5,081,227	380,867		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	494,747	303,134	1,020,130	716,996		



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
8949	Other Uses	--	(43,966)	(43,966)	--
7080	Total Other Financing Sources and (Uses)	--	(43,966)	(43,966)	--
1200	Net Change in Fund Balance	494,747	259,168	976,164	716,996
0100	Fund Balance - Beginning	1,339,417	1,339,417	1,339,417	--
1300	Prior Period Adjustment	(107,652)	(107,652)	(107,652)	--
0100	Fund Balance - Beginning, as Restated	1,231,765	1,231,765	1,231,765	--
3000	Fund Balance - Ending	\$ 1,726,512	\$ 1,490,933	\$ 2,207,929	\$ 716,996

*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ (143,648)	\$ 197,021	\$ 53,373
1240 <i>Due from Other Governments</i>	159,410	--	159,410
1260 <i>Due from Other Funds</i>	90,956	--	90,956
1000 <b>Total Assets</b>	<b>\$ 106,718</b>	<b>\$ 197,021</b>	<b>\$ 303,739</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 19,433	\$ 66,611	\$ 86,044
2160 <i>Accrued Wages Payable</i>	28,925	--	28,925
2170 <i>Due to Other Funds</i>	592	--	592
2180 <i>Due to Other Governments</i>	52,091	--	52,091
2000 <b>Total Liabilities</b>	<b>101,041</b>	<b>66,611</b>	<b>167,652</b>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3490 <i>Other Restrictions of Fund Balance</i>	--	130,410	130,410
Unassigned, Reported in Nonmajor:			
3610 <i>Special Revenue Funds</i>	5,677	--	5,677
3000 <b>Total Fund Balances</b>	<b>5,677</b>	<b>130,410</b>	<b>136,087</b>
4000 <b>Total Liabilities and Fund Balances</b>	<b>\$ 106,718</b>	<b>\$ 197,021</b>	<b>\$ 303,739</b>

# SANTA MARIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5800 State Program Revenues	\$ 177,239	\$ --	\$ 177,239
5900 Federal Program Revenues	2,226,496	--	2,226,496
5020 Total Revenues	2,403,735	--	2,403,735
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	1,600,809	--	1,600,809
0012 Instructional Resources and Media Services	20,250	--	20,250
0013 Curriculum and Staff Development	100,749	--	100,749
0021 Instructional Leadership	41,434	--	41,434
0023 School Leadership	80,764	--	80,764
0031 Guidance, Counseling, & Evaluation Services	216,670	--	216,670
0033 Health Services	63,107	--	63,107
0034 Student Transportation	8,004	--	8,004
0035 Food Service	11,453	--	11,453
0051 Plant Maintenance and Operations	6,321	118,386	124,707
0053 Data Processing Services	18,491	--	18,491
0061 Community Services	23,175	--	23,175
0073 Bond Issuance Costs and Fees	--	81,974	81,974
0081 Capital Outlay	--	451,204	451,204
0093 Payments to Shared Service Arrangements	212,508	--	212,508
6030 Total Expenditures	2,403,735	651,564	3,055,299
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(651,564)	(651,564)
Other Financing Sources and (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	--	735,000	735,000
7916 Premium or Discount on Issuance of Bonds	--	46,974	46,974
7080 Total Other Financing Sources and (Uses)	--	781,974	781,974
1200 Net Change in Fund Balances	--	130,410	130,410
0100 Fund Balances - Beginning	--	--	--
1300 Prior Period Adjustment	5,677	--	5,677
Fund Balances - Beginning, as Restated	5,677	--	5,677
3000 Fund Balances - Ending	\$ 5,677	\$ 130,410	\$ 136,087

