

**SANTA MARIA
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

Introductory Section

Santa Maria Independent School District
Annual Financial Report
For The Year Ended August 31, 2010

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
List of Principal Officials.....	1	
Certificate of Board.....	2	
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	3	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets.....	12	A-1
Statement of Activities.....	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....		
Statement of Fiduciary Net Assets - Fiduciary Funds.....	17	C-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	18	E-1
Notes to the Financial Statements	19	
Required Supplementary Information:		
Budgetary Comparison Schedules:		
General Fund.....	30	G-1
Combining Statements as Supplementary Information:		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	32	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds.....	33	H-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	34	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	39	H-4
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities.....	44	H-5

Santa Maria Independent School District
Annual Financial Report
For The Year Ended August 31, 2010

TABLE OF CONTENTS

	Page	Exhibit
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	45	J-1
Indirect Cost Computation Schedule	47	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	48	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency: Debt Service Fund.....	49	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50	
Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133.....	52	
Schedule of Findings and Questioned Costs	54	
Summary Schedule of Prior Audit Findings.....	57	
Corrective Action Plan.....	58	
Schedule of Expenditures of Federal Awards	59	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	60	
Schedule of Required Responses to Selected School First Indicators.....	61	K-2

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

LIST OF PRINCIPAL OFFICIALS

AUGUST 31, 2010

Elected Officials

<u>Name</u>	<u>Office</u>
Rambaldo Rivera	President
Oscar Saldivar, Jr.	Vice-President
Jesus Javier Rivera	Secretary
Juan Lugo	Member
Noe Aleman	Member
Leonardo Martinez	Member
Consuelo de la Rosa	Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Dr. Wilma Jo Smetter	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, 2010, at a meeting of the board of trustees of such school district on the 13th day of December 2010.



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*

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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, 2010, 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, 2010, 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 December 3, 2010, 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.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Santa Maria Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Oscar R. Gonzalez, CPA and Associates, P.L.L.C.

December 3, 2010

Management's Discussion and Analysis

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
AS OF AUGUST 31, 2010**

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, 2010. 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 \$6,135,421 at August 31, 2010.
- During the year, the District's expenses were \$1,470,770 less than the \$9,263,193 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased by \$349,202.
- The general fund reported a fund balance this year of \$1,339,417 compared to a fund balance of \$396,298 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

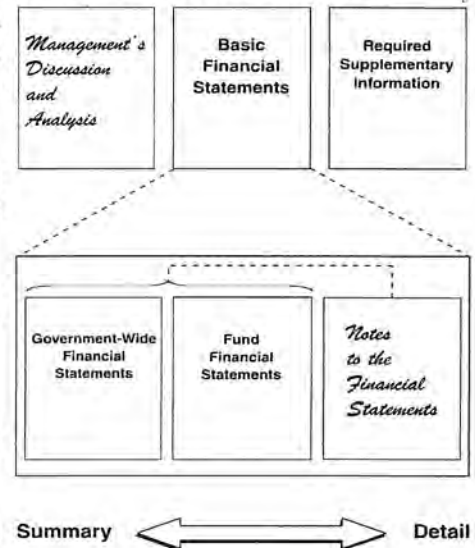


Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, 2010**

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 \$6,135,422 at August 31, 2010. (See Table A-1 on next page)

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
AS OF AUGUST 31, 2010**

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

	<u>Governmental Activities</u>			2009-2010
	<u>2010</u>	<u>2009</u>	<u>2008</u>	Increase (Decrease)
ASSETS:				
Cash and Cash Equivalents	\$ 773,689	\$ 852,631	\$ 729,971	\$ (78,942)
Property Taxes Receivable (Net)	159,015	164,175	153,890	(5,160)
Due from Other Governments	701,138	415,271	354,634	285,867
Due from Fiduciary Funds	-	2,285	12,942	(2,285)
Inventories	13,190	13,796	-	(606)
Deferred Expenses	66,989	32,831	2,777	34,158
Capitalized Bond and Other Debt Issuance Costs	167,415	-	-	167,415
Capital Assets:				
Land	247,824	247,824	247,824	-
Buildings and Improvements, Net	8,870,236	8,280,851	8,546,099	589,385
Furniture and Equipment, Net	117,811	133,506	227,062	(15,695)
Total Assets	<u>11,117,307</u>	<u>10,143,170</u>	<u>10,275,199</u>	<u>974,137</u>
LIABILITIES:				
Accounts Payable	20,266	153,406	238,348	(133,140)
Short-Term Debt Payable	155,506	0	461,257	155,506
Interest Payable	7,558	10,247	9,655	(2,689)
Accrued Liabilities	139,197	93,244	1,700	45,953
Due to Fiduciary	7,276	114	12,907	7,162
Due to Other Governments		97,682	78,349	(97,682)
Unearned Revenue	34,201	569,592	473,148	(535,391)
Noncurrent Liabilities:				
Due Within One Year	245,000	332,214	317,214	(87,214)
Due in More Than One Year	4,372,881	4,767,133	5,103,735	(394,252)
Total Liabilities	<u>4,981,885</u>	<u>6,023,632</u>	<u>6,696,313</u>	<u>(1,041,747)</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,622,341	3,553,179	4,268,066	1,069,162
Restricted For:				
Federal and State Programs	172,281	284,589	182,761	(112,308)
Debt Service	291,998	5,244	5,527	286,754
Unrestricted	1,048,802	276,526	(877,468)	772,276
Total Net Assets	<u>\$ 6,135,422</u>	<u>\$ 4,119,538</u>	<u>\$ 3,578,886</u>	<u>\$ 2,015,884</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
AS OF AUGUST 31, 2010**

