SANTA ROSA
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
AND
COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2009

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
Santa Rosa, Texas
Year Ended August 31, 2009

TRUSTEES

Andres Contreras - President

Danny Theys - Vice-President

Dina Escamilla - Secretary

Ruben Canales

Juan M. Perez

Raul Garza

Rogelio Guerra, Jr.

SUPERINTENDENT

Heriberto Villarreal

BUSINESS MANAGER

Hilda Rendon

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2009

TABLE OF CONTENTS

	EXHIBIT	PAGE
INTRODUCTORY SECTION		
Certificate of Board	-	7
FINANCIAL SECTION		
Independent Auditors' Report	-	11
Management's Discussion and Analysis (Required Supplementary information)	-	15
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A-1	24
Statement of Activities	B-1	25
Fund Financial Statements		
Balance Sheet – Governmental Funds	C-1	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	C-2	29
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	C-3	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	32
Statement of Fiduciary Net Assets – Fiduciary Funds	E-1	33
Notes to Financial Statements		35
REQUIRED SUPPLEMENTARY INFORMATION		
General Fund - Budgetary Comparison Schedule	G-1	56
Notes to Required Supplementary Information		57
OTHER SCHEDULES		
Schedule of Delinquent Taxes Receivable	J-1	60
Schedule of Expenditures for Computations of Indirect Cost for 2010-2011 - General and Special Revenue Funds	J-2	62
Fund Balance and Cash Flow Calculation Worksheet (Unaudited) – General Fund	J-3	63
Debt Service Fund - Budgetary Comparison Schedule	J-4	64

TABLE OF CONTENTS - CONTINUED

	EXHIBIT	PAGE
FEDERAL AWARDS SECTION		
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*	-	67
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	-	71
Schedule of Findings and Questioned Costs	-	74
Schedule of Status of Prior Findings	-	77
Corrective Action Plan		78
Schedule of Expenditures of Federal Awards	K-1	79
Notes on Accounting Policies for Federal Awards	K-2	81
Schedule of Required Responses to Selected School First Indicators	L-1	82

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Santa Rosa Independent School District	Cameron	031-914
Name of School District	County	Co.-Dist. Number

We the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and 5 approved -- 0 disapproved for the year ended August 31, 2009 at a meeting of the board of school trustees of such school district on the 18 day of January, 2010.

Signature of Board Secretary

Signature of Board President

FINANCIAL SECTION

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
LONG CHILTON, LLP
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS AND INDIVIDUALS

Members - Division of Firms,
American Institute of CPAs

402 East Tyler
Harlingen, Texas 78550
(956) 423-3765
Fax (956) 428-7520
www.longchilton.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Santa Rosa Independent School District

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Rosa Independent School District as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Rosa Independent School District as of August 31, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2010 on our consideration of the District's internal control over financial reporting and 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 accompanying Management's Discussion and Analysis, and the General Fund - Budgetary Comparison Schedule on pages 15 through 21 and 56 through 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Rosa Independent School District's basic financial statements. The accompanying financial information listed as Other Schedules in the table of contents and the schedule of expenditures of federal awards are presented in accordance with requirements of the Texas Education Agency and for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such 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.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Santa Rosa I.S.D.'s annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2009. 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 $13,907,309 at August 31, 2009. Net assets increased by $860,376 from the prior year.
- The general fund reported a fund balance this year of $1,777,309.

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.

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

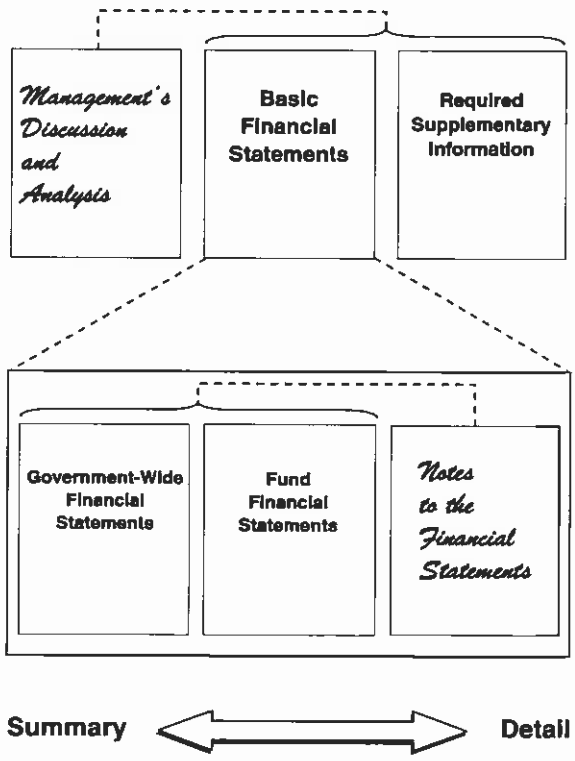


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

		Fund Statements		
Type of 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

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 the following kinds of funds:

Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

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.

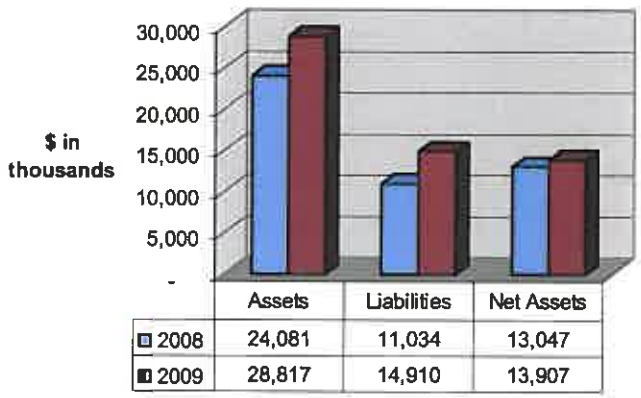
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were $13,907,309 as of August 31, 2009, an increase of 6.6%. (See Table A-1).

Table A-1
Santa Rosa Independent School District's Net Assets
(in thousands of dollars)

	Governmental Activities	
	2009	2008
Current & other assets	$ 7,246	$ 2,199
Capital assets	21,571	21,882
Total assets	**$ 28,817**	**$ 24,081**
Current liabilities	679	616
Long-term liabilities	14,231	10,418
Total liabilities	**14,910**	**11,034**
Net Assets:		
Invested in capital assets-	11,506	11,463
Restricted	133	100
Unrestricted	2,268	1,484
Total Net Assets	**$ 13,907**	**$ 13,047**

Figure A-3 Santa Rosa ISD Net Assets



Net assets may serve over time as a useful indicator of a government's financial position. In the case of Santa Rosa ISD, assets exceeded liabilities by $13,907,309 at the close of August 31, 2009.

A portion of the Santa Rosa ISD's net assets (83%) reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Santa Rosa ISD uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Santa Rosa ISD's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($2,267,608) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

- Property tax rates increased from 1.2620/$100 to 1.3320/1$100 to comply with state mandates; however, Property taxable values increased by 4.3 % from the prior year.
- The cost of all governmental activities this year was $13,088,884, a decrease of $598,684.
- Some of the cost was paid by those who directly benefited from the programs $103,691 or by grants and contributions $3,211,212.