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ (8,518)	\$ (34,504)	\$ (19,745)	\$ --
1240 Due from Other Governments	3,594	19,983	14,954	592
1260 Due from Other Funds	7,354	14,521	4,791	--
1000 Total Assets	\$ 2,430	\$ --	\$ --	\$ 592
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 2,430	\$ --	\$ --	\$ --
2160 Accrued Wages Payable	--	--	--	--
2170 Due to Other Funds	--	--	--	592
2180 Due to Other Governments	--	--	--	--
2000 Total Liabilities	2,430	--	--	592
<b>FUND BALANCES:</b>				
Unassigned, Reported in Nonmajor:				
3610 Special Revenue Funds	--	--	--	--
3000 Total Fund Balances	--	--	--	--
4000 Total Liabilities and Fund Balances	\$ 2,430	\$ --	\$ --	\$ 592

je	266 ARRA of 2009 Title XIV State Fiscal Stabilization	274 GEAR UP	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	352 21st Century Community Learning Centers	399 Campus Deregulation and Restructuring
	\$ (38,250)	\$ (41,697)	\$ (2,567)	\$ 1,506	\$ 4,912
	14,962	41,697	(4)	58,082	765
	52,213	--	2,571	9,506	--
	<u>\$ 28,925</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 69,094</u>	<u>\$ 5,677</u>
	\$ --	\$ --	\$ --	\$ 17,003	\$ --
	28,925	--	--	--	--
	--	--	--	--	--
	--	--	--	52,091	--
	<u>28,925</u>	<u>--</u>	<u>--</u>	<u>69,094</u>	<u>--</u>
	--	--	--	--	5,677
	--	--	--	--	5,677
	<u>\$ 28,925</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 69,094</u>	<u>\$ 5,677</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes	401 Optional Extended Year Program	404 Student Success Initiative	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>			
1110			
<i>Cash and Cash Equivalents</i>	\$ (21)	\$ (4,764)	\$ (143,648)
1240	21	4,764	159,410
<i>Due from Other Governments</i>			
1260	--	--	90,956
<i>Due from Other Funds</i>			
1000	\$ --	\$ --	\$ 106,718
<b>Total Assets</b>			
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	\$ --	\$ --	\$ 19,433
<i>Accounts Payable</i>			
2160	--	--	28,925
<i>Accrued Wages Payable</i>			
2170	--	--	592
<i>Due to Other Funds</i>			
2180	--	--	52,091
<i>Due to Other Governments</i>			
2000	--	--	101,041
<b>Total Liabilities</b>			
<b>FUND BALANCES:</b>			
Unassigned, Reported in Nonmajor:			
3610	--	--	5,677
<i>Special Revenue Funds</i>			
3000	--	--	5,677
<b>Total Fund Balances</b>			
4000	\$ --	\$ --	\$ 106,718
<b>Total Liabilities and Fund Balances</b>			

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	242 Summer Feeding Program	244 Career and Tech Basic Grant
<b>REVENUES:</b>				
5800 State Program Revenues	\$ --	\$ --	\$ 11,453	\$ --
5900 Federal Program Revenues	572,500	151,211	--	15,891
5020 Total Revenues	572,500	151,211	11,453	15,891
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	348,222	96,398	--	15,891
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	13,906	3,088	--	--
0021 Instructional Leadership	--	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	138,488	37,327	--	--
0033 Health Services	63,107	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	11,453	--
0051 Plant Maintenance and Operations	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	8,777	14,398	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	572,500	151,211	11,453	15,891
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
1300 Prior Period Adjustment	--	--	--	--
Fund Balances - Beginning, as Restated	--	--	--	--
3000 Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --



	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	274 GEAR UP
	\$ --	\$ --	\$ --	\$ --	\$ --
	81,794	32,979	701,746	12,287	83,030
	<u>81,794</u>	<u>32,979</u>	<u>701,746</u>	<u>12,287</u>	<u>83,030</u>
	72,841	32,907	675,959	12,287	83,030
	--	--	20,250	--	--
	8,953	72	5,537	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	<u>81,794</u>	<u>32,979</u>	<u>701,746</u>	<u>12,287</u>	<u>83,030</u>
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	289 Summer School LEP
<b>REVENUES:</b>			
5800 State Program Revenues	\$ --	\$ --	\$ --
5900 Federal Program Revenues	2,959	106,352	1,074
5020 Total Revenues	<u>2,959</u>	<u>106,352</u>	<u>1,074</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	2,959	9,074	1,074
0012 Instructional Resources and Media Services	--	--	--
0013 Curriculum and Staff Development	--	56,423	--
0021 Instructional Leadership	--	--	--
0023 School Leadership	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	40,855	--
0033 Health Services	--	--	--
0034 Student Transportation	--	--	--
0035 Food Service	--	--	--
0051 Plant Maintenance and Operations	--	--	--
0053 Data Processing Services	--	--	--
0061 Community Services	--	--	--
0093 Payments to Shared Service Arrangements	--	--	--
6030 Total Expenditures	<u>2,959</u>	<u>106,352</u>	<u>1,074</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
0100 Fund Balances - Beginning	--	--	--
1300 Prior Period Adjustment	--	--	--
Fund Balances - Beginning, as Restated	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