Table A-2
The District's Revenues and Expenditures

	Governmental Activities			2009-2010
	2010	2009	2008	Increase (Decrease)
Program Revenues				
Charges for services	\$ 15,121	\$ 81,525	62,997	\$ (66,404)
Operating grants & contributions	3,585,922	2,030,832	1,369,709	1,555,090
General Revenues				
Property Taxes	485,721	420,861	416,615	64,860
Investment Earnings	11,194	1,723	5,568,281	9,471
Grants and Contributions Not Restricted to Specific Programs	5,157,500	5,438,642	7,488	(281,142)
Miscellaneous	7,735	10,287	52,619	(2,552)
Total Revenues	<u>9,263,193</u>	<u>7,983,870</u>	<u>7,477,709</u>	<u>1,279,323</u>
Program Expenses				
Instruction	4,025,724	3,812,499	4,327,921	213,225
Instructional Resources and Media Services	45,131	58,858	133,772	(13,727)
Curriculum and Staff Development	167,521	76,839	168,644	90,682
Instructional Leadership	94,589	120,603	-	(26,014)
School Leadership	418,984	268,379	332,156	150,605
Guidance, Counseling, & Evaluation Services	221,060	215,059	196,696	6,001
Health Services	78,502	60,554	79,603	17,948
Student Transportation	181,272	169,976	246,097	11,296
Food Service	656,806	395,693	450,173	261,113
Cocurricular/Extracurricular Activities	223,006	181,819	260,525	41,187
General Administration	484,975	468,922	530,938	16,053
Plant Maintenance and Operations	707,229	876,378	910,183	(169,149)
Security and Monitoring Services	7,663	9,337	20,415	(1,674)
Data Processing Services	76,731	112,392	59,184	(35,661)
Community Services	31,919	194,231	56,656	(162,312)
Interest on Long-term Debt	188,743	270,573	276,574	(81,830)
Bond Issuance Costs and Fees	3,913	7,178	6,868	(3,265)
Payments Related to Shared Services Arrangements	167,352	136,187	-	31,165
Other Intergovernmental Charges	11,299	7,740	-	3,559
Total Expenditures	<u>7,792,419</u>	<u>7,443,217</u>	<u>8,056,405</u>	<u>349,202</u>
Change in Net Assets	1,470,774	540,653	(578,696)	930,121
Net Assets - Beginning	4,119,538	3,578,885	4,157,582	540,653
Prior Period Adjustment	545,109	-	-	545,109
Net Assets - Beginning, as Restated	4,664,647	3,578,885	4,157,582	1,085,762
Net Assets - Ending	<u>\$ 6,135,421</u>	<u>\$ 4,119,538</u>	<u>\$ 3,578,886</u>	<u>\$ 2,015,883</u>

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
AS OF AUGUST 31, 2010**

Changes in net assets. The District's total revenues were \$9,263,193. A significant portion, 56%, of the District's revenue comes from grants and contributions not restricted to specific programs (See Figure A-3.) 39% comes from operating grants and contributions, while only 5% relates to property taxes.



Governmental Activities

- Tax Revenues increased to \$485,721.
- The cost of all governmental activities this year was \$7,792,419.
- Some of the costs were paid by operating grants and contributions in the amount of \$3,585,922; and by grants and contributions (not restricted) in the amount of \$5,157,500.

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 \$7,792,419; 5.7% of these costs are for instruction. While 9.1% pertains to plant maintenance and operations, and 6.2% pertains to general administration.



**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
AS OF AUGUST 31, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$9,263,193, an increase of 13.8% over the preceding year. The increase in revenues is a result of an increase in operating grants and contributions. Program expenses increased 4.4% to \$7,792,419. Instruction increased by 2.74%. Food Service, as well, also experienced an increase by 3.35%. In addition, we experience a decrease in plant maintenance and operation by 2.17%.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$364,391 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 \$201,226 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 2010, the District had invested \$12,888,625 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 \$573,489 or 7 percent over last year.

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

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$ 247,824	\$ 247,824	\$ -
Buildings & Improvements	11,870,670	11,494,869	375,801
Furniture & Equipment	315,476	307,476	8,000
Vehicles	454,655	454,655	-
Total capital assets	12,888,625	12,504,824	383,801
Total accumulated depreciation	3,652,755	3,297,536	355,219
Net capital assets	\$ 9,235,870	\$ 9,207,288	\$ 28,582

**SANTA MARIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
AS OF AUGUST 31, 2010**

Long Term Debt

At year-end the District had \$4,660,631 outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements. The District did a refunding of bonds during the year. This refunding decreased total debt service payments over the next twenty years with an economic gain of \$199,312.

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

	Governmental Activities		Increase (Decrease)
	2010	2009	
General Obligation Bonds	\$ 4,255,000	\$ 4,475,000	\$ (220,000)
Notes Payable	405,631	586,918	(181,287)
Capital Leases	-	37,428	(37,428)
Total long-term debt	\$ 4,660,631	\$ 5,099,346	\$ (438,715)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Total appraised value for school tax purposes used for 2010-2011 totaled \$39,643,758.
- General operating fund spending per student increases in the 2011 budget from \$7,469 to \$8,406. This is an 11.15% increase.
- The District will issue Bonds in the amount of \$735,000 for remodeling and repairs purposes.

These indicators were taken into account when adopting the general fund budget for 2010-11. Amounts available for appropriation in the general fund budget are \$5,984,732. Estimated revenues for the general fund are estimated at \$6,449,479.

The 2010-11 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, 2010

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 773,689
1225	Property Taxes Receivable (Net)	159,015
1240	Due from Other Governments	701,138
1300	Inventories	13,190
1410	Deferred Expenses	66,989
1420	Capitalized Bond and Other Debt Issuance Costs	167,415
	Capital Assets:	
1510	Land	247,824
1520	Buildings and Improvements, Net	8,870,236
1530	Furniture and Equipment, Net	117,811
1000	Total Assets	<u>11,117,307</u>
	LIABILITIES:	
2110	Accounts Payable	20,266
2120	Short-Term Debt Payable	155,506
2140	Interest Payable	7,558
2165	Accrued Liabilities	139,197
2177	Due to Fiduciary	7,276
2300	Unearned Revenue	34,201
	Noncurrent Liabilities:	
2501	Due Within One Year	245,000
2502	Due in More Than One Year	4,372,881
2000	Total Liabilities	<u>4,981,885</u>
	NET ASSETS	
3200	Invested in Capital Assets, Net of Related Debt Restricted For:	4,622,341
	Federal and State Programs	172,281
	Debt Service	291,998
3900	Unrestricted	1,048,802
3000	Total Net Assets	<u>\$ 6,135,422</u>