Table A-2
Changes in Santa Rosa Independent School District's Net Assets
(in thousands of dollars)

	Governmental Activities	
	2009	2008
Program Revenues:		
Charges for Services	$ 104	$ 109
Operating Grants and Contributions	3,211	3,844
Capital Grants and Contributions		
General Revenues		
Property Taxes	806	801
State Aid – Formula	8,285	8,221
Grants and Contributions not Restricted	1,249	-
Investment Earnings	145	94
Other	149	4
Total Revenues	13,949	13,073
Instruction	6,316	6,400
Instructional Resources and Media Services	195	207
Curriculum Dev. And Instructional Staff Dev	105	160
Instructional Leadership	170	313
School Leadership	550	588
Guidance, Counseling and Evaluation Services	366	382
Health Services	169	162
Student (Pupil) Transportation	163	163
Food Services	737	788
Curricular/Extracurricular Activities	756	783
General Administration	733	821
Plant Maintenance & Operations	1,768	2,257
Security & Monitoring Services	139	153
Data Processing Services	51	91
Community Services	93	104
Debt Service – Interest on Long-Term Debt	721	285
Facilities Acquisition and Construction	3	3
Payments Related to Shared Services Arrangements	54	27
Total Expenses	$ 13,089	$ 13,687
Increase (Decrease) in Net Assets	$ 860	$ (614)

Figure A-4 Santa Rosa ISD Expenses FY 2008-2009

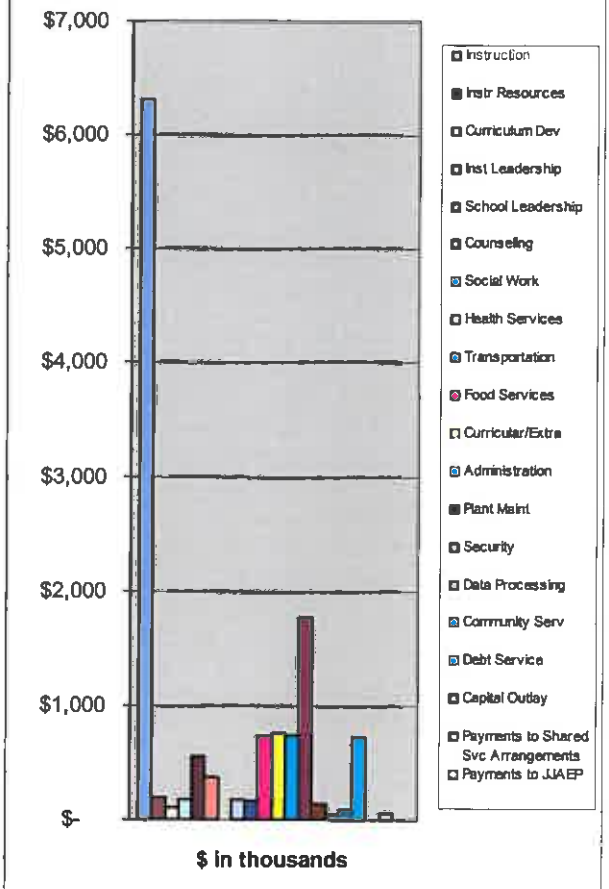


Figure A-5 Sources of Revenues for FY 2008-2009

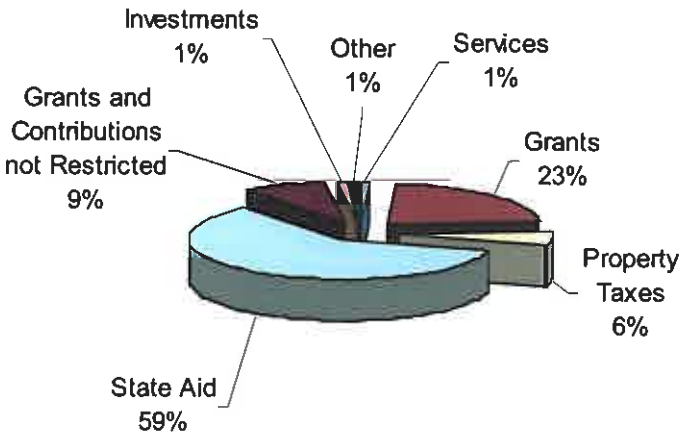


Table A-3 presents the cost of each of the District's largest functions/programs as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
Net Cost of Selected District Programs/Functions
(in thousands of dollars)

	Total Cost of Services 2009	2008	% Change	Net Cost of Services 2009	2008	% Change
Instruction	6,316	6,400	(1.31)%	4,485	4,794	(6.45)%
School administration	550	588	(6.46)%	518	555	(6.67)%
Food Services	737	788	(6.47)%	(25)	6	516.67%
Plant Maintenance & Operations	1,768	2,257	(21.67)%	1,730	2,226	(22.28)%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, Santa Rosa ISD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund

The fund balance of the Santa Rosa ISD's General Fund is $1,777,309 as of August 31, 2009. It increased by $625,254 during the current fiscal year an increase of 54%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had invested $21,571,208 in a broad range of capital assets, including land, equipment, buildings, vehicles, and Construction in Progress. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of 1.4 % over last year.

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

Table A-4
District's Capital Assets
(In thousands of dollars)

	Governmental Activities	
	2009	2008
Land	$305	$305
Buildings and Improvements	24,778	23,398
Furniture & Equipment	1,794	1,696
Construction in Progress	228	1,332
Totals at historical cost	**27,105**	26,731
Total accumulated depreciation	5,534	4,849
Net capital assets	**$21,571**	$21,882

Long-Term Debt

At year-end the District had $14,080,000 in General Obligation Bonds outstanding as shown in Table A-5. Of this amount, $327,045 is due within the next year. The total long-term debt outstanding as of August 31, 2009 is $14,415,044. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
District's Long-Term Debt
(In thousands of dollars)

General Obligation Bonds	Governmental Activities 2009	2008
Bonds – Series 2000	$ 310	$ 400
Bonds – Series 2001	625	710
Bonds – Refunding Series 2007	8,695	8,920
Bonds – Series 2008	4,450	-
Total General Obligation Bonds	**14,080**	**10,030**
Premium on issuance of Bonds	643	655
Accrued Interest on CAB Bonds	184	55
Deferred loss on bond refunding	(564)	(590)
Compensated Absences	72	268
Total Long-Term Debt	**$ 14,415**	**$ 10,418**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2010 budget preparation is up $11.4 million or 9.5% from 2009.
- General operating fund spending per student increases in the 2010 budget from $9,116 to $9,654, a 5% increase.
- The District's 2010 refined average daily attendance is expected to be 1,120; up 0.9% from last year.

These indicators were taken into account when adopting the general fund budget for 2010. Expenditures as budgeted are $10,946,044, an increase of 12.2% from 2008-2009 actual expenditures. The 2010 budget will have significant capital projects due to the construction & finalization of the Middle/High School Cafetorium. Completion date is estimated to be June 2010.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by the end of 2010.

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 323 East Jesus T. Avila Avenue, Santa Rosa, Texas 78593.

BASIC

FINANCIAL STATEMENTS

EXHIBIT A-1

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2009

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 5,722,375
1220	Property Taxes Receivable (Delinquent)	322,732
1230	Allowance for Uncollectible Taxes	(32,273)
1240	Due from Other Governments	805,707
1250	Accrued Interest	7,913
1290	Other Receivables, net	82,347
1300	Inventories	19,416
1410	Deferred Expenses	57,375
1420	Capitalized Bond and Other Debt Issuance Costs	260,576
	Capital Assets:	
1510	Land	305,271
1520	Buildings, Net	20,715,599
1530	Furniture and Equipment, Net	321,998
1580	Construction in Progress	228,340
1000	Total Assets	28,817,376
	LIABILITIES	
2110	Accounts Payable	116,707
2120	Short Term Debt Payable	227
2140	Interest Payable	184,449
2150	Payroll Deductions & Withholdings	1,117
2160	Accrued Wages Payable	234,803
2180	Due to Other Governments	43,061
2190	Due to Student Groups	9,212
2200	Accrued Expenses	52,315
2300	Deferred Revenues	11,291
2400	Payable from Restricted Assets	26,290
	Noncurrent Liabilities	
2501	Due Within One Year	327,045
2502	Due in More Than One Year	13,903,550
2000	Total Liabilities	14,910,067
	NET ASSETS	
3200	Invested in Capital Assets, Net of Related Debt	11,506,387
3820	Restricted for Federal and State Programs	37,657
3850	Restricted for Debt Service	95,657
3900	Unrestricted Net Assets	2,267,608
3000	Total Net Assets	$ 13,907,309