352 21st Century Community Learning Centers	399 Campus Deregulation and Restructuring	404 Student Success Initiative	411 Technology Allotment
\$ -- 464,673 464,673	\$ -- -- --	\$ 96,115 -- 96,115	\$ 18,491 -- 18,491
115,642	--	83,345	--
--	--	--	--
--	--	12,770	--
41,434	--	--	--
80,764	--	--	--
--	--	--	--
--	--	--	--
8,004	--	--	--
--	--	--	--
6,321	--	--	--
--	--	--	18,491
--	--	--	--
212,508	--	--	--
464,673	--	96,115	18,491
--	--	--	--
--	--	--	--
--	5,677	--	--
--	5,677	--	--
\$ --	\$ 5,677	\$ --	\$ --

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	429 State Funded Special Revenue Fund	499 Investment Capital Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>			
5800 State Program Revenues	\$ 50,180	\$ 1,000	\$ 177,239
5900 Federal Program Revenues	--	--	2,226,496
5020 Total Revenues	50,180	1,000	2,403,735
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	50,180	1,000	1,600,809
0012 Instructional Resources and Media Services	--	--	20,250
0013 Curriculum and Staff Development	--	--	100,749
0021 Instructional Leadership	--	--	41,434
0023 School Leadership	--	--	80,764
0031 Guidance, Counseling, & Evaluation Services	--	--	216,670
0033 Health Services	--	--	63,107
0034 Student Transportation	--	--	8,004
0035 Food Service	--	--	11,453
0051 Plant Maintenance and Operations	--	--	6,321
0053 Data Processing Services	--	--	18,491
0061 Community Services	--	--	23,175
0093 Payments to Shared Service Arrangements	--	--	212,508
6030 Total Expenditures	50,180	1,000	2,403,735
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
0100 Fund Balances - Beginning	--	--	--
1300 Prior Period Adjustment	--	--	5,677
Fund Balances - Beginning, as Restated	--	--	5,677
3000 Fund Balances - Ending	\$ --	\$ --	\$ 5,677

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE*

*FOR THE YEAR ENDED AUGUST 31, 2011*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.44		.16		24,891,039
2004		1.44		.16		29,061,592
2005		1.50		.1966		29,994,892
2006		1.50		.1966		35,190,623
2007		1.3701		.1966		34,564,325
2008		1.04		.1447		38,252,279
2009		1.04		.2259		38,362,009
2010		1.04		.2149		38,133,308
2011 (School Year Under Audit)		1.04		.2359		38,000,227

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 20,355	\$ --	\$ 103	\$ 10	\$ (2,333)	\$ 17,909
6,243	--	35	4	(591)	5,613
10,092	--	681	76	(591)	8,744
11,198	--	435	57	(627)	10,079
13,824	--	1,105	145	(627)	11,947
18,222	--	2,820	405	(424)	14,573
18,599	--	3,032	422	(321)	14,824
32,902	--	9,471	2,057	(343)	21,031
45,248	--	17,414	3,599	271	24,506
--	496,912	373,190	86,121	1,119	38,720
<u>\$ 176,683</u>	<u>\$ 496,912</u>	<u>\$ 408,286</u>	<u>\$ 92,896</u>	<u>\$ (4,467)</u>	<u>\$ 167,946</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