The accompanying notes are an integral part of this statement.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 4,025,724	\$ 3,613	\$ 1,935,794	\$ (2,086,317)
12	Instructional Resources and Media Services	45,131	13	6,821	(38,297)
13	Curriculum and Staff Development	167,521	17	157,389	(10,115)
21	Instructional Leadership	94,589	2	73,327	(21,260)
23	School Leadership	418,984	531	104,086	(314,367)
31	Guidance, Counseling, & Evaluation Services	221,060	163	124,488	(96,409)
33	Health Services	78,502	47	50,588	(27,867)
34	Student Transportation	181,272	253	10,413	(170,606)
35	Food Service	656,806	8,007	495,344	(153,455)
36	Cocurricular/Extracurricular Activities	223,006	366	6,071	(216,569)
41	General Administration	484,975	784	15,744	(468,447)
51	Plant Maintenance and Operations	707,229	1,152	25,844	(680,233)
52	Security and Monitoring Services	7,663	13	209	(7,441)
53	Data Processing Services	76,731	95	20,179	(56,457)
61	Community Services	31,919	2	30,520	(1,397)
72	Interest on Long-term Debt	188,743	44	361,445	172,746
73	Bond Issuance Costs and Fees	3,912	--	--	(3,912)
93	Payments Related to Shared Services Arrangements	167,352	--	167,352	--
99	Other Intergovernmental Charges	11,299	19	308	(10,972)
TG	Total Governmental Activities	7,792,418	15,121	3,585,922	(4,191,375)
TP	Total Primary Government	\$ 7,792,418	\$ 15,121	\$ 3,585,922	(4,191,375)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				405,293
DT	Property Taxes, Levied for Debt Service				80,428
IE	Investment Earnings				11,194
GC	Grants and Contributions Not Restricted to Specific Programs				5,157,500
MI	Miscellaneous				7,735
TR	Total General Revenues				5,662,150
CN	Change in Net Assets				1,470,775
NB	Net Assets - Beginning				4,119,538
PA	Prior Period Adjustment				545,109
	Net Assets - Beginning, as Restated				4,664,647
NE	Net Assets - Ending				\$ 6,135,422

The accompanying notes are an integral part of this statement.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,215,691	\$ (442,002)	\$ 773,689
1225	Taxes Receivable, Net	137,509	21,506	159,015
1240	Due from Other Governments	197,714	503,424	701,138
1260	Due from Other Funds	--	4	4
1300	Inventories	13,190	--	13,190
1410	Deferred Expenditures	66,938	51	66,989
1000	Total Assets	<u>\$ 1,631,042</u>	<u>\$ 82,983</u>	<u>\$ 1,714,025</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 2,363	\$ 17,903	\$ 20,266
2160	Accrued Wages Payable	110,272	28,925	139,197
2170	Due to Other Funds	7,280	--	7,280
2300	Unearned Revenue	171,710	21,506	193,216
2000	Total Liabilities	<u>291,625</u>	<u>68,334</u>	<u>359,959</u>
FUND BALANCES:				
Reserved Fund Balances:				
3420	Debt Service	--	14,649	14,649
3450	Reserve for Food Service	164,281	--	164,281
3490	Other Reserves of Fund Balance	172,305	--	172,305
3600	Unreserved	1,002,831	--	1,002,831
3000	Total Fund Balances	<u>1,339,417</u>	<u>14,649</u>	<u>1,354,066</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,631,042</u>	<u>\$ 82,983</u>	<u>\$ 1,714,025</u>

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, 2010

Total fund balances - governmental funds balance sheet	\$ 1,354,066
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.	9,235,871
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	159,015
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,255,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(10,434)
Payables for notes which are not due in the current period are not reported in the funds.	(405,631)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(118,691)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>176,226</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 6,135,422</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, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 433,123	\$ 91,807	\$ 524,930
5800 State Program Revenues	5,120,016	998,196	6,118,212
5900 Federal Program Revenues	581,262	2,043,948	2,625,210
5020 Total Revenues	<u>6,134,401</u>	<u>3,133,951</u>	<u>9,268,352</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,202,005	1,538,781	3,740,786
0012 Instructional Resources and Media Services	8,140	6,599	14,739
0013 Curriculum and Staff Development	10,416	157,105	167,521
0021 Instructional Leadership	1,173	93,416	94,589
0023 School Leadership	323,710	95,274	418,984
0031 Guidance, Counseling, & Evaluation Services	99,274	121,786	221,060
0033 Health Services	28,695	49,807	78,502
0034 Student Transportation	154,338	6,212	160,550
0035 Food Service	642,003	12,664	654,667
0036 Cocurricular/Extracurricular Activities	223,006	--	223,006
0041 General Administration	477,897	2,735	480,632
0051 Plant Maintenance and Operations	696,298	6,247	702,545
0052 Security and Monitoring Services	7,663	--	7,663
0053 Data Processing Services	58,135	18,596	76,731
0061 Community Services	1,438	30,481	31,919
0071 Principal on Long-term Debt	218,715	220,000	438,715
0072 Interest on Long-term Debt	27,077	164,354	191,431
0073 Bond Issuance Costs and Fees	--	176,226	176,226
0081 Capital Outlay	--	375,801	375,801
0093 Payments to Shared Service Arrangements	--	167,352	167,352
0099 Other Intergovernmental Charges	11,299	--	11,299
6030 Total Expenditures	<u>5,191,282</u>	<u>3,243,436</u>	<u>8,434,718</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>943,119</u>	<u>(109,485)</u>	<u>833,634</u>
Other Financing Sources and (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	--	2,445,000	2,445,000
7916 Premium or Discount on Issuance of Bonds	--	118,691	118,691
8949 Other Uses	--	(2,446,036)	(2,446,036)
7080 Total Other Financing Sources and (Uses)	--	117,655	117,655
1200 Net Change in Fund Balances	<u>943,119</u>	<u>8,170</u>	<u>951,289</u>
0100 Fund Balances - Beginning	396,298	6,479	402,777
3000 Fund Balances - Ending	<u>\$ 1,339,417</u>	<u>\$ 14,649</u>	<u>\$ 1,354,066</u>

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, 2010

Net change in fund balances - total governmental funds	\$ 951,289
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	383,801
The depreciation of capital assets used in governmental activities is not reported in the funds.	(355,218)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(5,160)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	438,714
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	2,618,350
Decrease in accrued interest from beginning of period to end of period.	2,689
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,445,000)
Bond premiums are reported in the funds but not in the SOA.	(118,691)
Rounding difference	1
Change in net assets of governmental activities - Statement of Activities	<u>\$ 1,470,775</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, 2010

Data Control Codes		Agency Funds
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 13,544
1260	<i>Due from Other Funds</i>	7,276
1000	Total Assets	<u>\$ 20,820</u>
LIABILITIES:		
Current Liabilities:		
2150	<i>Payroll Deduction & Withholdings</i>	\$ (606)
2190	<i>Due to Student Groups</i>	21,426
2000	Total Liabilities	<u>20,820</u>
NET ASSETS		
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, 2010

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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

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.

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 restricted resources first, then unrestricted 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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

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.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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. Accumulated Unpaid Vacation and Sick Leave Benefits

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

f. 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.

g. Use of Estimates

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

h. Data Control Codes

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

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:

Violation	Action Taken
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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$765,806 and the bank balance was \$1,206,417. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, 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:

- Depository: First National Bank
- The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,282,854.
- The highest combined balances of cash, savings and time deposit accounts amounted to \$2,282,854 and occurred during the month of January, 2010.
- Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

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 did not hold any Investments as of August 31, 2010.