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

EXHIBIT B-1

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Assets 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 6,315,862	$ 1,000	$ 1,829,926	$ (4,484,936)
12	Instructional Resources and Media Services	194,849	-	17,901	(176,948)
13	Curriculum and Instructional Staff Development	105,046	-	95,741	(9,305)
21	Instructional Leadership	169,518	-	155,436	(14,082)
23	School Leadership	549,769	-	31,540	(518,229)
31	Guidance, Counseling and Evaluation Services	366,022	-	114,804	(251,218)
33	Health Services	168,945	-	9,983	(158,962)
34	Student (Pupil) Transportation	162,400	-	9,449	(152,951)
35	Food Services	737,365	73,443	689,245	25,323
36	Extracurricular Activities	756,237	29,248	19,863	(707,126)
41	General Administration	732,928	-	110,061	(622,867)
51	Plant Maintenance and Operations	1,768,250	-	38,192	(1,730,058)
52	Security and Monitoring Services	139,315	-	6,992	(132,323)
53	Data Processing Services	50,962	-	2,773	(48,189)
61	Community Services	93,398	-	79,308	(14,090)
72	Debt Service - Interest on Long Term Debt	721,219	-	-	(721,219)
73	Debt Service - Bond Issuance Cost and Fees	2,942	-	-	(2,942)
93	Payments to Fiscal Agent/Member Districts of SSA	53,857	-	-	(53,857)
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 13,088,884	$ 103,691	$ 3,211,212	(9,773,981)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	629,698
DT	Property Taxes, Levied for Debt Service	176,317
SF	State Aid - Formula Grants	8,285,344
GC	Grants and Contributions not Restricted	1,249,198
IE	Investment Earnings	145,382
MI	Miscellaneous Local and Intermediate Revenue	148,418
TR	Total General Revenues	10,634,357
CN	Change in Net Assets	860,376
NB	Net Assets--Beginning	13,046,933
NE	Net Assets--Ending	$ 13,907,309

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

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2009

Data Control Codes		10 General Fund	ESEA I, A Improving Basic Progms.	Title II, D Education Technology
	ASSETS			
1110	Cash and Cash Equivalents	$ 989,256	$ 243,065	$ -
1220	Property Taxes - Delinquent	273,332	-	-
1230	Allowance for Uncollectible Taxes (Credit)	(27,333)	-	-
1240	Due from Other Governments	63,538	149,508	217,210
1250	Accrued Interest	-	-	-
1260	Due from Other Funds	1,379,751	15,352	343
1290	Other Receivables	82,348	-	-
1300	Inventories	19,416	-	-
1410	Deferred Expenditures	57,375	-	-
1000	Total Assets	$ 2,837,683	$ 407,925	$ 217,553
	LIABILITIES AND FUND BALANCES			
	Liabilities:			
2110	Accounts Payable	$ 64,550	$ 3,227	$ -
2120	Short Term Debt Payable - Current	227	-	-
2150	Payroll Deductions and Withholdings Payable	1,117	-	-
2160	Accrued Wages Payable	199,175	26,943	-
2170	Due to Other Funds	440,129	377,755	217,553
2180	Due to Other Governments	36,358	-	-
2190	Due to Student Groups	9,212	-	-
2200	Accrued Expenditures	52,315	-	-
2300	Deferred Revenues	257,291	-	-
2400	Payable from Restricted Assets	-	-	-
2000	Total Liabilities	1,060,374	407,925	217,553
	Fund Balances:			
	Reserved For:			
3410	Investments in Inventory	19,416	-	-
3420	Retirement of Long Term Debt	-	-	-
3430	Prepaid Items	57,375	-	-
3450	Food Service	19,670	-	-
	Unreserved and Undesignated:			
3600	Reported in the General Fund	1,680,848	-	-
3610	Reported in Special Revenue Funds	-	-	-
3620	Reported in Capital Projects Funds	-	-	-
3000	Total Fund Balances	1,777,309	-	-
4000	Total Liabilities and Fund Balances	$ 2,837,683	$ 407,925	$ 217,553

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 4,308,391	$ 181,663	$ 5,722,375
-	49,400	322,732
-	(4,940)	(32,273)
-	375,451	805,707
7,913	-	7,913
31,502	128,416	1,555,364
-	-	82,348
-	-	19,416
-	-	57,375
$ 4,347,806	$ 729,990	$ 8,540,957
$ 46,918	$ 2,012	$ 116,707
-	-	227
-	-	1,117
-	8,685	234,803
22,980	496,948	1,555,365
-	6,703	43,061
-	-	9,212
-	-	52,315
-	44,460	301,751
-	26,290	26,290
69,898	585,098	2,340,848
-	-	19,416
-	95,657	95,657
-	-	57,375
-	-	19,670
-	-	1,680,848
-	49,235	49,235
4,277,908	-	4,277,908
4,277,908	144,892	6,200,109
$ 4,347,806	$ 729,990	$ 8,540,957

EXHIBIT C-2

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2009

	Total Fund Balances - Governmental Funds	$	6,200,109
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was $27,105,296 and the accumulated depreciation was $5,534,088. The net effect of capital assets (net of depreciation) in the governmental activities is to increase (decrease) net assets.		21,571,208
2	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(14,342,729)
3	Long-term liabilities, including payables for bond interest accretion, are not due and payable in the current period and therefore are not reported in the funds.		260,576
4	Long-term liabilities, including payables for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(72,315)
5	Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		290,459
19	**Net Assets of Governmental Activities**	$	13,907,309

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

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		10 General Fund	ESEA I, A Improving Basic Progms.	Title II, D Education Technology
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 768,190	$ -	$ -
5800	State Program Revenues	8,916,962	-	-
5900	Federal Program Revenues	831,056	844,620	308,328
5020	Total Revenues	10,516,208	844,620	308,328
	EXPENDITURES:			
	Current:			
0011	Instruction	4,485,250	747,980	305,581
0012	Instructional Resources and Media Services	178,753	-	-
0013	Curriculum and Instructional Staff Development	2,900	3,575	-
0021	Instructional Leadership	693	32,084	2,273
0023	School Leadership	527,385	-	-
0031	Guidance, Counseling and Evaluation Services	250,460	14,484	-
0033	Health Services	163,074	-	-
0034	Student (Pupil) Transportation	156,650	-	-
0035	Food Services	701,019	-	-
0036	Extracurricular Activities	728,315	-	-
0041	General Administration	617,638	42,949	474
0051	Facilities Maintenance and Operations	1,676,854	-	-
0052	Security and Monitoring Services	132,496	-	-
0053	Data Processing Services	68,514	-	-
0061	Community Services	10,706	3,548	-
	Debt Service:			
0071	Debt Service - Principal on Long Term Debt	-	-	-
0072	Debt Service - Interest on Long Term Debt	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	-
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	53,857	-	-
6030	Total Expenditures	9,754,564	844,620	308,328
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	761,644	-	-
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-
8911	Transfers Out (Use)	(136,390)	-	-
7080	Total Other Financing Sources (Uses)	(136,390)	-	-
1200	Net Change in Fund Balances	625,254	-	-
0100	Fund Balance - September 1 (Beginning)	1,152,055	-	-
3000	Fund Balance - August 31 (Ending)	$ 1,777,309	$ -	$ -

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

60 Capital Projects	Other Funds	Total Governmental Funds
$ 126,636	$ 184,586	$ 1,079,412
-	1,372,410	10,289,372
-	586,402	2,570,406
126,636	2,143,398	13,939,190
-	568,853	6,107,664
-	8,649	187,402
-	92,020	98,495
-	121,079	156,129
-	1,121	528,506
-	87,382	352,326
-	305	163,379
-	-	156,650
-	18,501	719,520
-	-	728,315
-	41,589	702,650
-	3,635	1,680,489
-	1,233	133,729
-	-	68,514
-	75,298	89,552
-	495,000	495,000
-	585,249	585,249
108,524	2,942	111,466
323,002	-	323,002
-	-	53,857
431,526	2,102,856	13,441,894
(304,890)	40,542	497,296
4,545,000	-	4,545,000
136,390	-	136,390
16,949	-	16,949
-	-	(136,390)
4,698,339	-	4,561,949
4,393,449	40,542	5,059,245
(115,541)	104,350	1,140,864
$ 4,277,908	$ 144,892	$ 6,200,109

EXHIBIT C-4

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

Total Net Change in Fund Balances - Governmental Funds	$	5,059,245
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		374,142
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(684,485)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(3,888,526)
Change in Net Assets of Governmental Activities	$	860,376

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

EXHIBIT E-1

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2009

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 3,843	$ 46,855
Total Assets	3,843	$ 46,855
LIABILITIES		
Due to Student Groups	-	$ 46,855
Total Liabilities	-	$ 46,855
NET ASSETS		
Unrestricted Net Assets	3,843	
Total Net Assets	$ 3,843	

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

NOTE A – REPORTING ENTITY

This report includes the financial statements of the funds required to account for those activities, organizations and functions which are related to the Santa Rosa Independent School District (the District) and which are controlled by or dependent upon the District's governing body, the Board of Trustees. The Board of Trustees (the Board), includes seven eligible members elected at large by the qualified voters of the Santa Rosa Independent School District, the Board 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 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 applicable requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14 *The Financial Reporting Entity* since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115. The District has no component units as defined by GASB Statement No. 39.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Presentation

Government-Wide Statements:

The government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all of the non-fiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers and grants used for operational requirements. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings and intergovernmental revenues such as grants.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. 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 non-major 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.

Capital Projects Fund. The capital projects fund of the District accounts for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and related capital asset acquisitions.

ESEA Title I, Improving Basic Programs – Special Revenue Fund. Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods.

ESEA Title II, Part D Education Technology – Special Revenue Fund. Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods.

Other Governmental Funds

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

Other Special Revenue Funds. Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods.

Debt Service Fund. The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds

Scholarship Private-Purpose Trust Fund. The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students of the District.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation

These government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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 funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The District considers revenues as available if they are collected within the 60 days after year end. Revenues susceptible to accrual are property taxes, fiscal year state funding, and interest revenues. 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.

Deferred revenue is reported in the governmental funds when a potential revenue does not meet both the "measurable and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

3. *Budgets*

The official school budget was prepared for adoption for required Governmental Fund Types by August 4, 2008. The budget was formally adopted by the board of school trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was amended by the board of school trustees throughout the year. Expenditures may not legally exceed budgeted appropriations at the function level.

4. *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid and have a maturity within three months or less.

5. *Investments*

Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances and U. S. Treasury and agency obligations are reported at fair value.

6. *Inventory*

Inventory is valued at cost (average). The District accounts for gasoline by using the consumption method whereby expenditures are recognized only when inventory items are used. Maintenance supplies inventory is accounted for by using the purchase method whereby purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Commodity inventory is offset by deferred revenue.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. *Deferred Expenditures*

Deferred expenditures are prepaid expenses that will benefit periods beyond August 31, 2009. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2009, and which extend beyond that date. The reported prepaid insurance is equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

8. *Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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:

Assets Class	Estimated Useful Lives
Buildings & Improvements	25-50
Vehicles	8
Furniture and Equipment	5-10

9. *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 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.

10. *Long-term Obligations*

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received and discounts incurred on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from debt proceeds, are reported as debt service requirements.

11. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

12. *Compensated Absences*

The District allows all employees to accumulate sick leave days to a maximum of 30 workdays. An amount equal to the daily rate of pay of a substitute shall be deducted.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. *Accounting System*

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

14. *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 State-wide database for policy development and funding plans.

15. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. "Other Reserves" on the fund financial statements consist of reserves for construction, campus and student activities, and state programs. Designations of fund balance represent tentative management plans that are subject to change.

16. *Encumbrance Accounting*

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31st and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

NOTE C - CASH AND INVESTMENTS

Investment Accounting Policy

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "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 Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies. The District's management believes that it has complied in all material respects with the requirements of the act and the District's investment policies.

NOTE C - CASH AND INVESTMENTS – Continued

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

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, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District policy authorizes all the State allowable investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District's investment policy, and Government Code Chapter 2257 "Collateral For Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .0995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

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.

Cash Deposits

At August 31, 2009, the District's carrying amount had a balance of $3,560,371 (cash, certificates of deposit, and interest-bearing savings accounts) and the bank balance was $3,846,208. In addition to these cash and cash equivalents, the District maintains $2,212,700 in a government investment pool. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009 were entirely covered by FDIC insurance or by pledged collateral held in the District's name by a bank other than the pledging bank.

NOTE C - CASH AND INVESTMENTS – Continued

The District's cash deposits at August 31, 2009 are maintained primarily at First National Bank of Edinburg. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank. The deposits were collateralized in accordance with Texas Law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District. Deposits were properly secured at all times.

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

a. Name of Bank First National Bank of Edinburg, Texas.
b. Amount of bond and/or market value of securities pledged as of the date of the highest combined balance on deposit was $5,976,124.
c. Largest cash, savings and time deposit combined account balance amounted to $5,686,295 and occurred during the month of October 2008.
d. Total amount of FDIC coverage at the time of largest combined balance was $250,000.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

Description	CUSIP	Amount	Maturity	Days
TexPool	N/A	$2,212,700	N/A	Daily

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the District's investment policy and the Texas Public Fund Investment Act and the actual rating as of year end for each investment:

Description	Minimum Legal Rating	Amount	Rating	Percentage
TexPool	AAA	$2,212,700	AAA	100%

Concentration of Credit Risk

The Investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act. The above mentioned investments represents 100% of total District investments.

NOTE C - CASH AND INVESTMENTS – Continued

Public Funds Investment Pools

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United Stated Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAA by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

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

NOTE D - PROPERTY TAX

Property taxes are levied by October 1 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 and those expected to be collected during a 60 day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2008 tax rate was $1.040 for maintenance and $0.292 for debt service per $100 assessed valuation. The 2008 assessed valuation was $62,692,177. Allowances for uncollectibles 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. At August 31, 2009 outstanding taxes in the general fund and debt service fund was $273,332 and $49,400 with a corresponding allowance for doubtful accounts of $27,333 and $4,940.

NOTE E - DUE TO AND FROM OTHER GOVERNMENTS AND AGENCIES

Amounts due to and from other governments and agencies are as follows:

	Due To	Due From
General Fund		
Texas Education Agency:		
Foundation Revenues	$ 36,358	$ -
Other Governmental Funds		
Texas Education Agency:		
ESEA Title I, Part A	-	149,508
ESEA Title I, Part A – ARRA	-	4,700
ESEA Title I, Part C	-	14,682
Gear up Grant	-	37,263
Title I, SIP Academy Grant	-	121,236
Student Success Initiative	-	6,431
Reading First	-	35,635
ESEA Title II, Part A	192	38,088
Adult Education – English Literacy	6,511	13,015
State Funded Special Revenue Fund	-	24,035
ESEA Title III, Part A	-	2,088
ESEA Title II, Part D	-	217,210
Foundation Revenues	-	74,944
Texas Fitness Now Grant	-	5,169
Carl D. Perkins Basic Grant	-	3,752
U. S. Department of Agriculture:		
School Breakfast Program/National Lunch Program	-	57,951
Total due to/from other governments and agencies	$ 43,061	$805,707

NOTE F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2009 were:

Due to	Due From	
General Fund	Funds within the general fund	$ 45,110
General Fund	Title II, Part D – Enhancing Education Through Technology	217,554
General Fund	Title I, Part A – Improving Basic Programs	376,568
General Fund	Capital Projects Fund	22,980
General Fund	Non-major Fund	630,273
Funds within the General Fund	General Fund	87,266
Title I, Part A – Improving Basic Programs	Funds within the general fund	15,352
Title II, Part D – Enhancing Education Through Technology	Funds within the general fund	343
Capital Projects Funds	General Fund	31,503
Non-major Fund	Funds within the general fund	128,416
	Totals	$1,555,365

The remaining balances resulted from a routine lag between the dates that transactions such as year-end payroll accruals and worker's compensation adjustments payments between the funds are made.

All amounts are rescheduled to be repaid within one year. Transfers were made from the general fund to the capital projects fund totaling $136,390 to complete ongoing projects.

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2009, was as follows:

Governmental activities	September 1, 2008	Increase	Decrease	Transfers	August 31, 2009
Capital assets not being depreciated					
Land	$ 305,271	$ -	$ -	$ -	$ 305,271
Construction in progress	1,332,206	238,215	-	(1,342,081)	228,340
Total capital assets not being depreciated	1,637,477	238,215	-	(1,342,081)	533,611
Capital assets being depreciated					
Buildings and improvements	23,397,395	38,377	-	1,342,081	24,777,853
Furniture and equipment	1,696,282	97,550	-	-	1,793,832
Total capital assets being depreciated	25,093,677	135,927	-	1,342,081	26,571,685
Less accumulated depreciation:					
Building and improvements	3,566,697	495,557	-	-	4,062,254
Furniture and equipment	1,282,906	188,928	-	-	1,471,834
Total accumulated depreciation	4,849,603	684,485	-	-	5,534,088
Total capital assets being depreciated, net	20,244,074	(548,558)	-	1,342,081	21,037,597
Governmental activities capital assets, net	$21,881,551	$ (310,343)	$ -	$ -	$21,571,208

Depreciation was charged to the following functions:

Government Activities:	
11 – Instruction	$326,579
12 – Instructional Resources and Media Services	10,537
13 – Curriculum and Staff Development	8,175
21 – Instructional Leadership	15,964
23 – School Leadership	29,978
31 – Guidance, Counseling and Evaluation Services	19,507
32 – Social Work	-
33 – Health Services	8,260
34 – Student Transportation	8,333
35 – Food Services	42,110
36 – Cocurricular/Extracurricular Activities	39,932
41 – General Administration	41,865
51 – Plant Maintenance and Operations	115,472
52 – Security and Monitoring Services	7,791
53 – Data Processing Services	4,658
61 – Community Services	5,324
	$684,485

Construction commitments

The District has expended $228,340 for construction in progress related to the construction of a cafetorium and fine arts addition with estimated project costs totaling $3,837,040. The District has remaining commitments in the amount of $3,608,700.

NOTE H - LONG-TERM OBLIGATIONS

Long–term obligations include bonds, loans, capital leases and compensated absences. Changes in long-term obligations for the year ended August 31, 2009 are as follows:

Governmental Activities	Beginning Balance 09/01/08	Increase	Decrease	Ending Balance 08/31/09	Due Within One Year
General Obligation Bonds					
Bond Series 2000	$ 400,000	$ -	$ (90,000)	$ 310,000	$ 95,000
Bond Series 2001	710,000	-	(85,000)	625,000	90,000
Bond Series 2007	8,919,998	-	(225,000)	8,694,998	57,045
Bond Series 2008	-	4,545,000	(95,000)	4,450,000	85,000
Total general obligation bonds	10,029,998	4,545,000	(495,000)	14,079,998	327,045
Premium on issuance – Refunding Bond Series 2007	654,902	-	(28,446)	626,456	-
Premium on issuance – Refunding Bond Series 2008	-	16,949	(820)	16,129	-
Accrued interest on CAB	55,256	129,193	-	184,449	-
Deferred loss on – Refunding Bond Series 2007	(589,953)	-	25,650	(564,303)	-
Compensated absences	268,113	72,315	(268,113)	72,315	-
Total governmental activities	$10,418,316	$4,763,457	$(766,729)	$14,415,044	$ 327,045

General Obligation Bonds:

On December 4, 2000, the District issued $4,330,000 in Unlimited Tax School Building Bonds, Series 2000. The purpose of the bond issuance is to construct various school building facilities in the District and the purchase of the necessary sites for that purpose. The bonds mature or are subject to mandatory redemption prior to maturity on August 15th in each of the years and in the amounts shown on the Official Bond Statement. Interest on the $4,330,000 accrued from December 4, 2000, and is payable February 15th and August 15th of each year commencing August 15, 2001. Furthermore, interest is calculated on the basis of a 360-day year consisting of twelve 30-day months and the interest rate ranges from 5.25% - 7.00%. Principal and interest on the bonds is payable to Texas State Bank (Paying Agent/Registrar) in McAllen, Texas. All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal and interest on all bonds. Additionally, the payment of the bonds is guaranteed by the Permanent School Fund of Texas. $ 310,000

NOTE H - LONG-TERM OBLIGATIONS – Continued

On September 27, 2001, the District issued $4,100,000 in Unlimited Tax School Building Bonds, Series 2001. The purpose of the bond issuance was to construct and equip a new elementary school and to pay the related issuance costs. The bonds mature or are subject to mandatory redemption prior to maturity, on August 15 in each of the years and in the amounts shown on the Official Bond Statement. Interest on the $4,100,000 accrued from September 27, 2001, and is payable February 15 and August 15 of each year commencing August 15, 2002. Furthermore, interest is calculated on the basis of a 360-day year consisting of twelve 30-day months and the interest rate ranges from 4.30% - 5.80%. Principal and interest on the bonds is payable to Texas State Bank (Paying Agent/Registrar) in McAllen, Texas. All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal and interest on all bonds. Additionally, the payment of the bonds is guaranteed by the Permanent School Fund of Texas.	$ 625,000
In December 2007, the District issued $7,340,000 in current interest serial bonds with a 4% interest rate, $1,685,000 in current interest term bonds with interest rates ranging from 4.125% to 4.250% and $129,998 in capital appreciation bonds to advance refund $9,154,998 outstanding of Unlimited Tax School Building Bonds, Series 1997, 2000 and 2001 (*"refunded bonds"*) with interest rates of 4.3% to 7%. The current interest serial bonds mature in the years 2008 through 2027 in installments ranging from $235,000 to $660,000. The current interest term bonds of $955,000 and $730,000 mature on August 15, 2029 and August 15, 2031, respectively. The capital appreciation bonds mature in the years 2010 to 2013 in installments ranging from $230,000 to $355,000. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds and to pay the costs of issuance of the bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds, has been removed from the long-term debt account.	8,694,998
On September 1, 2008, the District issued $4,545,000 in Unlimited Tax School Building Bonds, Series 2008. The purpose of the bond issuance was to remodel and equip the old high school and to pay the related issuance costs. The bonds mature or are subject to mandatory redemption prior to maturity, on August 15 in each of the years and in the amounts shown in the Official Bond Statement. Interest on the $4,545,000 accrued from September 1, 2008, and is payable February 15 and August 15 of each year commencing February 15, 2009. Furthermore, interest is calculated on the basis of a 360-day year consisting of twelve 30-day months and the interest rate ranges from 3.125% - 5.250%. Principal and interest on the bonds is payable to Regents Bank (Paying Agent/Registrar). All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal and interest on all bonds. Additionally, the payment of the bonds is guaranteed by the Permanent School Fund of Texas.	4,450,000
Total general obligation bonds	$14,079,998

NOTE H - LONG-TERM OBLIGATIONS – Continued

Debt service requirements on long-term debt at August 31, 2009 are as follows:

Year Ending August 31,	Bonds Payable Principal	Bonds Payable Interest	Total Requirement
2010	$ 327,045	$ 764,859	$ 1,091,904
2011	324,324	778,053	1,102,377
2012	325,645	784,323	1,109,968
2013	222,984	888,881	1,111,865
2014	560,000	543,946	1,103,946
2015-2019	3,195,000	2,365,059	5,560,059
2020-2024	3,325,000	1,682,964	5,007,964
2025-2029	3,065,000	1,058,446	4,123,446
2030-2034	1,735,000	455,073	2,190,073
2035-2038	1,000,000	134,663	1,134,663
	$14,079,998	$9,456,267	$23,536,265

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2009.

On September 1, 2008, the Santa Rosa Independent School District issued Unlimited Tax School Building Bonds, Series 2008 in the amount of $4,545,000 consisting of Current Interest Serial Bonds (CIBs), Current Interest Term Bonds (Term Bonds) and Capital Appreciation Bonds (CABs). The Bonds were issued only as fully registered bonds in the denominations of $5,000 principal amounts with respect to CIBS and maturity values with respect to Term Bonds, or any integral multiple thereof (an "Authorized Denomination"), within a stated maturity of like interest rate.

The proceeds of the Bonds will be used to remodel and equip the old high school and to pay for the cost of issuing the Bonds. The refunded amount consisted of Bonds with maturities ranging from 2009 through 2038.

The Series 2008 bonds carried an initial principal amount of $4,545,000, plus accrued interest of $16,297 plus premium on CABs of $47,568 and original issue discount of $30,619 on CIBs resulting in gross proceed of $4,578,246. The gross proceeds were reduced by the total underwriter's discount of $33,524, cost of issuance of $75,000, and $16,297 deposited into District's debt service fund resulting in net proceeds of $4,453,425. The net proceeds were used to purchase state and local government securities (SLGS) for the escrow fund held by the trustee bank under the new formal agreement established by the underwriters and bond counsel for the District. These securities will provide for the construction cost payments as they become due.

NOTE I - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Capital Projects	Other Governmental Fund	Total Governmental Fund
Property taxes	$600,425	$ -	$160,779	$ 761,204
Food sales	64,050	-	584	64,634
Investment income	13,961	126,636	4,785	145,382
Penalties, interest and other tax-related income	59,506	-	9,629	69,135
Co-curricular student activities	29,248	-	-	29,248
Other	1,000	-	8,809	9,809
	$768,190	$126,636	$184,586	$1,079,412

NOTE J - DEFERRED REVENUE

	Unavailable	Unearned	Total
SRISD taxes	$290,460	$ -	$290,460
Food Service receipts	-	11,291	11,291
	$290,460	$ 11,291	$301,751

Deferred property taxes will be recognized as revenue in the fiscal year that they become available.

Deferred revenues in the Special Revenue Funds represent revenues received in excess of expenditures incurred for those federal and state financial assistance programs for which the project period has not yet ended and commodities received but not used by year end.

NOTE K - GENERAL FUND FEDERAL SOURCE REVENUES

Programs or Source	CFDA Number	Amount
School Breakfast Program	10.553	$231,275
National School Lunch Program	10.555	425,535
USDA – Donated Commodities	10.565	27,947
ESEA, Title I, Part A	84.010/84.389A	32,275
SHARS	-	114,024
		$831,056

NOTE L - CONTINGENT LIABILITIES

The District participates in a number of grant programs funded by State and Federal Agencies. These programs are subject to compliance audits by the grantor agencies or their representatives.

Audits of all of these programs for the year ended August 31, 2009 have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

NOTE M - DEFINED BENEFIT PENSION PLAN

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

Funding Policy. State law provides for fiscal year 2007 a state contribution rate of 6.0% and a member contribution rate of 6.4%. The rates for fiscal years 2008 and 2009 increased to a state contribution rate of 6.58% and the member contribution rate remains at 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

State contributions to TRS made on behalf of Santa Rosa Independent School District's employees for the year ended August 31, 2007 were $423,982, for the year ended August 31, 2008 were $430,305, and for the year ended August 31, 2009 were $406,179. Santa Rosa Independent School District paid additional state contributions for the year ended August 31, 2007 of $34,004, for the year ended August 31, 2008 of $30,565, and for the year ended August 31, 2009 of $33,867, respectively on the portion of the employees' salaries that exceeded the statutory minimum.

NOTE N - SCHOOL DISTRICT RETIREE HEALTH PLAN

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 Texas Retirement System of Texas. 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.

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 2009, 2008 and 2007. 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, 2009, 2008, and 2007, the State's contributions to TRS made on behalf of the District's employees were $406,179, $430,304 and $423,982, respectively, he active member contributions were $246,858, $267,322 and $252,533, respectively, and the school district's contributions were $373,851, $442,416 and $414,505, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the District were $14,920, $15,844 and $13,845, respectively.

NOTE O - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year. In addition, there were no settlements exceeding insurance for each of the past three fiscal years.

NOTE O - RISK MANAGEMENT – Continued

Health Coverage

Effective September 1, 2003, the District entered into a health insurance contract with TRS-Active Care. These plans are fully-funded, pure premium plans for which the District pays premiums of $225, respectively per month per employee to the plan, and the employees, at their option, may authorize payroll withholdings to pay premiums for dependents. Terms of coverage and premium costs are included in the contractual provisions.

The determination of such claims and expenses and the appropriateness of the related liability is continually reviewed and updated. It is reasonably possible that the accrued estimated liability for self-insured claims may need to be revised in the near term.

Workers' Compensation Insurance

During the year ended August 31, 2009, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund ("the Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of $1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2009, the Fund carries a discounted reserve of $72,996,132 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2009, member districts will have no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of Independent auditors to conduct an independent financial audit after the close of each plan year on August 31st and is approved by the Fund's Board of Trustees in February the following year. The Fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

NOTE P - JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District participates in several shared service arrangements with the Regional Service Center ("Region One"). Those programs provided through the shared services include the Teacher and Principal Training through the ESEA Title II, Part A. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region One Education Service Center, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Santa Rosa Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Presented below are the revenues and expenditures attributable to the District's participation.

Revenues		
5929	Federal revenue distributed by TEA	$107,593
	Total revenue	$107,593
Expenditures		
6100	Payroll costs	$ 35,677
6200	Purchased and contracted services	41,661
6300	Supplies and materials	4,226
6400	Miscellaneous operating expenses	26,029
	Total expenditures	$107,593

NOTE Q - COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

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:

School districts in Texas must comply with constitutional provisions, statutory laws, public policy established by common law, Title 19 of the Texas Administrative Code, and with regulations of the Texas Education Agency.

NOTE Q - COMPLIANCE AND ACCOUNTABILITY - Continued

Instances were noted in which expenditures exceeded budgeted amounts at the functional level as detailed in the General Fund – Budgetary comparison Schedule (Exhibit G-1) for the following fund:

Function Code		Budget	Actual	Variances
General Fund:				
12	Instructional Resources and Media Services	$ 177,662	$ 178,753	$ (1,091)
33	Health Services	156,442	163,074	(6,632)
34	Student (Pupil) Transportation	125,615	156,650	(31,035)
52	Security and Monitoring Services	130,173	132,496	(2,323)

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 898,577	$ 840,098	$ 768,190	$ (71,908)
5800	State Program Revenues	9,382,153	8,758,421	8,916,962	158,541
5900	Federal Program Revenues	683,186	688,174	831,056	142,882
5020	Total Revenues	10,963,916	10,286,693	10,516,208	229,515
	EXPENDITURES:				
	Current:				
0011	Instruction	5,100,901	4,953,724	4,485,250	468,474
0012	Instructional Resources and Media Services	171,486	177,662	178,753	(1,091)
0013	Curriculum and Instructional Staff Development	82,716	61,268	2,900	58,368
0021	Instructional Leadership	10,150	10,150	693	9,457
0023	School Leadership	596,650	552,294	527,385	24,909
0031	Guidance, Counseling and Evaluation Services	256,820	256,820	250,460	6,360
0033	Health Services	156,442	156,442	163,074	(6,632)
0034	Student (Pupil) Transportation	310,889	125,615	156,650	(31,035)
0035	Food Services	820,719	833,119	701,019	132,100
0036	Extracurricular Activities	953,442	855,017	728,315	126,702
0041	General Administration	643,583	640,908	617,638	23,270
0051	Facilities Maintenance and Operations	1,818,609	1,818,609	1,676,854	141,755
0052	Security and Monitoring Services	171,466	130,173	132,496	(2,323)
0053	Data Processing Services	99,246	125,246	68,514	56,732
0061	Community Services	26,400	11,400	10,706	694
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	33,500	53,857	53,857	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	1,500	1,500	-	1,500
6030	Total Expenditures	11,254,519	10,763,804	9,754,564	1,009,240
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(290,603)	(477,111)	761,644	1,238,755
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	829,739	662,929	-	(662,929)
8911	Transfers Out (Use)	(1,100,940)	(905,838)	(136,390)	769,448
7080	Total Other Financing Sources (Uses)	(271,201)	(242,909)	(136,390)	106,519
1200	Net Change in Fund Balances	(561,804)	(720,020)	625,254	1,345,274
0100	Fund Balance - September 1 (Beginning)	1,199,477	1,152,055	1,152,055	-
3000	Fund Balance - August 31 (Ending)	$ 637,673	$ 432,035	$ 1,777,309	$ 1,345,274

Stewardship, compliance, and accountability

Budgetary information

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund and debt service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these two funds.

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

- Prior to August 20 for a fiscal year start date of September 1, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.

- Prior to August 31st for a fiscal year start date of September 1, the Board legally adopts the budget for the general fund and debt service fund.

- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.

- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate administrator. Transfers may be authorized within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments.

Instances were noted in which expenditures exceeded budgeted amounts at the functional level as detailed in the General Fund – Budgetary comparison Schedule (Exhibit G-1) for the following fund:

Function Code		Budget	Actual	Variances
12	Instructional Resources and Media Services	$ 177,662	$ 178,753	$ (1,091)
33	Health Services	156,442	163,074	(6,632)
34	Student (Pupil) Transportation	125,615	156,650	(31,035)
52	Security and Monitoring Services	130,173	132,496	(2,323)

OTHER SCHEDULES

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2009

Last 10 Years Ended August 31		(1) Tax Rates	(2)	(3) Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2000	and prior years	Various	Various	$ Various
2001		1.393000	0.140000	38,413,730
2002		1.400000	0.220000	39,450,160
2003		1.460000	0.160000	43,413,660
2004		1.460000	0.160000	47,235,186
2005		1.460000	0.160000	48,696,560
2006		1.460000	0.160000	51,042,884
2007		1.330000	0.160000	59,748,334
2008		1.040000	0.222000	60,091,791
2009	(School year under audit)	1.040000	0.292000	62,692,177
1000	TOTALS			

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
$ 52,727	$ -	$ 3,182	$ 145	$ (11,643)	$ 37,757
7,747	-	1,021	102	(315)	6,309
10,595	-	1,905	299	(419)	7,972
13,156	-	3,271	359	(336)	9,190
22,073	-	5,903	647	(332)	15,191
25,259	-	7,667	840	(332)	16,420
33,977	-	11,343	1,243	(332)	21,059
57,741	-	20,445	2,460	(1,599)	33,237
93,253	-	39,277	8,344	182	45,814
-	811,693	536,780	150,711	5,581	129,783
$ 316,528	$ 811,693	$ 630,794	$ 165,150	$ (9,545)	$ 322,732

EXHIBIT J-2

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2009

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	$ 731	$ -	$ 164,652	$ 343,595	$ -	$ -	$ 508,978
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	47,842	-	-	-	47,842
6212	Audit Services	-	-	-	17,900	-	-	17,900
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	16,519	-	-	-	-	16,519
621X	Other Professional Services	1,037	-	1,095	5,222	-	-	7,354
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	11,850	-	-	11,850
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	2,980	-	3,341	7,004	-	-	13,325
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,919	-	7,183	8,926	-	-	21,028
6410	Travel, Subsistence, Stipends	12,278	-	3,882	3,618	-	-	19,778
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	2,160	-	33,238	10,921	-	-	46,319
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	$ 24,105	$ 16,519	$ 261,233	$ 409,036	$ -	$ -	$ 710,893

Total expenditures/expenses for General and Special Revenue Funds:			(9)	$ 11,934,975
LESS: Deductions of Unallowable Costs				
FISCAL YEAR				
Total Capital Outlay (6600)	(10)	$ 51,141		
Total Debt & Lease(6500)	(11)	-		
Plant Maintenance (Function 51, 6100-6400)	(12)	1,680,489		
Food (Function 35, 6341 and 6499)	(13)	321,440		
Stipends (6413)	(14)	-		
Column 4 (above) - Total Indirect Cost		409,036		
SubTotal:				2,462,105
Net Allowed Direct Cost				$ 9,472,870
CUMULATIVE				
Total Cost of Buildings before Depreciation (1520)			(15)	$ 24,777,853
Historical Cost of Building over 50 years old			(16)	$ 5,000,000
Amount of Federal Money in Building Cost (Net of #16)			(17)	$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)			(18)	$ 1,793,832
Historical Cost of Furniture & Equipment over 16 years old			(19)	$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)			(20)	$ -

(8) NOTE A: $11,600 in Function 53 expenditures are included in this report on administrative costs.
No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

EXHIBIT J-3

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2009

UNAUDITED

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)			$	1,777,309
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	$	96,461		
3	Total 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 (9/1/09-5/31/10).		1,190,000		
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)		-		
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	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)				1,286,461
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)			$	490,848

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

Excess net positive undesignated unreserved general fund balance will be used for future construction projects.

EXHIBIT J-4

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 166,632	$ 166,632	$ 175,193	$ 8,561
5800	State Program Revenues	923,555	923,555	942,241	18,686
5020	Total Revenues	1,090,187	1,090,187	1,117,434	27,247
	EXPENDITURES:				
	Debt Service:				
0071	Debt Service - Principal on Long Term Debt	485,000	485,000	495,000	(10,000)
0072	Debt Service - Interest on Long Term Debt	603,948	603,948	585,249	18,699
0073	Debt Service - Bond Issuance Cost and Fees	3,000	3,000	2,942	58
6030	Total Expenditures	1,091,948	1,091,948	1,083,191	8,757
1200	Net Change in Fund Balances	(1,761)	(1,761)	34,243	36,004
0100	Fund Balance - September 1 (Beginning)	-	61,414	61,414	-
3000	Fund Balance - August 31 (Ending)	$ (1,761)	$ 59,653	$ 95,657	$ 36,004

FEDERAL AWARDS SECTION

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*

To the Board of Trustees
Santa Rosa Independent School District

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Santa Rosa Independent School District (the "District") as of and for the year ended August 31, 2009, and have issued our report thereon dated January 18, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 09-1 and 09-2.

We also noted certain matters that we reported to management of the District in a separate letter dated January 18, 2010.

Santa Rosa Independent School District's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Santa Rosa Independent School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, 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.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 18, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Santa Rosa Independent School District

Compliance

We have audited the compliance of Santa Rosa Independent School District (the "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, 2009. The 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 the District's compliance with those requirements.

In our opinion, Santa Rosa 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, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 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 the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, 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.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 18, 2010

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__X__ no
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	__X__ no
Type of auditors' 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?	_____ yes	__X__ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
84.010/84.389A	Title I, Part A - Improving Basic Programs
84.318	Title II, Part D
84.334	Gear-Up

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

Section II - Financial Statement Findings

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (09-1)	**Allocated State Program Revenues**
General	
Condition Found:	The District failed to expend at least 85% of its allocation for Gifted and Talented and Career and Technical (Program Code 21 and 22, respectively) programs during the 2008-2009 year.
Criteria:	For programs financed under the Foundation School Program Act, the District must expend at least 85% of its allocation as mandated by the Act.
Questioned Costs/Basis:	Gifted and Talented (Program Code 21) - $15,717. Career and Technical (Program Code 22) - $134,193. Questioned costs represent the amount under 85% which the District failed to expend.
Context:	The questioned costs represent the total amount under spent for the program listed.
Effect:	Failure by the District to utilize these funds for the purposes for which they are designated could result in downward adjustments to the District's entitlements in future years' program(s).
Recommendation:	The District should review amounts budgeted for these entitlements to ensure that appropriate consideration is given to the utilization of these funds for the purpose for which they are designated. The District should also review coding of expenditures to insure that all costs associated with the program are properly accounted.

Section II - Financial Statement Findings

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (09-2)	**Expenditures in Excess of Budget Appropriations**
General	
Condition Found:	As indicated in the notes to the District's financial statements, we noted instances in which the District's budget had been exceeded on a functional level.
Criteria:	State law requires budget amendments to be made prior to exceeding a major functional category.
Questioned Costs/Basis:	Not applicable
Context:	We noted a negative variance in four functional expenditure categories.
Effect:	The District incurs expenditures that are not budgeted in advance by the Board of Trustees.
Recommendation:	Budget versus actual comparisons should be made on a monthly basis, and control over expenditures should include a review of available budget amounts prior to approval of purchase orders for the expenditure of funds.

Total all questioned costs	$ -

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted that were required to be reported.

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2009

PROGRAM DESCRIPTION	STATUS OF PRIOR YEAR'S FINDING/COMPLIANCE
Schedule Reference Number: (08-1)	**Allocated State Program Revenue** Additional corrective action is necessary as noted in the current year.
Schedule Reference Number: (08-2)	**Expenditures in Excess of Budget Appropriations** Additional corrective action is needed as noted in the current year findings.
Schedule Reference Number: (08-3)	**Internal Control – Payroll Accrual** No additional instances were noted in the current year.

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2009

PROGRAM DESCRIPTION	CORRECTIVE ACTION PLAN
Schedule Reference Number: (09-1)	**Allocated State Program Revenues**
General	
Corrective Action Plan:	The expenditures in the Gifted and Talented and Career and Technical were expended. Expenditures for salaries and other associated costs related to those programs were not reported in sufficient detail to allow the Business Office to determine the proper program coding during the transaction recording process. Procedures will be reviewed with campus staff to ensure that all information is submitted in sufficient detail for proper program coding.
Schedule Reference Number: (09-2)	**Expenditures in Excess of Budget Appropriations**
General	
Corrective Action Plan:	The District will monitor the budget throughout the fiscal year to ensure that amendments are made when needed.
Contact Person:	Hilda Rendon Business Manager
Implementation Time Frame:	Within the next fiscal year

EXHIBIT K-1

SANTA ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
Adult Education (ABE) - Federal	84.002A	94100087110213	$ 64,069
Adult Education (ABE) - Federal	84.002A	04100087110213	6,466
Total CFDA Number 84.002A			70,535
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	9610101031914	737,772
ESEA, Title I, Part A - Improving Basic Programs*	84.010A	0615001031914	134,424
ESEA, Title I, Part A – ARRA - Improving Basic Programs*	84.389A	10551001031914	4,699
Total CFDA Number 84.010A/84.389A			876,895
ESEA, Title I, Part C - Migratory Children	84.011	9615001031914	98,946
ESEA, Title I, Part C - Migratory Children	84.011	0615001031914	13,268
Total CFDA Number 84.011			112,214
Career and Technical - Basic Grant	84.048	942000603191401	19,641
Career and Technical - Basic Grant	84.048	0420006031914	1,467
Total CFDA Number 84.048			21,108
ESEA Title IV - Safe and Drug-Free Schools	84. 186A	000276022893	1,609
Career and Technical - Technical Preparation	84.243A	1st GNY5-14	1,239
Title V, Part A - Innovative Programs	84.298	9685001031914	2,072
Title II, Part D -Enhancing Ed. Through Technology	84.318	000276022893	308,328
Title III, Part A - English Language Acquisition	84.365A	09671001031914	11,232
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	09694501108950	103,393
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	00694501108950	4,200
Total CFDA Number 84.367A			107,593
Title I SIP Academy Grant	84.377A	096107010131914001	98,497
Title I SIP Academy Grant	84.377A	006107010131914001	18,402
Total CFDA Number 84.377A			116,899
Gear Up	84.334	514532	115,679
Total Passed Through State Department of Education			$ 1,750,102
TOTAL DEPARTMENT OF EDUCATION			$ 1,750,102
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
School Breakfast Program*	10.553		$ 218,875
National School Lunch Program - Cash Assistance*	10.555		404,653
National School Lunch Prog. - Non-Cash Assistance*	10.555		27,947
Total CFDA Number 10.555			432,600
Summer Feeding Program - Cash Assistance	10.559		21,522
Total Passed Through the State Department of Agriculture			$ 672,997
TOTAL DEPARTMENT OF AGRICULTURE			$ 672,997
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,423,099

SANTA ROSA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2009

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Reconciliation of expenditures of Federal awards to Exhibit C-3:			
Passed through Federal awards not required to be included:			
SHARS			147,307
Total passed through Federal awards not required to be included			147,307
TOTAL EXPENDITURES OF FEDERAL AWARDS, PER EXHIBIT C-3			$2,570,406

*Indicates clustered programs under OMB Circular A-133 Compliance Supplement

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Santa Rosa 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 State, 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 ROSA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2009

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 instance of material weaknesses in internal controls?	No
SF9	Was there any disclosures 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?	$184,449

MEMORANDUM OF ADVISORY COMMENTS

SANTA ROSA INDEPENDENT SCHOOL DISTRICT

August 31, 2009

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

LONG CHILTON, LLP

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS AND INDIVIDUALS

Members - Division of Firms,
American Institute of CPAs

402 East Tyler
Harlingen, Texas 78550
(956) 423-3765
Fax (956) 428-7520
www.longchilton.com

To the Board of Trustees and Management
Santa Rosa Independent School District

In planning and performing our audit of the financial statements of the Santa Rosa Independent School District for the year ended August 31, 2009, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report, dated January 18, 2010, on the financial statements of the Santa Rosa Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assisting you in implementing the recommendations.

This report is intended solely for the information and use of the audit committee, management, the Texas Education Agency, 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.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 18, 2010

COMMENTS AND OBSERVATIONS

We have the following additional comments and observations that came to our attention during the performance of our audit procedures.

Review and Adjust Allowance for Doubtful Accounts Regularly

In prior years, the District's allowance for doubtful accounts has been a percentage of property taxes receivable of 10%. During our audit, the allowance for doubtful accounts did not match the percentage of 10% of property taxes receivable. The District should review the adequacy of the allowance during the year and appropriately adjust the allowance. These efforts should minimize the need for a year-end adjustment of this account as well as improve the accuracy of interim financial statements.

Review Deferred Revenue Accounts

During our audit, we noted the District's deferred revenue balances for property taxes did not match the gross property taxes receivable balances. The District's deferred property tax revenue and gross property tax receivable should match. We recommend that the District evaluate these accounts for continued deferral and adjust the balances accordingly.

Keep Board Minutes in a Safe Place

During our review of the minutes of the meetings of the Board of Trustees, the minute's custodian had difficulty finding the minutes for September 2008 and October 2008. The minutes include significant matters; therefore, all minutes should be kept in a safe, fireproof place since they are an important part of the District's records, which should be retained permanently.

Year-End Closing Procedures

To ensure effective completion of the annual year-end closing procedures and to ensure that the overall reporting timetable is met. We recommend the Business Manager establish a target date to complete the year end closing, possibly sixty days subsequent to year end. We suggest the District develop a formal year-end closing schedule that indicates specific personnel responsibilities and corresponding time requirements. Strict adherence to this schedule should be required because this will allow for the year end work and audit preparation to be a much less time consuming and arduous process.