Less Allowance for Uncollectable Accounts  
Property Tax Receivable, Net

16,795  
\$ 151,151

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011*

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 207,353	\$ 161,461	\$ --	\$ --	\$ 368,814
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	73,542	--	--	--	73,542
6212	Audit Services	--	--	--	15,850	--	--	15,850
6213	Tax Appraisal and Collection	--	9,421	--	--	--	--	9,421
621X	Other Prof. Services	--	--	--	--	--	--	--
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	5,225	46,067	--	--	51,292
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	5,655	--	--	5,655
6290	Miscellaneous Contr.	--	--	5,082	14,153	--	--	19,235
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	1,328	--	9,657	17,710	--	--	28,695
6410	Travel, Subsistence, Stipends	26,038	--	474	3,129	--	--	29,641
6420	Ins. and Bonding Costs	--	--	--	5,220	--	--	5,220
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	140,292	--	7,769	6,206	--	--	154,267
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 167,658 \$ 9,421 \$ 309,102 \$ 275,451 \$ -- \$ -- \$ 761,632

Total Expenditures for General and Special Revenue Funds (9) \$ 7,484,962

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 97,831
Total Debt & Lease (6500)	(11)	\$ 175,646
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 780,247
Food (Function 35, 6341 and 6499)	(13)	\$ 225,921
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 275,451

Subtotal 1,555,096

Net Allowed Direct Cost \$ 5,929,866

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 12,321,874
Historical Cost of Buildings 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)	807,992
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$76,232 in Function 53 expenditures and \$9,421 in Function 99 expenditures are included in this report on administrative costs.



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

EXHIBIT J-3

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	1		2		3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual	
	Original	Final	Original	Final		
<b>REVENUES:</b>						
5700	Local and Intermediate Sources	\$ 89,554	\$ 89,554	\$ 112,602	\$ 23,048	
5800	State Program Revenues	352,096	352,096	305,593	(46,503)	
5020	Total Revenues	441,650	441,650	418,195	(23,455)	
<b>EXPENDITURES:</b>						
Debt Service:						
0071	Principal on Long-Term Debt	417,026	266,203	280,000	(13,797)	
0072	Interest on Long-Term Debt	--	195,189	195,188	1	
0073	Bond Issuance Costs and Fees	--	3,000	1,900	1,100	
	Total Debt Service	417,026	464,392	477,088	(12,696)	
0099	Other Intergovernmental Charges	--	20	--	20	
	Total Intergovernmental Charges	--	20	--	20	
6030	Total Expenditures	417,026	464,412	477,088	(12,676)	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	24,624	(22,762)	(58,893)	(36,131)	
1200	Net Change in Fund Balance	24,624	(22,762)	(58,893)	(36,131)	
0100	Fund Balance - Beginning	14,649	14,649	14,649	--	
3000	Fund Balance - Ending	\$ 39,273	\$ (8,113)	\$ (44,244)	\$ (36,131)	



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&  
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Oscar R. González  
Melissa González

**Independent Auditor's Report**

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

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

Members of the Board of Trustees:

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, 2011, which collectively comprise the Santa Maria Independent School District's basic financial statements and have issued our report thereon dated April 11, 2012. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Santa Maria Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item(s) (2011-9) and (2011-10), that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) (2011-11), (2011-12) and (2011-13).

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Oscar R. Gonzalez, CPA and Associates, P.L.L.C.  
Certified Public Accountants  
Pharr, Texas

April 11, 2012

 *Oscar R. González, CPA*  
&  
*Associates, P.L.L.C.*  
*Certified Public Accountants*

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*Oscar R. González*  
*Melissa González*

**Independent Auditor's Report**

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

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

Members of the Board of Trustees:

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, 2011. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Maria Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items (2011-11), (2011-12), and (2011-13).