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 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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010*

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.

As of August 31, 2010, Santa Maria Independent School District had no Investments.

D. Capital Assets

Capital asset activity for the year ended August 31, 2010, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 247,824	\$ --	\$ --	\$ 247,824
Construction in progress	--	--	--	--
Total capital assets not being depreciated	247,824	--	--	247,824
<i>Capital assets being depreciated:</i>				
Buildings and improvements	* 11,494,869	375,801	--	11,870,670
Equipment	* 307,476	8,000	--	315,476
Vehicles	* 454,655	--	--	454,655
Total capital assets being depreciated	12,257,000	383,801	--	12,640,801
Less accumulated depreciation for:				
Buildings and improvements	* (2,725,791)	(274,643)	--	(3,000,434)
Equipment	* (234,225)	(62,295)	--	(296,520)
Vehicles	* (337,520)	(18,281)	--	(355,801)
Total accumulated depreciation	(3,297,536)	(355,219)	--	(3,652,755)
Total capital assets being depreciated, net	8,959,464	28,582	--	8,988,046
Governmental activities capital assets, net	\$ 9,207,288	\$ 28,582	\$ --	\$ 9,235,870

* Balances are restated due to prior period adjustment.

Depreciation was charged to functions as follows:

Instruction	\$ 284,938
Instructional Resources and Media Services	30,392
Student Transportation	20,722
Food Services	10,139
General Administration	4,344
Plant Maintenance and Operations	4,684
	<u>\$ 355,219</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

The entries below are illustrative only and should be changed as needed. The "Other Balances" line represents miscellaneous amounts.

Balances due to and due from other funds at August 31, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Trust and Agency	\$ 7,276	Short-term loans
General Fund	Debt Service	4	Short-term loans
	Total	<u>\$ 7,280</u>	

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

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

F. Long-Term Obligations

Current requirements for principal and interest are accounted for in the Debt Service Fund.

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, 2010, are as follows:

Description	Final Maturity	Coupon Rate %	Original Issue	Outstanding Balance 09/01/2009
School House Bond-Series 1998	Refunded	4.38-5.38	\$ 2,350,000	\$ 1,175,000
School House Bond-Series 2000	Refunded	4.08 -5.75	1,665,000	1,445,000
School House Bond-Series 2004	08/15/2034	3.50	2,015,000	1,855,000
Unlimited Tax Refunding Bonds 2010	08/15/2031	3.00-5.00	2,445,000	--
Total Bonds Payable			<u>8,475,000</u>	<u>4,475,000</u>
Capital Leases	Matured	4%	146,044	37,428
Total Capital Leases Payable			<u>146,044</u>	<u>37,428</u>
Loans				
First National Bank	8/27/2013	5%	510,151	490,887
First National Bank	8/27/2011	4%	290,000	96,031
Total Loans Payable			<u>800,151</u>	<u>586,918</u>
Total General Long-Term Obligation			<u>\$ 9,421,195</u>	<u>\$ 5,099,346</u>

Description	Outstanding Balance 09/01/2009	Issued Current	Retired Current	Outstanding Balance 08/31/2010	Amounts Due Within One Year
School House Bond-Series 1998	\$ 1,175,000	\$ --	\$ 1,175,000	\$ --	\$ --
School House Bond-Series 2000	1,445,000	--	1,445,000	--	--
School House Bond-Series 2004	1,855,000	--	45,000	1,810,000	45,000
Unlimited Tax Refunding Bonds 2010	--	2,445,000	--	2,445,000	200,000
Total Bonds Payable	<u>4,475,000</u>	<u>2,445,000</u>	<u>2,665,000</u>	<u>4,255,000</u>	<u>245,000</u>
Capital Leases	37,428	--	37,428	--	--
Total Capital Leases Payable	<u>37,428</u>	<u>--</u>	<u>37,428</u>	<u>--</u>	<u>--</u>
Loans					
First National Bank	490,887	--	118,673	372,214	125,089
First National Bank	96,031	--	62,614	33,417	30,417
Total Loans Payable	<u>586,918</u>	<u>--</u>	<u>181,287</u>	<u>405,631</u>	<u>155,506</u>
Subtotal	<u>\$ 5,099,346</u>	<u>\$ 2,445,000</u>	<u>\$ 2,883,715</u>	<u>\$ 4,660,631</u>	<u>\$ 400,506</u>
Premium and Discount	--	118,691	5,935	112,756	--
Total Bonds Payable	<u>\$ 5,099,346</u>	<u>\$ 2,563,691</u>	<u>\$ 2,889,650</u>	<u>\$ 4,773,387</u>	<u>\$ 400,506</u>
Cost of Issuance	--	\$ 176,226	\$ 8,811	\$ 167,415	
Total Cost of Issuance	<u>--</u>	<u>\$ 176,226</u>	<u>\$ 8,811</u>	<u>\$ 167,415</u>	

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2010, are as follows:

Year Ending August 31,	Governmental Activities				
	Loans		General Obligations		Total
	Principal	Interest	Principal	Interest	
2011	\$ 155,506	\$ 16,802	\$ 245,000	\$ 173,026	\$ 590,334
2012	135,049	10,006	255,000	162,222	562,277
2013	115,404	2,838	265,000	154,066	537,308
2014	--	--	275,000	145,591	420,591
2015	--	--	285,000	136,753	421,753
2016-2020	--	--	2,930,000	1,349,598	4,279,598
Totals	\$ 405,959	\$ 29,646	\$ 4,255,000	\$ 2,121,256	\$ 6,811,861

3. Advance Refunding of Debt

On June 23, 2010, \$2,445,000 in bonds with an interest cap of 5% were issued to currently refund, Unlimited Tax School Buildings, Series 2008 of \$1,030,000 and Unlimited Tax School Building, Series 2000 of \$1,415,000 outstanding with an interest cap of 5.75%. The net proceeds of \$2,502,639.19 (gross proceeds of \$2,631,487.56-issuance costs (including underwriter's discount) of \$117,654.34- accrued interest deposit of \$11,194.03) were used to: immediately pay off the Series 2000 and Series 2008 and their accrued interest. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result the bonds are considered to be defeased and the liability for those bonds have been removed from the financial statements. This refunding decreases total debt service payments over the next 20 years with an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$199,312.35.

G. Capital Leases

Santa Maria School District has entered into a lease agreement as lessee for financing the acquisition of two school buses with a down payment of \$39,477. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	Governmental Activities
Assets:	
Machinery and equipment	\$ 146,044
Less: Accumulated Depreciation	(58,418)
	<u>\$ 87,626</u>

The obligation was liquidated during this fiscal year.