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (2011-9) and (2011-10) to be significant deficiencies.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Oscar R. Gonzalez, CPA and Associates, P.L.L.C.  
Certified Public Accountants  
Pharr, Texas

April 11, 2012

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   X   Yes        No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.110A / 84.386	Title I, Part A Cluster ARRA ESEA Title I - School Improvement Programs
84.394A	ARRA of 2009 Title XIV State Fiscal Stabilization Fund
84.287C	SSA Title IV Part B 21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?        Yes   X   No

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

**B. Financial Statement Findings**

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

- Criteria: Accounting Staff should possess the sufficient knowledge to prepare financial statements in accordance with GAAP.
- Condition: The District's Financial Staff possesses the necessary accounting experience to reliably initiate, authorize and process financial data and to report such financial data for internal management purposes. However, their job functions are not designated to require that they maintain current expertise in financial reporting requirements for externally released financial statements that are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) including the presentation format of the financial statements and all of the related footnotes that accompany such financial statements.
- Cause: Accounting staff's job functions are not designated to require them to maintain current expertise in financial reporting requirements for externally released financial statements in accordance with GAAP.
- Effect: Accounting Staff does not possess the sufficient knowledge to prepare financial statements in accordance with GAAP.
- Recommendation: The Santa Maria ISD's Financial Staff should obtain training in financial reporting and footnote presentation in order for its financial statements to comply with GAAP.

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

- Criteria: Bank reconciliations should be prepared on a monthly basis in order to assure proper recording of all transactions and reconciliation of the bank activities to the financial information of the District. Bank reconciliations should reflect the correct bank balance per statements and the correct balance per books as of the date being reconciled.
- Condition: After initial revision of the submitted bank reconciliations, auditor concluded that bank reconciliations were not being properly prepared. After further analysis auditor discovered that bank reconciliations had not been prepared for the whole fiscal year except for an erroneous reconciliation that was prepared for the last month of the fiscal year.
- Cause: Constant turnover of personnel in charge of preparing the bank reconciliations and lack of controls over the cash reconciliation process.
- Effect: Bank reconciliations were not being prepared, causing cash balances not to reflect their appropriate recording of transactions and balance.
- 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.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

**Schedule Reference (2011-3) CONTROLS OVER PROCUREMENT DOCUMENTATION**

- Criteria: Enacted Board of Education policy calls for proper documentation of invoices and purchase orders for all cash disbursement transactions, and for invoices not to exceed the balance approved in the purchase orders.
- Condition: Auditor performed basic cash disbursement testing procedures in order to ensure that proper documentation was being kept for tested cash disbursement transactions. Auditor discovered numerous instances where no invoices or purchase orders were being documented. Additionally, auditor found instances where invoices amount did not match amounts approved by the purchase orders.
- Cause: Lack of controls over procurement documentation in accordance with enacted policy.
- Effect: Documentation is not being prepared or filed in accordance with Board adopted policy.
- Recommendation: Purchase orders and invoices need to be documented and filed in accordance with Santa Maria ISD's Fiscal Policy Manual, adopted by the District's Board of Education.

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

- Criteria: Proper accrual of transactions in accordance with GAAP requires for the recording of all expenditures using the modified accrual basis of accounting where expenditures are recorded when the related fund liability is incurred.
- Condition: Accounts payable cutoff testing procedures revealed that various cash disbursement transactions that were paid after the end of the fiscal year had been incurred during the fiscal year being audited and were recorded as expenditures in the subsequent year.
- Cause: Lack of controls over cutoff procedures of accounts payable transactions occurring near after the end of the fiscal year.
- Effect: Expenditures that belong to the fiscal year being audited were being recorded as expenditures for the subsequent year.
- 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.

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

- Criteria: Payroll procedures of the Santa Maria Independent School District are approved by the Board of Education every year and include the required pay scale for that school year. All employees need to be paid in accordance with the enacted Payroll Policy which is prepared to comply with the Education Code 21.402 and 19 TAC 153.1021.
- Condition: There was one instance of an employee being paid an amount, not in accordance with the enacted pay scale by a variance of \$17,600 more than the acceptable pay scale amount considering the person's years of experience.



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

**Cause:** The exemption was granted by permission of the Superintendent for the increase of the employee's salary.

**Effect:** The employee was not paid in accordance with the approved pay scale of the District.

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

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

**Criteria:** In order to ensure proper accrual and reflection of balances, beginning balances must be properly recorded to reflect prior year's ending balances as the beginning figures for the current fiscal year.

**Condition:** Beginning balance roll-forward did not occur at the beginning of the period, but was subsequently discovered by auditor and adjusted as of the end of the fiscal year rather than at the beginning.

**Cause:** Lack of controls over procedures for roll-forward of beginning balances at the beginning of the fiscal year.

**Effect:** All balance sheet accounts that had a beginning balance were affected by the entry, as well as any related reconciliations prepared as of the end of the year.

**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.

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

**Criteria:** According to the Texas Education Code - Section 44.009. Annual Audit; Report, (d), A copy of the annual audit report, approved by the board of trustees, shall be filed by the District with the agency no later than the 150th day after the end of the fiscal year for which the audit was made.

**Condition:** A copy of the annual audit report, was not approved by the board of trustees, and was not filed by the district with the agency before the 150th day after the end of the fiscal year for which the audit was made.

**Cause:** Lack of preparation of financial information in a timely manner for the auditor's revision, delayed the auditor's procedures, causing the expression audit opinion over the financial information by the auditor to be delayed.

**Effect:** Lack of preparation of financial information on a timely manner for the revision of the auditor, delayed the completion of the audit and consequently delayed the submission of the report to the 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.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

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

Criteria: State law requires budget amendments to be made prior to exceeding a major functional category.

Condition: As stated in the District's financial statements, we noted three instances in which the District's budget had been exceeded at the functional level.

Cause: Budget amendments were not made prior to expenditures exceeding a major functional category.

Effect: The District's budget was exceeded at the functional level, on one function.

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.

**C. Federal Award Findings and Questioned Costs**

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

Criteria: Management should be capable of providing back up documentation for all expenditures claimed in their requests for reimbursements to Federal Agencies, in order to ensure that the costs being reported as expended are appropriate.

Condition: Auditor requested backup documentation to the request of reimbursements that were submitted to the agency with regards to the Title I, Part A and the Title I, Part A, ARRA funds, and no documentation could be provided.

Cause: Turnover of personnel responsible for the documentation of detail expenditures claimed in the requests for reimbursement, and misplacement of reports.

Effect: Backup documentation for various requests for reimbursements could not be verified and alternate auditing procedures had to be prepared in order to ensure the amounts requested were appropriate.

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-

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

Criteria: Only charges that are allowable under each individual federal program are allowed to be charged to that program. Documentation proving information of costs being made for allowable costs must be properly documented and filed.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

Condition: Out of the 180 cash disbursements selected for testing, Auditor found that documentation regarding expenditures charged to the Title I, Part A, Title I, Part A, ARRA, State Fiscal Stabilization Fund, and 21st Century programs was missing 30 invoices, 15 purchase orders, and that 63 invoices did not match the amount approved by the purchase order to be expended.

Cause: Lack of control over procurement documentation preparation, filing and safeguards.

Effect: Documentation proving information of costs being made for allowable cost were not properly documented and filed.

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-

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

Criteria: According to the State Fiscal Stabilization Fund's (SFSF) stipulations, maintenance of equipment is deemed to be an unallowable activity under the program and expenditures of this kind are prohibited from being charged to it.

Condition: Auditor tested 60 cash disbursement transactions with regards to the State Fiscal Stabilization fund, and found 4 instances were maintenance of equipment, an unallowed activity under the SFSF, was being charged to the program.

Cause: Lack of controls to identify where unallowable activities could be charged to the SFSF program and not be detected.

Effect: Unallowable activities were charged in various expenditures charged to the SFSF program and were identified by the auditor.

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-

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

Criteria: The ARRA Section 1512 Quarterly Reports include a field for the Central Contractor Expiration Date (CCR) expiration date. School Districts that are ARRA grantees are required to register with CCR and receive a Commercial and Government Entity (CAGE) code. ARRA grantees register with CCR only once, but they must renew and revalidate their registration at least every 12 months to ensure that CCR is up to date and corresponds to changes that may have been made to the Data Universal Numbering System (DUNS) and Internal Revenue Service (IRS) information.