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, 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.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$221,759, \$208,601 and \$276,008, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$13,547, \$22,607 and \$14,350, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$231,677 for the year ended August 31, 2010.

J. 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, by writing to the Communications Department of the Teacher Retirement 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 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$231,677, \$205,725, and \$263,068, respectively, the active member contributions were \$22,522, \$21,186, and \$28,033, respectively, and the District's contributions were \$19,057, \$17,927, and \$26,281, respectively, which equaled the required contributions each year.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

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, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$8,919, \$8,048, and \$10,122, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$285 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.

L. 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.

As of August 31, 2010, the District is awaiting the final determination of a Title I audit which was performed by the Texas Education Agency. The preliminary audit findings determined that the amount of possible repayment to the Texas Education Agency is approximately \$220,275.60, however, the audit has not been finalized and the District is preparing a response to the findings. Management is unable to determine whether a potential liability or accrual, if any, should be recorded until the audit is completed.

2. Litigation

The District is involved in one pending litigation as of August 31, 2010. The case involves a breach of contract between the Plaintiff and the school district for the provision of consulting services related to the acquisition of various educational grants. The District faces a possible unfavorable outcome in the range of \$100,000 to \$200,000 plus attorney's fees. The district does face some potential liability for payment for services performed by the Plaintiff.

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides after school community learning centers for the fiscal agent and the member district. The fiscal agent provides financial services in budgeting, expenditure reports, payments to the member district and grant performance reports. According to guidance provided in the TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Fund 352 and will be accounted for using Model 3 in the SSA section. Expenditures of the SSA for the member district are summarized as follows:

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

Member Districts	Expenditures
La Villa ISD	\$ 167,352
Total	<u>\$ 167,352</u>

N. Subsequent Events

On September 1, 2010, the District issued an Unlimited Tax School Building Bonds, Series 2010 in the amount of \$735,000 with a maturity date on February, 15, 2015 for school renovations and remodeling.

O. Increase (Decrease) in Net Assets

Prior Period Adjustments

Government-Wide Level

Governmental
Activities

Increase in cost of capital assets which increases net assets	\$ 416,431
Decrease in accumulated depreciation of capital assets which increases net assets	128,678
Net Increase in Net Assets	<u>\$ 545,109</u>

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, 2010

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (GAAP Basis)		
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 399,754	\$ 441,518	\$ 433,123	\$ (8,395)
5800	State Program Revenues	5,243,802	4,944,157	5,120,016	175,859
5900	Federal Program Revenues	412,200	547,500	581,262	33,762
5020	Total Revenues	6,055,756	5,933,175	6,134,401	201,226
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	2,482,137	2,247,812	2,202,005	45,807
0012	Instructional Resources and Media Services	34,133	9,193	8,140	1,053
0013	Curriculum and Staff Development	8,797	16,410	10,416	5,994
	Total Instruction & Instr. Related Services	2,525,067	2,273,415	2,220,561	52,854
Instructional and School Leadership:					
0021	Instructional Leadership	--	--	1,173	(1,173)
0023	School Leadership	331,709	331,575	323,710	7,865
	Total Instructional & School Leadership	331,709	331,575	324,883	6,692
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	87,701	107,889	99,274	8,615
0033	Health Services	15,459	28,869	28,695	174
0034	Student (Pupil) Transportation	193,631	171,990	154,338	17,652
0035	Food Services	455,484	668,700	642,003	26,697
0036	Cocurricular/Extracurricular Activities	246,925	224,697	223,006	1,691
	Total Support Services - Student (Pupil)	999,200	1,202,145	1,147,316	54,829
Administrative Support Services:					
0041	General Administration	529,789	514,166	477,897	36,269
	Total Administrative Support Services	529,789	514,166	477,897	36,269
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	932,610	899,117	696,298	202,819
0052	Security and Monitoring Services	6,018	9,212	7,663	1,549
0053	Data Processing Services	38,661	60,141	58,135	2,006
	Total Support Services - Nonstudent Based	977,289	968,470	762,096	206,374
Ancillary Services:					
0061	Community Services	8,100	7,708	1,438	6,270
	Total Ancillary Services	8,100	7,708	1,438	6,270
Debt Service:					
0071	Principal on Long-Term Debt	246,194	218,163	218,715	(552)
0072	Interest on Long-Term Debt	--	28,031	27,077	954
	Total Debt Service	246,194	246,194	245,792	402
0099	Other Intergovernmental Charges	10,500	12,000	11,299	701
	Total Intergovernmental Charges	10,500	12,000	11,299	701
6030	Total Expenditures	5,627,848	5,555,673	5,191,282	364,391
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	427,908	377,502	943,119	565,617

*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

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual (GAAP Basis)	
		Original	Final		
1200	Net Change in Fund Balance	427,908	377,502	943,119	565,617
0100	Fund Balance - Beginning	396,298	396,298	396,298	--
3000	Fund Balance - Ending	\$ 824,206	\$ 773,800	\$ 1,339,417	\$ 565,617

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ (456,647)	\$ 14,645	\$ (442,002)
1225 <i>Taxes Receivable, Net</i>	--	21,506	21,506
1240 <i>Due from Other Governments</i>	503,424	--	503,424
1260 <i>Due from Other Funds</i>	--	4	4
1410 <i>Deferred Expenditures</i>	51	--	51
1000 Total Assets	<u>\$ 46,828</u>	<u>\$ 36,155</u>	<u>\$ 82,983</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 17,903	\$ --	\$ 17,903
2160 <i>Accrued Wages Payable</i>	28,925	--	28,925
2300 <i>Unearned Revenue</i>	--	21,506	21,506
2000 Total Liabilities	<u>46,828</u>	<u>21,506</u>	<u>68,334</u>
FUND BALANCES:			
Reserved Fund Balances:			
3420 <i>Debt Service</i>	--	14,649	14,649
3000 Total Fund Balances	<u>--</u>	<u>14,649</u>	<u>14,649</u>
4000 Total Liabilities and Fund Balances	<u>\$ 46,828</u>	<u>\$ 36,155</u>	<u>\$ 82,983</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 186	\$ 91,621	\$ 91,807
5800 <i>State Program Revenues</i>	637,488	360,708	998,196
5900 <i>Federal Program Revenues</i>	2,043,948	--	2,043,948
5020 Total Revenues	<u>2,681,622</u>	<u>452,329</u>	<u>3,133,951</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,538,781	--	1,538,781
0012 <i>Instructional Resources and Media Services</i>	6,599	--	6,599
0013 <i>Curriculum and Staff Development</i>	157,105	--	157,105
0021 <i>Instructional Leadership</i>	93,416	--	93,416
0023 <i>School Leadership</i>	95,274	--	95,274
0031 <i>Guidance, Counseling, & Evaluation Services</i>	121,786	--	121,786
0033 <i>Health Services</i>	49,807	--	49,807
0034 <i>Student Transportation</i>	6,212	--	6,212
0035 <i>Food Service</i>	12,664	--	12,664
0041 <i>General Administration</i>	2,735	--	2,735
0051 <i>Plant Maintenance and Operations</i>	6,247	--	6,247
0053 <i>Data Processing Services</i>	18,596	--	18,596
0061 <i>Community Services</i>	30,481	--	30,481
0071 <i>Principal on Long-term Debt</i>	--	220,000	220,000
0072 <i>Interest on Long-term Debt</i>	--	164,354	164,354
0073 <i>Bond Issuance Costs and Fees</i>	--	176,226	176,226
0081 <i>Capital Outlay</i>	375,801	--	375,801
0093 <i>Payments to Shared Service Arrangements</i>	167,352	--	167,352
6030 Total Expenditures	<u>2,682,856</u>	<u>560,580</u>	<u>3,243,436</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(1,234)	(108,251)	(109,485)
Other Financing Sources and (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	2,445,000	2,445,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	118,691	118,691
8949 <i>Other Uses</i>	--	(2,446,036)	(2,446,036)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>117,655</u>	<u>117,655</u>
1200 Net Change in Fund Balances	<u>(1,234)</u>	<u>9,404</u>	<u>8,170</u>
0100 Fund Balances - Beginning	1,234	5,245	6,479
3000 Fund Balances - Ending	\$ --	\$ 14,649	\$ 14,649

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	242 Summer Feeding Program	255 ESEA Title II Training & Recruiting
ASSETS:				
1110 Cash and Cash Equivalents	\$ (59,855)	\$ (40,072)	\$ --	\$ (12,404)
1240 Due from Other Governments	60,755	40,072	--	12,404
1410 Deferred Expenditures	--	--	--	--
1000 Total Assets	<u>\$ 900</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 900	\$ --	\$ --	\$ --
2160 Accrued Wages Payable	--	--	--	--
2000 Total Liabilities	<u>900</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES:				
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 900</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

262 Enhancing Education through Technology	263 English Language Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	274 GEAR UP	279 Enhancing Education through Technology-ARRA
\$ (34,197) 34,197	\$ (3,600) 3,600	\$ (67,539) 96,464	\$ (26,289) 26,289	\$ -- --
\$ -- --	\$ -- --	\$ -- 28,925	\$ -- --	\$ -- --
\$ -- -- --	\$ -- -- --	\$ -- 28,925 28,925	\$ -- -- --	\$ -- -- --
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ 28,925	\$ --	\$ --

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	293 ESEA Title IV SDFSC	349 Enhancing Education through Technology	352 21st Century Community Learning Center
ASSETS:				
1110 Cash and Cash Equivalents	\$ (23,525)	\$ --	\$ --	\$ (175,199)
1240 Due from Other Governments	23,525	--	--	192,151
1410 Deferred Expenditures	--	--	--	51
1000 Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,003</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ --	\$ 17,003
2160 Accrued Wages Payable	--	--	--	--
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>17,003</u>
FUND BALANCES:				
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,003</u>

	399 Campus Deregulation and Restructuring	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	423 LEP Student Success Initiative
\$	(6,442)	(102)	(5,529)	--	--
	6,442	102	5,529	--	--
	--	--	--	--	--
\$	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
\$	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2010

Data Control Codes	427 State Funded Special Revenue Fund	429 State Funded Special Revenue Fund	499 Investment Capital Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:				
1110 Cash and Cash Equivalents	\$ --	\$ (1,894)	\$ --	\$ (456,647)
1240 Due from Other Governments	--	1,894	--	503,424
1410 Deferred Expenditures	--	--	--	51
1000 Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 46,828</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ --	\$ 17,903
2160 Accrued Wages Payable	--	--	--	28,925
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>46,828</u>
FUND BALANCES:				
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 46,828</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, 2010

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	242 Summer Feeding Program	255 ESEA Title II Training & Recruiting
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ 186	\$ --
5800 State Program Revenues	--	--	12,478	--
5900 Federal Program Revenues	467,677	143,307	--	56,355
5020 Total Revenues	<u>467,677</u>	<u>143,307</u>	<u>12,664</u>	<u>56,355</u>
EXPENDITURES:				
Current:				
0011 Instruction	329,607	99,440	--	38,462
0012 Instructional Resources and Media Services	436	--	--	--
0013 Curriculum and Staff Development	10,900	196	--	17,893
0021 Instructional Leadership	--	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	63,223	25,994	--	--
0033 Health Services	49,807	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	12,664	--
0041 General Administration	900	--	--	--
0051 Plant Maintenance and Operations	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	12,804	17,677	--	--
0081 Capital Outlay	--	--	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	<u>467,677</u>	<u>143,307</u>	<u>12,664</u>	<u>56,355</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

262 Enhancing Education through Technology	263 English Language Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	274 GEAR UP	279 Enhancing Education through Technology-ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
52,922	29,822	465,241	79,829	9,228
<u>52,922</u>	<u>29,822</u>	<u>465,241</u>	<u>79,829</u>	<u>9,228</u>
52,475	29,558	465,218	79,829	9,228
--	--	--	--	--
447	264	23	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>52,922</u>	<u>29,822</u>	<u>465,241</u>	<u>79,829</u>	<u>9,228</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, 2010

Data Control Codes	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	352 21st Century Community Learning Centers	399 Campus Deregulation and Restructuring
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	20,733
5900 Federal Program Revenues	299,250	441,082	(765)
5020 Total Revenues	<u>299,250</u>	<u>441,082</u>	<u>19,968</u>
EXPENDITURES:			
Current:			
0011 Instruction	141,386	83,725	19,968
0012 Instructional Resources and Media Services	6,163	--	--
0013 Curriculum and Staff Development	119,132	8,250	--
0021 Instructional Leadership	--	73,295	--
0023 School Leadership	--	95,274	--
0031 Guidance, Counseling, & Evaluation Services	32,569	--	--
0033 Health Services	--	--	--
0034 Student Transportation	--	6,212	--
0035 Food Service	--	--	--
0041 General Administration	--	1,835	--
0051 Plant Maintenance and Operations	--	5,139	--
0053 Data Processing Services	--	--	--
0061 Community Services	--	--	--
0081 Capital Outlay	--	--	--
0093 Payments to Shared Service Arrangements	--	167,352	--
6030 Total Expenditures	<u>299,250</u>	<u>441,082</u>	<u>19,968</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	423 LEP Student Success Initiative	427 State Funded Special Revenue Fund
\$	--	\$ --	\$ --	\$ --	\$ --
	2,446	11,578	18,596	31,591	410,000
	--	--	--	--	--
	<u>2,446</u>	<u>11,578</u>	<u>18,596</u>	<u>31,591</u>	<u>410,000</u>
	2,446	11,578	--	11,470	35,433
	--	--	--	--	--
	--	--	--	20,121	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	18,596	--	--
	--	--	--	--	--
	--	--	--	--	375,801
	<u>2,446</u>	<u>11,578</u>	<u>18,596</u>	<u>31,591</u>	<u>411,234</u>
	--	--	--	--	(1,234)
	--	--	--	--	(1,234)
	--	--	--	--	1,234
\$	<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, 2010

Data Control Codes	429 State Funded Special Revenue Fund	499 Investment Capital Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 186
5800 <i>State Program Revenues</i>	129,142	924	637,488
5900 <i>Federal Program Revenues</i>	--	--	2,043,948
5020 <i>Total Revenues</i>	<u>129,142</u>	<u>924</u>	<u>2,681,622</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	128,034	924	1,538,781
0012 <i>Instructional Resources and Media Services</i>	--	--	6,599
0013 <i>Curriculum and Staff Development</i>	--	--	157,105
0021 <i>Instructional Leadership</i>	--	--	93,416
0023 <i>School Leadership</i>	--	--	95,274
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	121,786
0033 <i>Health Services</i>	--	--	49,807
0034 <i>Student Transportation</i>	--	--	6,212
0035 <i>Food Service</i>	--	--	12,664
0041 <i>General Administration</i>	--	--	2,735
0051 <i>Plant Maintenance and Operations</i>	1,108	--	6,247
0053 <i>Data Processing Services</i>	--	--	18,596
0061 <i>Community Services</i>	--	--	30,481
0081 <i>Capital Outlay</i>	--	--	375,801
0093 <i>Payments to Shared Service Arrangements</i>	--	--	167,352
6030 <i>Total Expenditures</i>	<u>129,142</u>	<u>924</u>	<u>2,682,856</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	(1,234)
1100 <i>Expenditures</i>	--	--	(1,234)
1200 <i>Net Change in Fund Balances</i>	--	--	(1,234)
0100 <i>Fund Balances - Beginning</i>	--	--	1,234
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 AUGUST 31, 2010

Data Control Codes	863 <u>Payroll Clearing</u>	865 <u>Student Activity</u>	Total Agency Funds (See Exhibit E-1) <u></u>
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ (7,882)	\$ 21,426	\$ 13,544
1260 <i>Due from Other Funds</i>	7,276	--	7,276
1000 <i>Total Assets</i>	<u>\$ (606)</u>	<u>\$ 21,426</u>	<u>\$ 20,820</u>
LIABILITIES:			
<i>Current Liabilities:</i>			
2150 <i>Payroll Deduction & Withholdings</i>	\$ (606)	\$ --	\$ (606)
2190 <i>Due to Student Groups</i>	--	21,426	21,426
2000 <i>Total Liabilities</i>	<u>(606)</u>	<u>21,426</u>	<u>20,820</u>
NET ASSETS			
3000 <i>Total Net Assets</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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, 2010*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2001 and Prior Years						
2002		1.50		.14		17,240,000
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 (School Year Under Audit)		1.04		.2149		38,133,308
1000 Totals						

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 28,660	\$ --	\$ 5,511	\$ 200	\$ (6,964)	\$ 15,985
6,297	--	1,784	143	--	4,370
7,824	--	1,423	158	--	6,243
11,838	--	1,571	175	--	10,092
13,165	--	1,739	228	--	11,198
15,725	--	1,547	203	(151)	13,824
23,495	--	4,489	644	(140)	18,222
22,993	--	3,857	537	--	18,599
52,421	--	16,424	3,568	473	32,902
--	468,139	348,919	72,113	(1,859)	45,248
<u>\$ 182,418</u>	<u>\$ 468,139</u>	<u>\$ 387,264</u>	<u>\$ 77,969</u>	<u>\$ (8,641)</u>	<u>\$ 176,683</u>

Less Allowance for Uncollectable

(17,668)

Property Tax Receivable, Net

\$ 159,015

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010*

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	\$ --	\$ --	\$ 150,770	\$ 119,304	\$ --	\$ --	\$ 270,074
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	--	--	48,000	--	--	--	48,000
6212	Audit Services	--	--	--	25,800	--	--	25,800
6213	Tax Appraisal and Collection	--	11,299	--	--	--	--	11,299
621X	Other Prof. Services	--	--	--	4,854	--	900	5,754
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	4,593	93,999	--	--	98,592
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	4,854	--	--	4,854
6290	Miscellaneous Contr.	--	--	5,334	--	--	--	5,334
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	3,110	--	5,464	9,294	--	--	17,868
6410	Travel, Subsistence, Stipends	22,672	--	5,298	1,714	--	--	29,684
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	562	--	5,587	11,514	--	--	17,663
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 26,344 \$ 11,299 \$ 225,046 \$ 271,333 \$ -- \$ 900 \$ 534,922

Total Expenditures for General and Special Revenue Funds (9) \$ 7,874,138

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 383,801
Total Debt & Lease (6500)	(11)	\$ 245,792
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 702,545
Food (Function 35, 6341 and 6499)	(13)	\$ 219,866
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 271,333

Subtotal 1,823,337

Net Allowed Direct Cost \$ 6,050,801

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 11,870,670
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)	315,476
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$42,991 in Function 53 expenditures and \$11,299 in Function 99 expenditures are included in this report on administrative costs.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2010

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,339,417
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	336,586
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	-
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	-
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	489,596
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	223,570
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	1,049,752
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 289,665

If Item 11 is a Positive Number

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

The District expects to use Undesignated Unreserved General Fund Balance for future campus improvements and repairs.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

*BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2010*

Data Control Codes	1	2	3 Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 92,710	\$ 91,621	\$ (1,089)
5800 <i>State Program Revenues</i>	360,708	360,708	--
5020 Total Revenues	<u>453,418</u>	<u>452,329</u>	<u>(1,089)</u>
EXPENDITURES:			
<i>Debt Service:</i>			
0071 <i>Principal on Long-Term Debt</i>	220,000	220,000	--
0072 <i>Interest on Long-Term Debt</i>	164,354	164,354	--
0073 <i>Bond Issuance Costs and Fees</i>	176,827	176,226	601
Total Debt Service	<u>561,181</u>	<u>560,580</u>	<u>601</u>
6030 Total Expenditures	<u>561,181</u>	<u>560,580</u>	<u>601</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(107,763)</u>	<u>(108,251)</u>	<u>(488)</u>
<i>Other Financing Sources (Uses):</i>			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	2,445,000	2,445,000	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	118,691	118,691	--
8949 <i>Other Uses</i>	(2,446,036)	(2,446,036)	--
7080 Total Other Financing Sources and (Uses)	<u>117,655</u>	<u>117,655</u>	<u>--</u>
1200 Net Change in Fund Balance	9,892	9,404	(488)
0100 Fund Balance - Beginning	5,245	5,245	--
3000 Fund Balance - Ending	<u>\$ 15,137</u>	<u>\$ 14,649</u>	<u>\$ (488)</u>



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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, 2010, which collectively comprise the Santa Maria Independent School District's basic financial statements and have issued our report thereon dated December 3, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2010-1, 2010-2, 2010-3 and 2010-4 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Santa Maria Independent School District in a separate letter dated December 3, 2010.

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

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.

December 3, 2010



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*Oscar R. González
Melissa González*

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To 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 the compliance of Santa Maria Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

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 in order to determine our 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.

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.

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.

December 3, 2010

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

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? X Yes 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? X Yes 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 Circular A-133? X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.389A	Title I, Part A-Recovery Act
84.287	Twenty-First Century
84.394	State Fiscal Stabilization Fund-Recovery Act

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

Auditee qualified as low-risk auditee? X Yes No

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

B. Financial Statement Findings	<u>Description</u>
Schedule reference: (2010-1)	
Criteria:	Appropriate Internal Control procedures are required in the purchasing process in order to justify and account expenditures properly.
Condition Found:	The District failed to maintain adequate backup for certain travel and miscellaneous expenditures. Items did not include a request for payment, purchase order or an invoice to support purpose.
Recommendation:	The District should attach a payment request form signed by the requestor and authorized by the proper head official. We also recommend to include the program objective accomplished (if federal program expense) and a Purchase Order properly encumbered and numbered.
C. Federal Award Findings and Questioned Costs	
Schedule reference: (2010-1)	
Criteria:	Refer to Financial Statement Finding No. 2010-1.
Questioned costs/basis	Unknown
Schedule reference: (2010-2)	Reporting Compliance-ARRA Section 1512
Criteria:	ARRA Reporting Compliance under Section 1512 requires the District to report the amount expended for the quarter along with the following information: 1) Central Contractor Registration (CCR) Expiration Date, 2) Full Time Equivalent for the jobs created with Recovery Act Funds, and 3) List of Vendors paid \$25,000 and more. The reports need to be submitted by the deadline specified by TEA.
Condition found	For Title I, Part A-Recovery Act and Title XVI, State Fiscal Stabilization, the District failed to properly report under ARRA Section 1512. Five out of nine reports submitted did not include FTE calculations and did not include a CCR expiration date. Four out of nine reports were also submitted a day late. This might be due to the fact that a different person was preparing and submitting the reports through out the year.
Questioned costs/basis	Not applicable

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010*

Recommendation: 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.

Schedule reference: (2010-3) Cash Management Compliance

Criteria: When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. The District must have supporting documentation showing that the costs for which reimbursement was made, were paid prior to the date of the reimbursement request.

Condition found The District failed to keep proper documentation to support reimbursement requests. Cash management was not properly performed during the year. An amount of \$40,914 was requested twice in the month of October 2010 because of lack of documentation. Mistake was found later during other reconciling procedures and was addressed to TEA for correction. General Ledger expenses did not support any requests at any time of the year when requests were made.

Questioned costs/basis Unknown

Recommendation: 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.

Schedule reference: (2010-4) Lack of Internal Control on Accounting Procedures

Criteria: Revenues for the Twenty-First Century Program were not properly recorded during the year. Fund 352 (21st Century) reported a net loss of \$170,000 due to a missing entry to record payments from TEA. This mistake was noted during audit procedures and notified to management. Entry to make correction was made by the business manager right after being notified by us. Corrected amount is reflected on the Financial Statements presented on this report as of August 31, 2010.

Questioned costs/basis Not applicable

Recommendation: Stronger Internal Control over Accounting Procedures should be implemented by management. Constant review of amounts reflected for federal programs is highly recommended.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

SANTA MARIA INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2010

Schedule Reference (2010-1):

As of September 6, 2010 upon the hire of the new Business Manager, purchasing and payment procedures have been updated and implemented. All purchases require an approved purchase order prior to purchasing goods/services. In addition, all payments require complete documentation to include but not limited to: purchase orders, original invoices, travel approval forms, conference information when applicable), and original receipts.

Schedule Reference (2010-2):

The District will implement the auditor's recommendation and assign the Business Manager the responsibility of maintaining the proper reporting.

Schedule Reference (2010-3):

As of September 6, 2010, the District has taken appropriate measures to ensure that the expenses are reported appropriately and the amounts requested as reimbursement correspond with the appropriate expenditures. The District has implemented a new drawdown procedure to include but not limited to: a new format and filing of documentation. In addition, the District will implement the auditor's recommendation and develop a Grants Management Procedure Manual.

Schedule Reference (2010-4):

The District will implement the auditor's recommendation and implement stronger accounting procedures and constant review over federal programs and overall accounting.

SANTA MARIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	10610101031913	\$467,677
<i>ESEA Title I Part C - Education of Migratory Children</i>	84.011	10615001031913	143,307
<i>SSA Title IV Part B 21st Century Community Learning Centers</i>	84.287	96950127110024	441,082
<i>Title II Part D Enhancing Education Through Technology *</i>	84.318X	096300027110023	52,922
<i>Title III Part A English Language Acquisition and Language Enhance</i>	84.365	10671001031913	29,822
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	10694501031913	56,355
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Techn</i>	84.386	10553001031913	9,228
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001031913	299,250
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	10557001031913	465,241
Total Passed Through State Department of Education			<u>1,964,884</u>
Passed Through Region One Education Service Center:			
<i>GEAR UP</i>	84.334S	P334A050083-09	79,829
Total U. S. Department of Education			<u>2,044,713</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	031-913	165,244
National School Lunch Program *	10.555	031-913	274,377
Total Passed Through State Department of Education			<u>439,621</u>
Total U. S. Department of Agriculture			<u>439,621</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$2,484,334</u>

* 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, 2010

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, 2010

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?	\$ —