# SANTA MARIA INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2011

Condition:	Santa Maria ISD initially registered with CCR, but did not renew or revalidated their registration before the end of the first 12 months. There were various ARRA quarterly reports submitted to TEA with an expired CCR date.
Cause:	Lack of controls over reporting requirements of ARRA funds.
Effect:	An expired CCR date was used for various ARRA Section 1512 Quarterly reports, and was not corrected by the correction date.
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 Costs:	-\$0-

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

Criteria: The 21st Century program is subject to the rules and regulations of the Education Department General Administrative Regulation (EDGAR) which states the following:

(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following:

(1) Equipment records shall be maintained accurately and shall include the following information:

(I) A description of the equipment.

(II) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.

(III) Source of the equipment, including the award number.

(IV) Whether title vests in the recipient or Federal Government.

(V) Acquisition date and cost.

(VI) Location and condition of the equipment.

(VI) Unit acquisition cost.

(2) A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records must be investigated to determine the causes of the difference.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

*FOR THE YEAR ENDED AUGUST 31, 2011*

Condition: Equipment used under the 21st Century program does not have the required documentation information regarding the description, identification, source, ownership, acquisition, location, condition, and cost. Additionally a physical inventory of equipment has not been made since the program was initiated.

Cause: Lack of knowledge of the requirements of the 21st Century program and the Education Department General Administrative Regulation.

Effect: Equipment is not being maintained in accordance with the requirements of the 21st Century program and the Education Department General Administrative Regulation.

Recommendation: Management needs to identify the equipment purchased under the 21st 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 Costs: -\$0-

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<b>Schedule Reference: (2010-1)</b>		
The district should attach a payment request form signed by the requestor and authorized by the proper head official. We also recommend including the program objective accomplished (if federal expense and a purchase order properly encumbered and numbered.	Not Corrected	Payment requisition forms are being signed by the requestor and authorized by the proper head official, The norm is for Purchase Orders to be completed or issued for all payment requisition forms.
<b>Schedule Reference: (2010-2)</b>		
The District should assign only one person to prepare ARRA quarterly reports in order to maintain consistent proper reporting. Guidance for reporting requirements under Section 1512 of the Recovery Act is found on the TEA Website.	Not Corrected	One person was assigned to prepare ARRA quarterly reports, and to comply with the reporting requirements of Section 1512 of the Recovery Act.
<b>Schedule Reference: (2010-3)</b>		
The District should have a written and approved policy for request for reimbursements for federal programs. Every request should have its proper backup reconciling the amount requested to the general ledger including any indirect costs.	Not Corrected	Administration has communicated to personnel that reimbursement requests are unacceptable. We request that they provide us with actual costs beforehand to eliminate the need for these types of requests. PO#'s are issued and only amounts on these documents are reimbursed. It is an ongoing goal of management to have better controls and safeguard of this documentation at all times.
<b>Schedule Reference: (2010-4)</b>		
Stronger internal control over accounting procedures should be implemented by management, constant review of amounts reflected for federal programs is highly recommended.	Corrected	

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED AUGUST 31, 2011**

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

Name of Contact person(s): Salvador Acosta  
Nancy Chavez  
Accounts Payable(new hire)

Corrective Action Planned: Business Office staff will be attending trainings in the areas of preparing financial statements at the REGION I Center.

Anticipated Completion Date: As soon as meetings/workshops become available.

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

Name of Contact person(s): Salvador Acosta  
Accounts Payable (new hire)

Corrective Action Planned: By posting entries on a timely basis. The business office will ensure that bank reconciliations are completed monthly.

Anticipated Completion Date: Immediately.

**Schedule Reference (2011-3) CONTROLS OVER PROCUREMENT DOCUMENTATION**

Name of Contact person(s): Salvador Acosta  
Nancy Chavez  
Accounts Payable (new hire)

Corrective Action Planned: Proper documentation of invoices and purchase orders for all cash disbursement transactions will be required, and PO/invoices will be screened prior to liquidating to ensure that the balances are in line with what was requested on the approved in the purchase orders.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Nancy Chavez  
Accounts Payable (new hire)

Corrective Action Planned: All personnel will be made aware of the beginning and ending dates of the grant via the TEASE applications Training will also be provided in the areas of Federal Funds related to expenditure guidelines.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Maria Chavez, Superintendent  
Oralia Ortiz, HR Assistant  
Salvador Acosta  
Nancy Chavez

Corrective Action Planned: All new personnel will be required to complete "new employee forms" whereby, all information related to compensation, years of experience, and approvals will be filled in prior to forwarding to the business office. Training will be provided to all the key players to ensure that this is adhered to at all times.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Accounts Payable(new hire)

Corrective Action Planned: As soon as Audit is finalized and approved by the School Board, Business Office personnel will ensure that all entries pertaining to beginning balances are recorded promptly.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Maria Chavez

Corrective Action Planned: As soon as the fiscal year ends, Administration will adhere to a calendar that all parties involved (to include Auditor) will clearly indicate and provide weekly updates on Audit. This should expedite and simplify the process.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Maria Chavez

Corrective Action Planned: Budget and actual comparisons will be made on a monthly basis, and there will be a review of available budget amounts prior to the approval of purchase orders. Amendments to will be made as needed.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Accounts Payable(new hire)



Corrective Action Planned: The Business Office will ensure that backup information/documentation on these reports is filed in a locked cabinet. This will prevent tampering with these records and ensure solid safekeeping.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Accounts Payable(new hire)

Corrective Action Planned: The Business Office will ensure that proper documentation will be prepared, filed and safeguarded, in order to prove costs are being made only for allowable expenditures.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Nancy Salinas

Corrective Action Planned: The Business Office will schedule training on Fed Funds Guidelines especially as it pertains to allowable and unallowable costs. We will constantly be reviewing the NOGAs/TEASE(on line) to ensure that we don't incur expenditures past the expiration /end date.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Nancy Salinas

Corrective Action Planned: The business office will obtain a better understanding of the CCR date and keep the CCR expiration date current for at least one month before the end of next reporting quarter.

Anticipated Completion Date: Immediately.

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

Name of Contact person(s): Salvador Acosta  
Nancy Salinas

Corrective Action Planned: The district has hired an inventory specialist to do a physical inventory and this task was completed on March 22, 2012. All items will be updated and inventory reports will be generated monthly to ensure that any inventory that needs to get tagged and identified is done on a timely manner.

Anticipated Completion Date: March 22, 2012

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	1061010103191	\$ 75,627
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	1161010031913	496,873
Total CFDA Number 84.010A			<u>572,500</u>
<i>ESEA Title I Part C - Education of Migratory Children</i>	84.011A	1061500103193	22,465
<i>ESEA Title I Part C - Education of Migratory Children</i>	84.011A	1161500103193	128,746
Total CFDA Number 84.011A			<u>151,211</u>
<i>Career and Technical - Basic Grant</i>	84.048	11420006031913	15,891
<i>SSA Title IV Part B 21st Century Community Learning Centers</i>	84.287C	106950127110024	464,673
<i>GEAR UP</i>	84.334S	P334A050083-10	83,030
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	11420006031913	12,287
<i>Title III Part A English Language Acquisition and Language Enhancer</i>	84.365A	10671001031913	592
<i>Title III Part A English Language Acquisition and Language Enhancer</i>	84.365A	11671001031913	32,387
Total CFDA Number 84.365A			<u>32,979</u>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367A	10694501031913	8,336
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367A	11694501031913	73,458
Total CFDA Number 84.367A			<u>81,794</u>
<i>Summer School LEP</i>	84.369A	S369A090045	1,074
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Technol</i>	84.386A	10553001031913	2,959
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389A	10551001031913	106,352
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394A	10557001031913	701,746
Total Passed Through State Department of Education			<u>2,226,496</u>
Total U. S. Department of Education			<u>2,226,496</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401001	139,319
National School Lunch Program *	10.555	71301001	294,142
Commodity Supplemental Food Program (Non-cash)	10.565	71301001	26,649
Total Passed Through State Department of Education			<u>460,110</u>
Total U. S. Department of Agriculture			<u>460,110</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,686,606</b>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Santa Maria Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2011

Data Control Codes		Responses
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	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --