

**SAN BENITO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL
AND
COMPLIANCE REPORT*

FOR THE YEAR ENDED AUGUST 31, 2008

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2008

TRUSTEES

Joe G. Gonzalez - President

Oscar Medrano - Vice-President

Manuel Gonzales, Jr. - Secretary

Oscar de la Fuente, Jr.

Hector G. Leal

Roel Villarreal

Bob Tumberlinson

SUPERINTENDENT

Antonio G. Limon

BUSINESS MANAGER

Emma McCall

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2008**

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

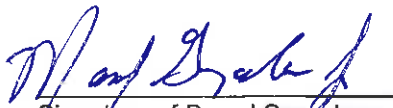
San Benito Consolidated Independent School District
Name of School District

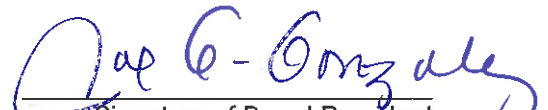
Cameron
County

031-912
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and ___ approved -- ___ disapproved for the year ended August 31, 2008 at a
(Check one)

meeting of the board of school trustees of such school district on the ___ day of _____, 2009.


Signature of Board Secretary


Signature of Board President

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San Benito Consolidated Independent School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District as of and for the year ended August 31, 2008, 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 San Benito Consolidated Independent School District as of August 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis, and the General Fund - Budgetary Comparison Schedule on pages 15 through 21 and 56 through 58 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 San Benito Consolidated 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.

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of San Benito Consolidated Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

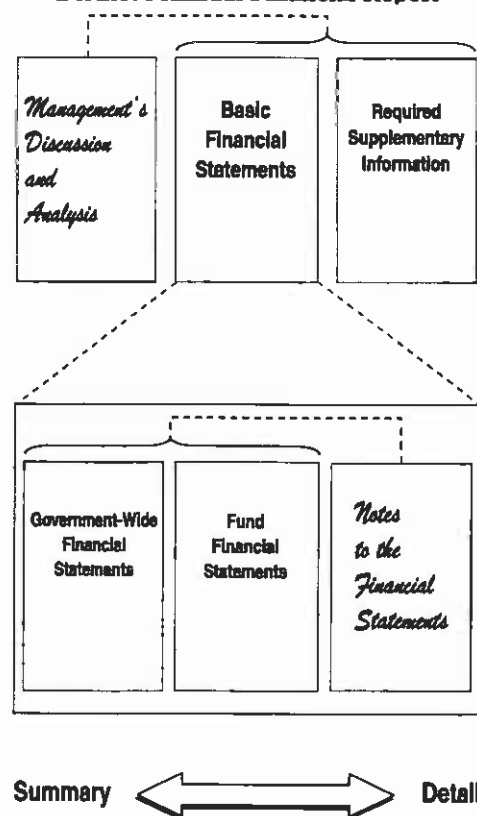
- The District's total combined net assets were \$58,823,209 at August 31, 2008. This is an decrease of \$1,909,075 from the prior year.
- During the year, the District's expenses were \$ 1,909,075 more than the \$108,729,576 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$8,373,681.
- The District received a superior rating for the Financial Integrity Reporting System of Texas (FIRST) for 2008. This rating evaluates quality of performance in the management of school district's financial resources. This is the third year in a row the District receives a superior rating.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

Government-wide Statements

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets	* Balance sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets	* Statement of changes in fiduciary net assets
			* Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The 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.

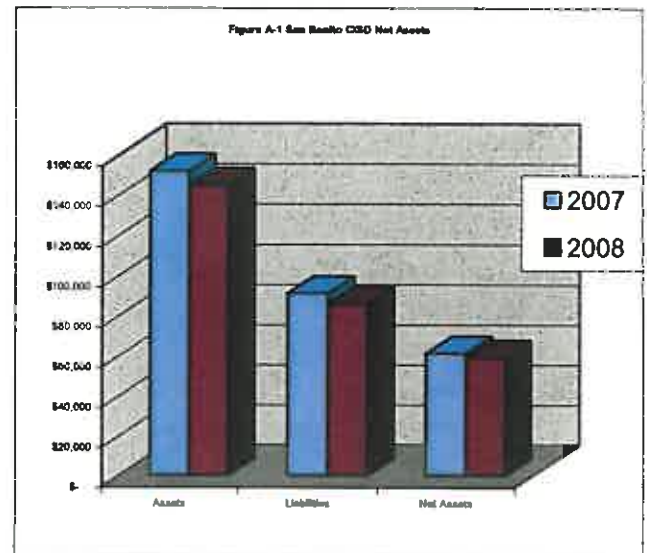
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The District uses *internal service funds* to report activities for its worker's compensation and employee benefits program.
- *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 \$58,823,209 at August 31, 2008. (See Table A-1).

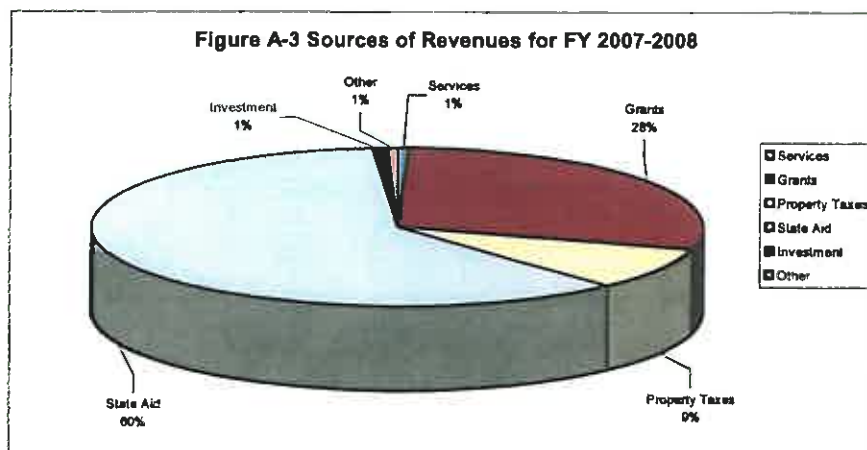
Table A-1
San Benito Consolidated Independent School District's Net Assets
(In thousands dollars)

	Governmental Activities	
	2008	2007
Current and other assets	\$ 21,716	\$ 25,760
Capital assets	<u>122,567</u>	<u>125,503</u>
Total Assets	<u>144,283</u>	<u>151,263</u>
Long-term liabilities outstanding	75,724	78,953
Other liabilities	<u>9,735</u>	<u>11,578</u>
Total Liabilities	<u>85,459</u>	<u>90,531</u>
Net Assets:		
Invested in capital assets – net of related debt	46,068	46,614
Restricted	5,739	2,662
Unrestricted	<u>7,016</u>	<u>11,456</u>
Total Net Assets	\$ <u>58,823</u>	\$ <u>60,732</u>



Approximately 10% of the District's net assets are subject to external restrictions on how they may be used. The \$7,015,742 of unrestricted net asset represents resources available to fund the programs of the District next year.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation is true for the prior year.



Changes in net assets. The District's total revenues were \$ 108,729,576. Approximately 9%, of the District's revenue comes from taxes. (See Figure A-3.) 88% comes from state aid – formula grants and operating grants, while only 1% relates to charges for services. The decrease in local revenues is largely due to the decrease in property taxes from 1.464 to 1.24. Interest earned was down due to the declining interest rates and the decline in the amount of construction funds invested. State revenues increased due to an increase in enrollment.

The total cost of all programs and services was \$110,638,651.

Governmental Activities

- Property tax rates decreased from 1.464 to 1.24 from the previous year and property values increased 8%.
- Average daily attendance increased by 251 students.

Table A-2
Changes in San Benito Consolidated Independent School District's
Net Assets
(In thousands dollars)

	Governmental Activities	
	2008	2007
Program Revenues:		
Charges for Services	\$612	\$588
Operating Grants and Contributions	31,484	31,243
General Revenues		
Property Taxes	9,255	10,275
State Aid – Formula	66,013	59,644
Investment Earnings	797	1,555
Other	569	392
Total Revenues	108,730	103,697
Expenses:		
Instruction	53,430	49,941
Instructional Resources and Media Services	1,643	1,768
Curriculum Dev. And Instructional Staff Dev	1,592	1,235
Instructional Leadership	4,580	4,877
School Leadership	5,350	4,652
Guidance, Counseling and Evaluation Services	3,231	3,158
Social Work Services	1,273	937
Health Services	1,019	933
Student (Pupil) Transportation	3,277	3,184
Food Services	6,766	6,079
Co-Curricular/Extracurricular Activities	3,106	3,059
General Administration	3,312	6,269
Plant Maintenance & Operations	14,965	12,772
Security & Monitoring Services	1,900	1,658
Data Processing Services	220	514
Community Services	858	830
Debt Service	4,097	4,166
Bond Issuance Fees	7	4
Capital Outlay	-	382
Payments to Juvenile Justice Alternative	13	14
Total Expenses	110,639	106,432
Increase in Net Assets	(1,909)	(2,735)
Beginning Net Assets	60,732	65,766
Prior Period Adjustments	-	(2,299)
Ending Net Assets	\$58,823	\$60,732

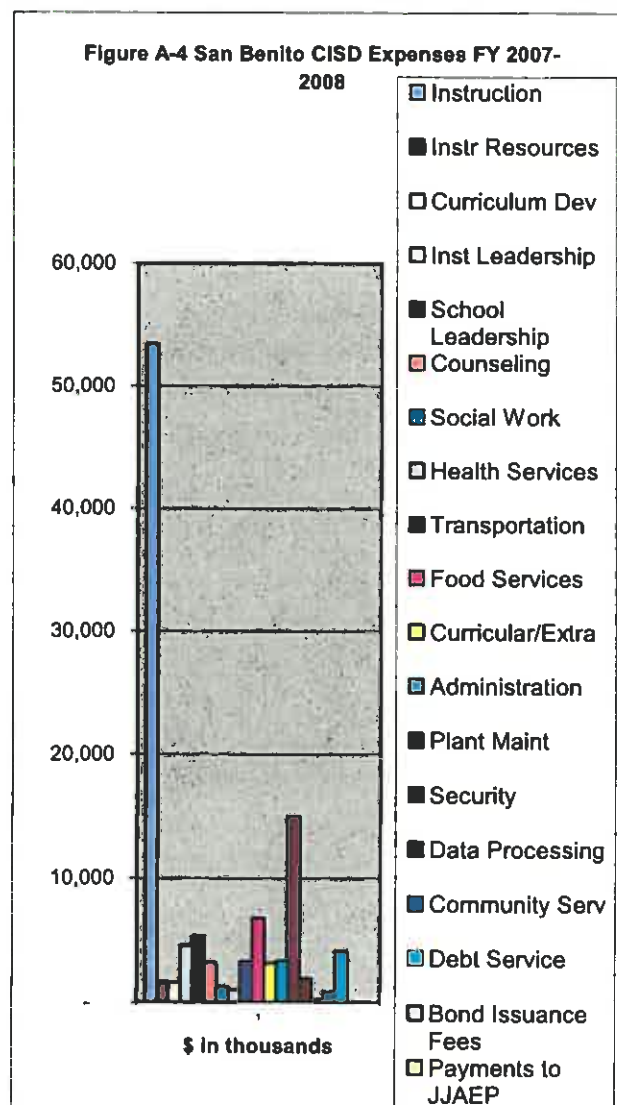


Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2008	2007		2008	2007	
Instruction	53,431	49,941	7.0%	48,078	38,711	24.2%
School Leadership	5,350	4,652	15.0%	4,829	4,159	16.1%
Food Services	6,766	6,079	11.3%	227	129	75.9%
Plant Maintenance & Operations	14,965	12,772	17.1%	14,603	12,175	19.9%
Debt Service – Interest & Fiscal	4,096	4,166	(1.7%)	(1,847)	(1,897)	(2.6%)

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

- The cost of all *governmental* activities this year was \$110,638,651.
- However, the amount that our taxpayers paid for these activities through property taxes was \$9,254,689.
- Some of the cost was paid by those who directly benefited from the programs \$612,193 or by grants and contributions \$31,484,289.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$108,502,304 an increase of \$5 million over the preceding year. There was a decrease in local revenues of over \$2 million. This decrease was a result of the decrease in the tax levy and reduced investment income. State revenue totaled \$76,937,806 an increase of \$6.5 million over last year. The increase in state revenue was due to increased state funding to offset the reduction in property taxes and an increase in average daily attendance of 251. The \$.4 million increase in federal revenues was primarily due to increased participation in the child nutrition program.

General Fund Budgetary Highlights

- Property tax collections rate was 98%.
- Average Daily Attendance was 10,031, up 251 from the prior year.
- Superior rating for the Financial Integrity Reporting System of Texas (FIRST).

Actual state revenues were significantly less than budgeted state revenues due to a change in the state compensatory education calculation and because of an over projection of student enrollment in career and technology. Actual federal revenues were less than budgeted because of a change in the SHARS estimate. Instructional expenditures were less than budgeted amounts because amounts are budgeted for various programs but not actually spent during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the District had invested \$171,823,239 in a broad range of capital assets, including land, equipment, buildings, vehicles, and Construction in Progress. (See Table A-4.) During 2008 the district was in the final stages of completion for the 2004 and 2005 bonds. Final disbursements for these projects were made in 2008.

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

	Governmental Activities	
	2008	2007
Land	\$ 6,395	\$ 6,357
Buildings and improvements	151,316	148,469
Vehicles & Equipment	14,111	13,065
Construction in Progress	-	688
Totals at historical cost	171,822	168,579
Total accumulated depreciation	49,255	43,077
Net capital assets	<u>\$122,567</u>	<u>\$125,502</u>

Long Term Debt

At year-end the District had \$78,055,000 in bonds outstanding as shown in Table A-5. In May 2008, the voters of the District approved the issuance of an additional \$37 million in bonds. In September 2008, the District received \$37 million in bond proceeds. The proceeds will be used for campus renovations and for new construction in the future. 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)

	Governmental Activities	
	2008	2007
Compensated absences	\$ 740	\$ 764
Accrued interest payable	774	431
Capital leases	440	611
Bonds payable	78,055	82,195
Total bonds & notes	<u>\$80,009</u>	<u>\$84,001</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2008-09 budget preparation are up \$57 million, or about 8% from \$683 million in 2007 –2008 to \$740 million currently.
- There was a decrease of 6 cents in the property tax rate. The increase was in the debt service rate in order to cover the payments for the 2008 bonds which were sold in September 2008. Maintenance and operations is at \$1.04 and interest and sinking is at \$.26 for a total rate of \$1.30
- The District's 2008-2009 refined average daily attendance was expected to increase by 2.3%.

These indicators were taken into account when adopting the general fund budget for 2008-2009. Amounts available for appropriation in the general fund budget are \$85.7 million, a decrease of .05 percent from the 2007-2008 budget of \$86.1 million. Property taxes revenue will decrease due to the tax reduction. State revenue will increase in order to offset the local tax reduction, and for the increase in enrollment.

The District final stages of completing all the 2004-2005 bond projects. Proceeds from bonds issued in 2004 and 2005, respectively, are expected to be depleted by the end of the 2008-2009 school year.

The District has been monitoring the enrollment for 2008-2009 and the projected enrollment has not materialized. Consequently, the District has taken steps to reduce the budget in order to minimize any negative effects on the fund balance.

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 240 N. Crockett Street, San Benito, Texas 78586.

BASIC FINANCIAL STATEMENTS

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2008

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 11,403,254
1225	Property Taxes Receivable (Net)	2,440,706
1240	Due from Other Governments	3,567,282
1250	Accrued Interest	903,148
1267	Due from Fiduciary	1,055,388
1290	Other Receivables (Net)	340,317
1300	Inventories	430,982
1410	Deferred Expenses	1,035,606
1420	Capitalized Bond and Other Issuance Costs	459,701
1430	Premium on Issuance of Bonds	78,197
1490	Other Current Assets	685
Capital Assets:		
1510	Land	6,395,732
1520	Buildings and Improvements, Net	110,306,835
1530	Furniture and Equipment, Net	5,864,814
1000	Total Assets	<u>144,282,647</u>
LIABILITIES:		
2110	Accounts Payable	2,056,162
2140	Interest Payable	20,563
2165	Accrued Liabilities	2,437,800
2180	Due to Other Governments	876,481
2300	Unearned Revenue	59,325
Noncurrent Liabilities:		
2501	Due Within One Year	4,285,323
2502	Due in More Than One Year	75,723,784
2000	Total Liabilities	<u>85,459,438</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	46,068,389
Restricted For:		
3850	Debt Service	1,858,341
3890	Construction	2,769,986
3890	Other Purposes	1,110,751
3900	Unrestricted	7,015,742
3000	Total Net Assets	<u>\$ 58,823,209</u>

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Assets
			Charges for Services			
	Governmental Activities:					Governmental Activities
11	Instruction	\$ 53,430,653	\$ 5,618	\$ 11,077,799	\$	(42,347,236)
12	Instructional Resources and Media Services	1,643,150	204	154,805		(1,488,141)
13	Curriculum and Staff Development	1,592,167	51	1,120,610		(471,506)
21	Instructional Leadership	4,579,769	175	2,512,048		(2,067,546)
23	School Leadership	5,349,934	841	519,607		(4,829,486)
31	Guidance, Counseling, & Evaluation Services	3,230,719	225	1,092,037		(2,138,457)
32	Social Work Services	1,273,351	18	937,384		(335,949)
33	Health Services	1,018,719	147	174,958		(843,614)
34	Student Transportation	3,276,830	34	37,237		(3,239,559)
35	Food Service	6,766,048	450,864	6,087,973		(227,211)
36	Cocurricular/Extracurricular Activities	3,106,187	148,740	158,790		(2,798,657)
41	General Administration	3,311,935	527	112,907		(3,198,501)
51	Plant Maintenance and Operations	14,965,305	3,816	358,337		(14,603,152)
52	Security and Monitoring Services	1,899,925	776	526,438		(1,372,711)
53	Data Processing Services	220,040	22	59,876		(160,142)
61	Community Services	857,911	22	609,407		(248,482)
72	Interest on Long-term Debt	4,096,714	113	5,944,076		1,847,475
73	Bond Issuance Costs and Fees	6,745	—	—		(6,745)
95	Payments to Juvenile Justice Alternative Ed. Programs	12,549	—	—		(12,549)
TG	Total Governmental Activities	110,638,651	612,193	31,484,289		(78,542,169)
TP	Total Primary Government	\$ 110,638,651	\$ 612,193	\$ 31,484,289		(78,542,169)
General Revenues:						
MT	Property Taxes, Levied for General Purposes					7,787,916
DT	Property Taxes, Levied for Debt Service					1,466,773
IE	Investment Earnings					796,880
GC	Grants and Contributions Not Restricted to Specific Programs					66,012,881
MI	Miscellaneous					568,644
TR	Total General Revenues					76,633,094
CN	Change in Net Assets					(1,909,075)
NB	Net Assets - Beginning					60,732,284
NE	Net Assets - Ending				\$	58,823,209

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 Cash and Cash Equivalents	\$ 6,438,843	\$ 1,769,458
1225 Taxes Receivable, Net	2,081,521	359,185
1240 Due from Other Governments	2,217,738	—
1250 Accrued Interest	9,955	—
1260 Due from Other Funds	2,249,949	135,005
1290 Other Receivables	340,317	—
1300 Inventories	430,982	—
1410 Deferred Expenditures	921,096	—
1490 Other Current Assets	685	—
1000 Total Assets	\$ 14,691,086	\$ 2,263,648
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 710,972	\$ 35,716
2140 Interest Payable	20,563	—
2150 Payroll Deductions & Withholdings	1,951	—
2160 Accrued Wages Payable	2,156,873	—
2170 Due to Other Funds	471,733	10,405
2180 Due to Other Governments	873,792	—
2300 Unearned Revenue	2,081,521	359,186
2000 Total Liabilities	6,317,405	405,307
FUND BALANCES:		
Reserved Fund Balances:		
3410 Investments in Inventory	430,982	—
3420 Debt Service	—	1,858,341
3430 Prepaid Items	921,096	—
3450 Reserve for Food Service	163,760	—
3470 Capital Acquisitions & Contractual Obligations	—	—
3490 Other Reserves of Fund Balance	—	—
3600 Unreserved	6,857,843	—
3000 Total Fund Balances	8,373,681	1,858,341
4000 Total Liabilities and Fund Balances	\$ 14,691,086	\$ 2,263,648

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 3,115,737	\$ 79,216	\$ 11,403,254
—	—	2,440,706
—	1,349,544	3,567,282
—	—	9,955
—	—	2,384,954
—	—	340,317
—	—	430,982
—	—	921,096
—	—	685
<u>\$ 3,115,737</u>	<u>\$ 1,428,760</u>	<u>\$ 21,499,231</u>

\$ 345,751	\$ 1,356	\$ 1,093,795
—	—	20,563
—	—	1,951
—	254,639	2,411,512
—	—	482,138
—	2,689	876,481
—	59,325	2,500,032
<u>345,751</u>	<u>318,009</u>	<u>7,386,472</u>

—	—	430,982
—	—	1,858,341
—	—	921,096
—	—	163,760
2,769,986	—	2,769,986
—	1,110,751	1,110,751
—	—	6,857,843
<u>2,769,986</u>	<u>1,110,751</u>	<u>14,112,759</u>
<u>\$ 3,115,737</u>	<u>\$ 1,428,760</u>	<u>\$ 21,499,231</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2008**

Total fund balances - governmental funds balance sheet \$ 14,112,759

Amounts reported for governmental activities in the statement of net assets
("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	120,862,211
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,446,329
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	873,120
Payables for bond principal which are not due in the current period are not reported in the funds.	(78,055,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(440,189)
Payables for bond interest which are not due in the current period are not reported in the funds.	(773,789)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(740,130)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	537,898

Net assets of governmental activities - statement of net assets \$ 58,823,209

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 9,071,661	\$ 1,582,768
5800 <i>State Program Revenues</i>	67,665,299	5,941,178
5900 <i>Federal Program Revenues</i>	6,670,052	—
5020 Total Revenues	<u>83,407,012</u>	<u>7,523,946</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	41,084,062	—
0012 <i>Instructional Resources and Media Services</i>	1,456,554	—
0013 <i>Curriculum and Staff Development</i>	383,456	—
0021 <i>Instructional Leadership</i>	1,632,156	—
0023 <i>School Leadership</i>	4,708,914	—
0031 <i>Guidance, Counseling, & Evaluation Services</i>	2,039,978	—
0032 <i>Social Work Services</i>	271,886	—
0033 <i>Health Services</i>	831,589	—
0034 <i>Student Transportation</i>	894,024	—
0035 <i>Food Service</i>	6,365,956	—
0036 <i>Cocurricular/Extracurricular Activities</i>	2,794,907	—
0041 <i>General Administration</i>	2,767,337	—
0051 <i>Plant Maintenance and Operations</i>	14,260,334	—
0052 <i>Security and Monitoring Services</i>	1,547,499	—
0053 <i>Data Processing Services</i>	116,158	—
0061 <i>Community Services</i>	205,984	—
0071 <i>Principal on Long-term Debt</i>	325,580	3,990,000
0072 <i>Interest on Long-term Debt</i>	226,912	3,497,356
0073 <i>Bond Issuance Costs and Fees</i>	4,456	2,289
0081 <i>Capital Outlay</i>	63,127	—
0095 <i>Payments to Juvenile Justice Alternative</i>	—	—
0095 <i>Education Programs</i>	12,549	—
6030 Total Expenditures	<u>81,993,418</u>	<u>7,489,645</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>1,413,594</u>	<u>34,301</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	—	—
7949 <i>Other Resources</i>	219,243	—
8911 <i>Transfers Out</i>	(1,934,434)	—
7080 Total Other Financing Sources and (Uses)	<u>(1,715,191)</u>	<u>—</u>
1200 Net Change in Fund Balances	<u>(301,597)</u>	<u>34,301</u>
0100 Fund Balances - Beginning	8,675,278	1,824,040
3000 Fund Balances - Ending	<u>\$ 8,373,681</u>	<u>\$ 1,858,341</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 131,458	\$ —	\$ 10,785,887
984,000	2,347,329	76,937,806
—	14,108,559	20,778,611
<u>1,115,458</u>	<u>16,455,888</u>	<u>108,502,304</u>
—	9,143,021	50,227,083
—	89,343	1,545,897
—	1,114,535	1,497,991
—	2,677,397	4,309,553
—	325,255	5,034,169
—	999,928	3,039,906
—	926,371	1,198,257
—	126,809	958,398
—	793	894,817
—	615	6,366,571
—	141,233	2,936,140
—	417	2,767,754
—	12,185	14,272,519
—	490,777	2,038,276
—	90,956	207,114
—	601,454	807,438
—	—	4,315,580
—	—	3,724,268
—	—	6,745
2,627,867	—	2,690,994
—	—	12,549
<u>2,627,867</u>	<u>16,741,089</u>	<u>108,852,019</u>
(1,512,409)	(285,201)	(349,715)
—	558,203	558,203
—	—	219,243
(66,144)	—	(2,000,578)
(66,144)	558,203	(1,223,132)
(1,578,553)	273,002	(1,572,847)
4,348,539	837,749	15,685,606
<u>\$ 2,769,986</u>	<u>\$ 1,110,751</u>	<u>\$ 14,112,759</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2008*

Net change in fund balances - total governmental funds	\$ (1,572,847)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,226,289
The depreciation of capital assets used in governmental activities is not reported in the funds.	(6,179,196)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(15,031)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,140,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	171,257
Bond issuance costs and similar items are amortized in the SOA but not in the funds	20,067
The accretion of interest on capital appreciation bonds is not reported in the funds.	(343,457)
The net revenue (expense) of internal service funds is reported with governmental activities.	(1,371,038)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	23,933
Bond premiums are reported in the funds but not in the SOA.	(4,599)
Other	(4,453)
Change in net assets of governmental activities - statement of activities	\$ (1,909,075)

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

AUGUST 31, 2008

Data Control Codes		Internal Service Funds
ASSETS:		
Current Assets:		
Receivables:		
1250	Due from Other Funds	\$ 173,639
1260	Other Receivables	893,193
1410	Deferred Expenditures	114,510
	Total Current Assets	<u>1,181,342</u>
Noncurrent Assets:		
Capital Assets:		
1520	Buildings and Improvements	106,956
1530	Furniture and Equipment	3,566,657
1570	Accumulated Depreciation	(1,968,443)
	Total Noncurrent Assets	<u>1,705,170</u>
1000	Total Assets	<u>\$ 2,886,512</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 962,367
2160	Accrued Wages Payable	24,337
2170	Due to Other Funds	1,021,067
	Total Current Liabilities	<u>2,007,771</u>
2000	Total Liabilities	<u>2,007,771</u>
NET ASSETS:		
3900	Unrestricted Net Assets	878,741
3000	Total Net Assets	<u>\$ 878,741</u>

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES, AND CHANGES****IN FUND NET ASSETS - INTERNAL SERVICE FUNDS****FOR THE YEAR ENDED AUGUST 31, 2008**

Data Control Codes		Internal Service Funds
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 8,944,560
5800	<i>State Program Revenues</i>	94,019
5020	Total Revenues	<u>9,038,579</u>
	OPERATING EXPENSES:	
6100	<i>Payroll Costs</i>	1,823,311
6200	<i>Professional and Contracted Services</i>	8,893,839
6300	<i>Supplies and Materials</i>	698,673
6400	<i>Other Operating Costs</i>	423,546
6030	Total Expenses	<u>11,839,369</u>
	Income (Loss) before Contributions and Transfers	(2,800,790)
7915	<i>Transfers In</i>	<u>1,435,373</u>
1300	Change in Net Assets	<u>(1,365,417)</u>
0100	Total Net Assets - Beginning	2,244,158
3300	Total Net Assets - Ending	<u>\$ 878,741</u>

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****INTERNAL SERVICE FUNDS****FOR THE YEAR ENDED AUGUST 31, 2008**

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Received from Grants</i>	94,020
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	9,273,930
<i>Cash Payments to Employees for Services</i>	(1,823,313)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(10,016,055)
<i>Other Operating Cash Receipts (Payments)</i>	28,151
Net Cash Provided (Used) by Operating Activities	<u>(2,443,267)</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Primary Government</i>	1,435,373
Net Cash Provided (Used) by Non-capital Financing Activities	<u>1,435,373</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Acquisition or Construction of Capital Assets</i>	(235,933)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(235,933)</u>
Cash Flows from Investing Activities:	—
Net Increase (Decrease) in Cash and Cash Equivalents	(1,243,827)
Cash and Cash Equivalents at Beginning of Year	1,243,827
Cash and Cash Equivalents at End of Year	<u>\$ —</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (2,800,790)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	218,313
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Interest Receivable</i>	(465,677)
<i>Decrease (Increase) in Deferred Expenditures</i>	(36,510)
<i>Increase (Decrease) in Accounts Payable</i>	(346,707)
<i>Increase (Decrease) in Accrued Wages Payable</i>	(5,731)
<i>Increase (Decrease) in Interfund Payables</i>	999,854
<i>Increase (Decrease) in Unearned Revenue</i>	(6,019)
Total Adjustments	<u>357,523</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,443,267)</u>

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2008**

Data Control Codes		Agency Funds
ASSETS:		
1110	Cash and Cash Equivalents	\$ 1,405,398
1000	Total Assets	<u>1,405,398</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 23,351
2170	Due to Other Funds	1,055,388
2180	Due to Other Governments	1,628
2190	Due to Student Groups	314,781
2300	Unearned Revenues	<u>10,250</u>
2000	Total Liabilities	<u>1,405,398</u>
NET ASSETS		
3000	Total Net Assets	\$ —

The accompanying notes are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

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 San Benito Consolidated 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 San Benito Consolidated 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. There are no component units with the reporting entity. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, ("GASB Statement No. 14"), a financial reporting entity consists of the primary government and its component unit. Component units are legally separate organizations for which the elected officials of the District are financially accountable, or for which the relationship to the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District's blended component unit, although a legally separate entity, is in substance part of the District's operations, and so data from this unit is combined with data of the primary government.

The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, appointment of a voting majority, fiscal dependency, ability to impose the District's will on the component unit, and whether there is a financial benefit or burden to the District.

For financial reporting purposes, the San Benito Consolidated Independent School District Public Facility Corporation ("PFC") is included in the operations and activities of the District because of the fiscal dependency criteria whereby the PFC serves the District exclusively.

The San Benito Consolidated Independent School District Public Facility Corporation ("PFC"), a blended component unit, was organized to finance the construction of a new multi-purpose stadium for the District. SBCISD PFC is governed by a Board of Directors composed of the San Benito Consolidated Independent School District Board of Trustees. The SBCISD PFC is blended as part of the Capital Projects Fund.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Benito Consolidated Independent School District's (the "District") basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. 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.

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 comprise 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.

Debt Service Fund. This fund is used to account for the revenues collected from local taxation and allocated state aid for the payment of principal and interest on bonded indebtedness.

Capital Projects Fund. The District uses this fund to account for bond proceeds used for construction.

The District reports the following fund types:

Special Revenue Fund. The 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. This fund type also includes child care operations, food concessions, scholarship and food service operations, which is allowed to maintain a fund balance; such balances are to be used exclusively for allowable child nutrition program purposes. The food service fund is the only Special Revenue Fund that is required to be budgeted. For all other funds in this fund-type, project accounting is employed to maintain integrity for the various sources of funds.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

In addition, the District reports the following proprietary fund:

Internal Service Fund. The District uses this fund to account for claim payments and administrative costs paid for the modified self-funded workers' compensation plan provided for the employees.

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

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

2. Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements:

These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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 in 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Unearned 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 deferred revenue is removed and revenue is recognized.

3. Budgets

The official school budget was prepared for adoption for required Governmental Fund Types by August 20, 2007. 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 with 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 the food inventory by using the purchase method whereby purchases of inventories are recognized as expenditures when the goods are received. The District accounts for school supply and maintenance inventory by the consumption method whereby expenditures are recognized when the inventory items are used. 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 unearned revenue.

7. Other Current Assets

Other current assets are prepaid expenses that will benefit periods beyond August 31, 2008. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2008, 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 expendable 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 fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	52
Buildings Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

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's policy allows employees who retire and have accumulated unused state leave to be paid \$40 per day for any unused leave at the time of retirement.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The District's general policy is to report 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED AUGUST 31, 2008

NOTE C - CASH AND INVESTMENTS - Continued

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's policy authorizes all the State allowable investments.

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.

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 reasonable 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, 2008, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,808,652 and the bank balance was \$15,214,587. The District's cash deposits at August 31, 2008 and during the year ended August 31, 2008 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District's cash deposits at August 31, 2008 are maintained primarily at First National Bank, San Benito, Texas. 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. Depository: First National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$18,408,180.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$13,380,582 and occurred during the month of November 2007.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$100,000.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED AUGUST 31, 2008

NOTE C - CASH AND INVESTMENTS - Continued

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.

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.

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating</u>	<u>Percentage</u>
MBIA Asset Management	AAA	\$11,365,545	AAA	100.0%
Lone Star Investments	AAA	<u>181</u>	AAA	<u>0.0%</u>
		<u>\$11,365,726</u>		<u>100.0%</u>

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 ("PFIA"). There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Public Funds Investment Pools

MBIA, Inc.'s Texas CLASS pool is a 2a7-like investment pool. Texas CLASS pool is rated AAA by Fitch. Texas CLASS participants' investments in the pool are evidenced by shares of the pool. The public entity's investment is with the pool, not the securities that make up the pool.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

YEAR ENDED AUGUST 31, 2008

NOTE D - PROPERTY TAX - Continued

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 \$1.04 for maintenance and \$.20 for debt service per \$100 assessed valuation. The 2008 assessed valuation was \$738,640,614. 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, 2008 outstanding taxes in the general fund and debt service fund was \$2,312,801 and \$399,094 with a corresponding allowance for doubtful accounts of \$231,280 and \$39,909.

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
<i>General Fund:</i>		
Texas Education Agency:		
Child Nutrition Program	\$ 192,053	\$ -
Foundation revenues	<u>1,554,125</u>	<u>873,792</u>
	1,746,178	873,792
<i>Other Governmental Funds:</i>		
Texas Education Agency:		
Vocational Education – Basic Grant	2,443	-
Gifted and Talented	6,373	-
Career and Technology	96,713	-
Special Education	136,616	-
State Compensatory Education Fund	208,599	-
Bilingual Education	23,261	-
ESEA, Title IV, Part A – Safe and Drug Free Schools	1,095	-
ESEA, Title I, Part A – Improving Basic Programs	269,052	-
ESEA, Title II, Part C – Education of Migratory Children	48,157	-
ESEA, Title II, Part A – Teacher and Principal Training	45,850	-
ESEA, Title III, Part A – English Language Acquisition	2,737	-
ESEA, Title IV, Part B – 21 st Century Community Learning	112,686	-
Community Service Grant Program	163,557	-
IDEA-B Formula	39,613	-
IDEA-B Preschool	2,115	-
Reading First	106,452	-
Safe Schools/Healthy Student Grant	285,602	-
Gear Up/Region One ESC	59,045	-
COPS – Secure Our Schools Grant	58,077	-
State Supplemental Visually Impaired	551	-
Texas High School Project	91,409	-
Student Success Initiative	50,696	-
Chess Tournament – Host	3,278	-
Technology Allotment	-	1,615
Texas Fitness Now Grant	7,127	-
Non-Educational Community Based Support	<u>-</u>	<u>1,074</u>
	<u>1,821,104</u>	<u>2,689</u>
Total governmental funds	<u>\$3,567,282</u>	<u>\$ 876,481</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2008, was as follows:

	Balance Sept. 1, 2007	Increase	Decrease	Transfers	Balance Aug. 31, 2008
Governmental activities					
Capital assets not being depreciated					
Land	\$ 6,357,438	\$ 38,294	\$ -	\$ -	\$ 6,395,732
Construction in progress	<u>688,083</u>	<u>-</u>	<u>-</u>	<u>(688,083)</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,045,521</u>	<u>38,294</u>	<u>-</u>	<u>(688,083)</u>	<u>6,395,732</u>
Capital assets being depreciated					
Building and improvements	148,468,506	2,159,444	-	688,083	151,316,033
Equipment	7,101,348	702,915	-	-	7,804,263
Vehicles	<u>5,963,955</u>	<u>343,256</u>	<u>-</u>	<u>-</u>	<u>6,307,211</u>
Total capital assets being depreciated	<u>161,533,809</u>	<u>3,205,615</u>	<u>-</u>	<u>688,083</u>	<u>165,427,507</u>
Less accumulated depreciation for:					
Building and improvements	35,747,165	5,262,033	-	-	41,009,198
Equipment	3,886,281	559,925	-	-	4,446,206
Vehicles	<u>3,443,216</u>	<u>357,238</u>	<u>-</u>	<u>-</u>	<u>3,800,454</u>
Total accumulated depreciation	<u>43,076,662</u>	<u>6,179,196</u>	<u>-</u>	<u>-</u>	<u>49,255,858</u>
Total capital assets being depreciated, net	<u>118,457,147</u>	<u>(2,973,581)</u>	<u>-</u>	<u>-</u>	<u>116,171,648</u>
Governmental activities capital assets, net	<u>\$125,502,668</u>	<u>\$(2,935,287)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$122,567,381</u>

In the process of preparing the current year capital asset schedule the District determined that land was overstated resulting from prior year adjustments made by the District. As a result, a prior period adjustment was made by the District to correct this difference as further discussed in Note S.

Depreciation was charged to the following functions:

Government Activities:

11 – Instruction	\$3,163,749
12 – Instructional Resources and Media Services	97,631
13 – Curriculum and Staff Development	94,542
21 – Instructional Leadership	271,267
23 – School Leadership	316,993
31 – Guidance, Counseling and Evaluation Services	191,555
32 – Social Work Services	75,386
33 – Health Services	60,556
34 – Student Transportation	56,231
35 – Food Services	401,030
36 – Cocurricular/Extracurricular Activities	184,758
41 – General Administration	174,253
51 – Plant Maintenance and Operations	899,073
52 – Security and Monitoring Services	128,527
53 – Data Processing Services	12,976
61 – Community Services	<u>50,669</u>
	<u>\$6,179,196</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE I - LONG-TERM OBLIGATIONS

Long-term obligations include bonds payable, loans payable, and compensated absences. Changes in long-term obligations for the year ended August 31, 2008 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance Sept. 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Aug. 31, 2008</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
Unlimited Tax School Building Bonds – Series 1996	\$ 2,380,000	\$ -	\$ 745,000	\$ 1,635,000	\$ 600,000
Unlimited Tax School Building Bonds – Series 1998	2,240,000	-	1,095,000	1,145,000	1,145,000
Unlimited Tax School Building Bonds – Series 2000	6,750,000	-	745,000	6,005,000	785,000
Unlimited Tax School Building Bonds – Series 2004	35,405,000	-	740,000	34,665,000	760,000
Unlimited Tax School Building Bonds – Series 2005	28,350,000	-	520,000	27,830,000	440,000
Unlimited Tax Refunding CAB Bonds – Series 2005	565,000	-	-	565,000	-
Unlimited Tax School Building and Refunding Bonds – Series 2005	800,000	-	-	800,000	-
Unlimited Tax School Building and Refunding CAB Bonds – Series 2005	1,205,000	-	145,000	1,060,000	111,324
Lease Revenue Bonds – Series 2006	<u>4,500,000</u>	<u>-</u>	<u>150,000</u>	<u>4,350,000</u>	<u>160,000</u>
Total general obligation bonds	82,195,000	-	4,140,000	78,055,000	4,001,324
Accrued Interest Unlimited Tax Refunding CAB Bonds – Series 2005	353,240	212,454	-	565,694	-
Accrued Interest Unlimited Tax School Building and Refunding CAB Bonds Series 2005	77,092	131,003	-	208,095	-
Capital Leases	611,446	-	171,257	440,189	133,999
Compensated absences	<u>764,060</u>	<u>129,070</u>	<u>153,000</u>	<u>740,130</u>	<u>150,000</u>
Total governmental activities	<u>\$84,000,838</u>	<u>\$ 472,527</u>	<u>\$4,464,258</u>	<u>\$80,009,107</u>	<u>\$4,285,323</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE I - LONG-TERM OBLIGATIONS – Continued

General Obligation Bonds:

Bonds payable at August 31, 2008 are comprised of the following individual issues:

On December 15, 1995, the District issued \$10,240,000 Unlimited Tax School Building and Refunding Bonds Series 1996. The bonds comprise of \$10,045,000 Current Interest Bonds with interest rates ranging from 3.90% to 5.00% and \$195,000 in premium capital appreciation bonds. The current interest bonds mature in years 1997 through 2013 in installments ranging from \$100,000 to \$1,140,000. The premium capital appreciation bonds matured and were paid on February 15, 2004 and 2005, in the amount of \$640,000 and 645,000, respectively. The bonds were issued to provide funds sufficient to (1) pay the costs of constructing and equipping school buildings in the District in the approximate amount of \$3,600,000 (2) refund \$6,640,000 of outstanding indebtedness of the District.	\$1,635,000
On February 1, 1998, the District sold \$23,030,000 Unlimited Tax School Building Bonds Series 1998. The bonds mature in years 1999 through 2018 with interest rates ranging from 4.25% to 5.00% in installments ranging from \$85,000 to \$1,910,000. Proceeds from the sale of the Bonds were used to improve and equip existing elementary schools and to improve existing middle schools and high school.	1,145,000
On December 11, 1999, an election to authorize the District to sell \$26,305,000 Unlimited Tax School Building Bonds Series 2000, passed by a majority of the participating voters. The bonds mature in years 2001 through 2024 with interest rates ranging from 4.50% to 5.20% in installments ranging from \$605,000 to \$1,970,000. Proceeds from the sale of the Bonds were used for the construction of a new elementary school, a new ninth grade/academy campus and various new elementary school classroom wings.	6,005,000
On May 15, 2004, an election to authorize the District to sell \$37,670,000 Unlimited Tax School Building Bonds Series 2004, passed by a majority of the participating voters. The Bonds comprised of \$19,260,000 in current interest serial bonds and \$18,410,000 in current interest term bonds. Current interest serial bonds mature in years 2005 through 2024 with interest rates ranging from 2% to 5% in installments ranging from \$705,000 to \$1,400,000. Term bonds mature in February 15, 2029 and February 15, 2034 in the amount of \$8,085,000 and \$10,325,000, respectively. Interest rates on term bonds are 4.75% and 5.00% in years 2029 and 2034, respectively. Proceeds from the sale of the Bonds were used to construct and equip school building and to purchase the necessary sites for construction.	34,665,000
On May 15, 2004, an election to authorize the District to sell \$2,005,000 Unlimited Tax School Building and Refunding Bonds Series 2005, passed by a majority of the participating voters. The bonds comprise of \$800,000 Current Interest Bonds with an interest rate 4.50% maturing February 15, 2025 and \$1,205,500 in capital appreciation bonds. Capital appreciations bonds mature in years 2008 through 2020 in installments ranging from \$140,000 to \$145,000 with interest rates ranging from 3.35% to 4.95%. The bonds were issued to equip school buildings including a football stadium and to purchase the necessary sites for construction.	1,860,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED AUGUST 31, 2008

NOTE I - LONG-TERM OBLIGATIONS – Continued

On April 15, 2005, the District issued \$29,880,000 Unlimited Tax Refunding Bonds Series 2005. The bonds comprise of \$29,315,000 Current Interest Bonds with interest rates ranging from 3% to 5% and \$565,000 premium capital appreciation bonds. The current interest bonds mature in years 2005 through 2025 in installments ranging from \$115,000 to \$2,760,000. Capital appreciation bonds mature on February 15, 2010 in the amount of \$1,545,000 with an interest rate of 3.75%. The bonds were issued to refund certain outstanding unlimited tax obligations of the District in order to reduce the annual debt service of the District.

\$28,395,000

On February 13, 2006, the District issued \$4,500,000 Lease Revenue Bonds Series 2006. The bonds mature in years 2007 through 2026 in installments ranging from \$150,000 to \$345,000 with interest rates ranging from 4.01% to 4.68%. The bonds were issued to equip school buildings including a football stadium.

4,350,000

\$78,055,000

Debt service requirements on long-term debt at August 31, 2008 are as follows:

Year Ending August 31,	General Obligation Bonds		Accrued Interest CAB Bonds	Total Requirement
	Principal	Interest		
2009	\$ 4,001,324	\$ 3,561,500	\$ -	\$ 7,562,824
2010	2,941,524	3,745,694	980,000	7,667,217
2011	4,060,000	3,312,170	-	7,372,170
2012	3,365,000	3,152,233	-	6,517,233
2013	3,497,152	3,002,863	-	6,500,015
2014-2018	20,140,000	12,918,474	-	33,058,474
2019-2023	14,935,000	8,527,869	654,500	24,117,369
2024-2028	13,015,000	4,287,383	-	17,302,383
2029-2033	9,825,000	1,843,406	-	11,668,406
2034-2038	<u>2,275,000</u>	<u>56,875</u>	<u>-</u>	<u>2,331,875</u>
	<u>\$78,055,000</u>	<u>\$44,408,467</u>	<u>\$1,634,500</u>	<u>\$124,097,967</u>

In May 2008, the voters of San Benito Consolidated Independent School District approved the issuance of an additional \$37,000,000 in bonds to be sold in September 2008 for future construction. In September 2008, the District received \$37,000,000 in bond proceeds.

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, 2008.

Advance Refunding of Debt

On April 15, 2005, the San Benito Consolidated Independent School District issued Unlimited Tax Refunding Bonds, Series 2005.

The proceeds of the bonds were used to refund the \$29,880,000 of outstanding Unlimited Tax School Building Bonds which include portions of Series 1996, 1998 and 2000, and to pay for the cost of issuing the bonds. The refunded amount consisted of bonds with maturities ranging from 2005 through 2025.

The advance refunding met the requirements of an in-substance debt defeasance and thus, the portions of the Series 1996, 1998 and 2000 bonds were removed from the books even though the balance of \$28,395,000 remains outstanding at August 31, 2008.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****YEAR ENDED AUGUST 31, 2008****NOTE I - LONG-TERM OBLIGATIONS – Continued****Capital Leases**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2008, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$133,999	\$ 20,548
2010	97,155	15,218
2011	101,983	10,389
2012	<u>107,052</u>	<u>5,320</u>
	<u>\$440,189</u>	<u>\$ 51,475</u>

NOTE J – SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION

The Public Facility Corporation is a public non-profit corporation, the creation of which was sponsored by the District pursuant to the Public Facility Corporation Act, Article 717s, Vernon's Texas Civil Statutes, as amended (the "Public Facility Corporation Act"). The Public Facility Corporation Act authorizes the creation and utilization by school districts of public facility corporations to issue bonds to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placing in service of public facilities of its governmental sponsor and further authorizes the governmental sponsor to incur lease purchase obligations in favor of the corporation to serve as security for the bonds issued by the Public Facility Corporation.

Lease revenue bonds in the principal amount of \$4,500,000 were issued on February 13, 2006, pursuant to a resolution by the Board of Directors of the Public Facility Corporation and a Master Trust Indenture dated as of February 1, 2007, (the "Trust Indenture") between the Public Facility Corporation and Texas State Bank, as trustee to finance, for the benefit of the District, the construction of a new multi-purpose stadium.

To accomplish the financing, the Public Facility Corporation and the District entered into a "Lease With An Option to Purchase Relating to the San Benito Consolidated Independent School District Bobby Morrow Stadium," pursuant to the terms of which the District will pay to the Public Facility Corporation such lease payments at such times and in such amounts as will be required to pay the principal of premium, if any, and interest on the lease revenue bonds as they become due.

NOTE K - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Fund</u>	<u>Internal Service Funds</u>
Property taxes	\$7,823,472	\$1,416,187	\$ -	\$ 9,239,659	\$ -
Food sales	451,610	-	-	451,610	-
Investment income	498,841	166,581	131,458	796,880	14,524
Co-curricular activities	138,602	-	-	138,602	-
Other	<u>159,136</u>	<u>-</u>	<u>-</u>	<u>159,136</u>	<u>8,930,036</u>
	<u>\$9,071,661</u>	<u>\$1,582,768</u>	<u>\$131,458</u>	<u>\$10,785,887</u>	<u>\$8,944,560</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE L – UNEARNED REVENUE

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
SBCISD taxes	\$2,440,707	\$ -	\$2,440,707
Other	-	59,325	59,325
	<u>\$2,440,707</u>	<u>\$ 59,325</u>	<u>\$2,500,032</u>

NOTE M - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2008 were:

<u>Due to</u>	<u>Due From</u>	
General Fund	Fiduciary Fund	\$ 920,383
Debt Service Fund	Fiduciary Fund	135,005
General Fund	Internal Service Fund	847,428
		<u>\$1,902,816</u>

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

All amounts are scheduled to be repaid within one year.

Interfund transfers out during the year ended August 31, 2008 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	
General Fund	Nonmajor Governmental Funds	\$ 558,203
Capital Projects Fund	General Fund	66,144
General Fund	Internal Service Funds	1,435,373
General Fund	Fiduciary Fund	7,001
		<u>\$2,066,721</u>

NOTE N - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Other Governmental Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General fund such revenues for the year ended August 31, 2008, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$3,993,047
School Breakfast Program	10.553	1,770,584
Commodity Supplemental Food Program	10.550	285,213
SHARS/Medicaid	N/A	288,690
Medicaid Administrative Claim	N/A	54,550
ROTC	12.113	23,944
Payment in Lieu of Taxes		16,154
<i>Indirect Costs</i>		

Fiscal Year 2006-2007 Programs

ESEA Title I, School Improvement	84.010A	4,623
ESEA Title I, Part A – Improving Basic Programs	84.010A	115,493
ESEA Title I, Part C – Education of Migratory Children	84.010	13,128

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2008

NOTE N - GENERAL FUND FEDERAL SOURCE REVENUES - Continued

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
<i>Indirect Costs</i>		
Fiscal Year 2006-2007 Programs		
ESEA Title II, Part A – Teacher and Principal Training and Recruitment	84.367A	\$ 21,704
ESEA Title II, Part D – Enhancing Education Through Technology	84.318	1,790
ESEA Title III, Part A – English Language Acquisition and Language Enhancement	84.365A	6,187
ESEA Title IV, Part A – Safe and Drug Free Schools and Communities Act	84.186A	1,754
ESEA Title IV, Part B – 21 st Century Community Learning Centers	84.287	8,803
ESEA Title V, Part A – Innovative Programs	84.298	491
IDEA-B Formula	84.027	34,948
IDEA-B Preschool	84.173	463
Reading First	84.357	24,536
Vocational Education – Basic Grant	80.048	<u>3,950</u>
Total general fund federal revenue		<u>\$6,670,052</u>

NOTE O – 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.

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:

<u>Function Code</u>	<u>Budget</u>	<u>Actual</u>	<u>Variances</u>
General Fund:			
73 Bond Issuance Costs and Fees	\$ 1,000	\$ 4,456	\$ (3,456)

b. Deficit Fund Balance or Fund Net Assets of Individual Funds

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

<u>Fund Name</u>	<u>Amount</u>	<u>Remarks</u>
None noted	None noted	No remarks necessary

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED AUGUST 31, 2008

NOTE P - CONTINGENT LIABILITIES

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.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2008 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Obligations under the construction contracts in existence at August 31, 2008 are expected to be liquidated within the following reporting period.

NOTE Q - SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The San Benito Consolidated Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 2008, 2007 and 2006. 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, 2008, 2007, and 2006, the State's contributions to TRS-Care were \$84,939, \$89,343, and \$77,075, respectively, the active member contributions were \$3,681,372, \$3,420,275, and \$3,056,808, respectively, and the school district's contributions were \$316,369, \$293,927, and \$262,703, respectively, which equaled the required contributions each year.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

YEAR ENDED AUGUST 31, 2008

NOTE R - 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 2008, the District purchased commercial insurance to cover general liabilities.

State law allows school districts to retain risk through its own risk management program, insure through a commercial carrier, or insure through a public entity risk pool. The District is self-insured for employee medical benefits (including medical and dental). Beginning October 1, 2005, the District contracted with a third-party, American Administrative Group, Inc. to provide administrative claims processing services for employee medical benefits for the District. Beginning September 1, 2004, the District contracted with a third-party administrator, Health Administration Services to provide administrative claims processing services for worker's compensation claims for the District.

The group health insurance program is reported in the Insurance fund, an internal service fund. Workman's compensation insurance programs are reported in the Worker's Compensation fund, an internal service fund. Interfund premiums are paid into the internal service and are based primarily on claims experience and are reported as quasi-external transactions.

Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and the District's management believes adequate accruals have been provided at August 31, 2008.

There were no significant reductions in coverage in the past fiscal year by major category of risk. In addition, there were no insurance settlements exceeding insurance coverage in any of the past three fiscal years.

The District maintains a \$1,000,000 stop-loss policy each for health and worker's compensation self-funded insurance programs.

Changes in the balance of claims liabilities during the past year are as follows:

	August 31,	
	2008	2007
Unpaid claims, beginning of year	\$ 862,966	\$ 1,079,720
Incurred claims (including IBNR's)	6,898,317	8,731,941
Claim payments	(7,221,442)	(8,948,695)
Unpaid claims, end of fiscal year	<u>\$ 539,841</u>	<u>\$ 862,966</u>

NOTE S - SUBSEQUENT EVENTS

Bond Proceeds

As further described in Note I, during the year, the District approved the issuance of an additional \$37,000,000 in bonds to be sold in September 2008 for future construction. In September 2008, the District received \$37,000,000 in bond proceeds.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 9,808,754	\$ 9,808,754	\$ 9,071,661	\$ (737,093)
5800	State Program Revenues	70,092,847	70,092,847	67,665,299	(2,427,548)
5900	Federal Program Revenues	7,718,427	7,789,879	6,670,052	(1,119,827)
5020	Total Revenues	87,620,028	87,691,480	83,407,012	(4,284,468)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	44,095,517	43,766,122	41,084,063	2,682,059
0012	Instructional Resources and Media Services	1,643,326	1,602,930	1,456,554	146,376
0013	Curriculum and Staff Development	440,978	557,409	383,456	173,953
	Total Instruction & Instr. Related Services	46,179,821	45,926,461	42,924,073	3,002,388
Instructional and School Leadership:					
0021	Instructional Leadership	1,657,497	1,739,972	1,632,156	107,816
0023	School Leadership	4,721,053	4,832,917	4,708,914	124,003
	Total Instructional & School Leadership	6,378,550	6,572,889	6,341,070	231,819
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	2,367,291	2,242,717	2,039,978	202,739
0032	Social Work Services	273,368	287,268	271,886	15,382
0033	Health Services	868,093	891,033	831,589	59,444
0034	Student (Pupil) Transportation	956,882	1,120,600	894,024	226,576
0035	Food Services	6,676,651	6,755,726	6,365,956	389,770
0036	Cocurricular/Extracurricular Activities	2,663,322	2,888,125	2,794,907	93,218
	Total Support Services - Student (Pupil)	13,805,607	14,185,469	13,198,340	987,129
Administrative Support Services:					
0041	General Administration	2,918,398	2,945,634	2,767,337	178,297
	Total Administrative Support Services	2,918,398	2,945,634	2,767,337	178,297
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	14,143,317	15,227,073	14,260,334	966,739
0052	Security and Monitoring Services	1,346,104	1,608,024	1,547,499	60,525
0053	Data Processing Services	150,000	150,000	116,158	33,842
	Total Support Services - Nonstudent Based	15,639,421	16,985,098	15,923,991	1,061,107
Ancillary Services:					
0061	Community Services	224,210	224,729	205,984	18,745
	Total Ancillary Services	224,210	224,729	205,984	18,745
Debt Service:					
0071	Principal on Long-Term Debt	345,459	345,459	325,580	19,879
0072	Interest on Long-Term Debt	227,581	227,581	226,912	669
0073	Bond Issuance Costs and Fees	1,000	1,000	4,456	(3,456)
	Total Debt Service	574,040	574,040	556,948	17,092
Capital Outlay:					
0081	Capital Outlay	370,000	420,592	63,127	357,465
	Total Capital Outlay	370,000	420,592	63,127	357,465

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
Intergovernmental Charges:					
0095 Payments to Juvenile Justice Alternative					
0095 Education Programs	50,000	12,549		12,549	—
Total Intergovernmental Charges	50,000	12,549		12,549	—
6030 Total Expenditures	86,140,047	87,847,461		81,993,419	5,854,042
1100 Excess (Deficiency) of Revenues Over (Under)					
1100 Expenditures	1,479,981	(155,981)		1,413,593	1,569,574
Other Financing Sources (Uses):					
7915 Transfers In	—	—		66,144	66,144
7949 Other Resources	—	—		219,243	219,243
8911 Transfers Out	(1,479,981)	(1,923,981)		(2,000,578)	(76,597)
7080 Total Other Financing Sources and (Uses)	(1,479,981)	(1,923,981)		(1,715,191)	208,790
1200 Net Change in Fund Balance	—	(2,079,962)		(301,598)	1,778,364
0100 Fund Balance - Beginning	8,675,279	8,675,279		8,675,279	—
3000 Fund Balance - Ending	\$ 8,675,279	\$ 6,595,317		\$ 8,373,681	\$ 1,778,364

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2008

Stewardship, compliance, and accountability

Budgetary information

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund, debt service fund and food service fund (which is included in special revenue funds). 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 three 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, debt service fund and food 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 budget manager (principal, department director or divisional administrator). Budget managers may authorize transfers 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.

Actual state revenues were significantly less than budgeted state revenues due to a change in the state compensatory education calculation and for an over projection of student enrollment in career and technology. Actual federal revenues were less than budgeted resulting from a change in the SHARS estimate. Instructional expenditures were less than budgeted amounts because amounts are budgeted for various programs but not actually spent during the year.

OTHER SCHEDULES

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2008

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
1999 and Prior Years	\$	Various	\$	Various	\$	Various
2000		1.3032		1.0580		381,801,502
2001		1.2931		.1763		425,103,794
2002		1.3119		.1581		459,437,771
2003		1.3135		.1565		496,562,820
2004		1.3540		.1440		536,985,918
2005		1.4254		.1440		582,585,473
2006		1.4450		.1440		636,639,688
2007		1.3200		.1440		712,144,013
2008 (School Year Under Audit)		1.0400		.2000		738,640,614

1000 Totals

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

10 Beginning Balance 9/1/07	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/08
\$ 438,552	\$ —	\$ 335	\$ —	\$ (11,049)	\$ 427,168
61,562	—	11,760	3,461	12,813	59,164
82,626	—	7,367	1,004	(2,051)	72,204
102,544	—	13,108	1,580	(119)	87,737
111,549	—	20,689	2,465	(861)	87,534
202,336	—	41,657	4,430	(1,178)	155,071
343,189	—	88,989	8,990	(2,143)	243,067
441,132	—	170,265	16,944	1,853	255,776
909,652	—	410,729	44,707	(27,401)	426,815
—	9,054,829	6,762,971	1,299,287	(95,202)	897,369
<u>\$ 2,693,142</u>	<u>\$ 9,054,829</u>	<u>\$ 7,527,870</u>	<u>\$ 1,382,868</u>	<u>\$ (125,338)</u>	<u>\$ 2,711,895</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2009-2010
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-2

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ 89,933	\$ 228,308	\$ 1,157,665	\$ 162,785	\$ 327,188	\$ 1,965,879
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	-	-	-	-	-	-	-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	-	-	-	-	-	-	-
6211	Legal Services	144,508	-	-	-	-	-	144,508
6212	Audit Services	-	-	-	25,500	-	-	25,500
6213	Tax Appraisal and Collection	-	99,570	-	-	-	-	99,570
621X	Other Prof. Services	1,400	-	-	145,616	-	3,544	150,560
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	16,528	-	-	3,032	19,560
6240	Contr. Maint. and Repair	-	-	-	-	3,338	-	3,338
6250	Utilities	-	-	-	-	1,093	-	1,093
6260	Rentals	-	4,376	1,664	26,064	-	8,197	40,301
6290	Miscellaneous Contr.	-	-	-	-	-	1,070	1,070
6310	Operational Supplies, Materials	-	-	-	86	-	345	431
6320	Textbooks and Reading	-	-	1,800	408	280	343	2,831
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	355	11,076	3,912	45,879	3,385	47,979	112,586
6410	Travel, Subsistence, Stipends	23,354	4,182	5,641	5,418	758	4,507	43,860
6420	Ins. and Bonding Costs	-	200	-	77,651	-	-	77,851
6430	Election Costs	17,175	-	-	-	-	-	17,175
6490	Miscellaneous Operating	48,209	55	3,005	66,894	220	43,877	162,260
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	15,539	15,539

Total \$ 235,001 \$ 209,392 \$ 260,858 \$ 1,551,181 \$ 171,859 \$ 455,621 \$ 2,883,912

Total expenditures for General and Special Revenue Funds (9) \$ 98,734,508

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 616,042
Total Debt & Lease (6500)	(11)	\$ 556,948
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 14,069,714
Food (Function 35, 6341 and 6499)	(13)	\$ 2,825,656
Stipends (6413)	(14)	\$ 317
Column 4 (above) - Total Indirect Cost		\$ 1,551,181

Subtotal 19,619,858

Net Allowed Direct Cost \$ 79,114,650

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 151,316,033
Historical Cost of Buildings over 50 years old	(16)	-
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	14,111,474
Historical Cost of Furniture & Equipment over 16 years old	(19)	-
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) Note A - \$116,158 in Function 53 expenditures are included in this report on administrative costs.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-3****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2008**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2008 (Exhibit C-1 object 3000 for the General Fund only)	\$ 8,373,681
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	1,515,838
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	--
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	6,500,000
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	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	8,015,838
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 357,843
If Item 11 is a Positive Number Construction		\$ 357,843

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,340,000	\$ 1,340,000	\$ 1,582,768	\$ 242,768
5800	State Program Revenues	6,026,285	6,026,285	5,941,178	(85,107)
5020	Total Revenues	7,366,285	7,366,285	7,523,946	157,661
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	3,990,000	3,990,000	3,990,000	—
0072	Interest on Long-Term Debt	3,497,357	3,497,357	3,497,356	1
0073	Bond Issuance Costs and Fees	6,000	6,000	2,289	3,711
	Total Debt Service	7,493,357	7,493,357	7,489,645	3,712
6030	Total Expenditures	7,493,357	7,493,357	7,489,645	3,712
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(127,072)	(127,072)	34,301	161,373
1200	Net Change in Fund Balance	(127,072)	(127,072)	34,301	161,373
0100	Fund Balance - Beginning	1,824,040	1,824,040	1,824,040	—
3000	Fund Balance - Ending	\$ 1,696,968	\$ 1,696,968	\$ 1,858,341	\$ 161,373

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
San Benito Consolidated Independent School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Benito Consolidated Independent School District (the "District") as of and for the year ended August 31, 2008, and have issued our report thereon dated January 6, 2009. 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 entity'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 entity's financial statements 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 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 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 08-1 and 08-2.

We noted certain matters that we reported to management of the District in a separate letter dated January 6, 2009.

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

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 6, 2009

**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
San Benito Consolidated Independent School District

Compliance

We have audited the compliance of San Benito Consolidated 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, 2008. 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, San Benito Consolidated 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, 2008.

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.

San Benito Consolidated Independent School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Benito Consolidated 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, the Texas Education Agency 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

Certified Public Accountants

Harlingen, Texas
January 6, 2009

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ no

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ 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 ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010A

ESEA Title I, Part A – Improving Basic Programs

84.011

ESEA Title I, Part C – Education of Migratory Children

84.287

Title IV, Part B – 21st Century Community Learning Centers

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$612,576

Auditee qualified as low-risk auditee?

☒ yes ☐ no

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED****YEAR ENDED AUGUST 31, 2008****Section II - Financial Statement Findings****PROGRAM DESCRIPTION****DESCRIPTION****Schedule Reference Number: (08-1)****Expenditures In Excess of Budget Appropriations****General****Criteria:**

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

Condition Found:

As indicated in the notes to the District's financial statements, we noted one instance in which the District's budget had been exceeded on a functional level.

Questioned Costs/Basis:

Not applicable

Context:

We noted a negative variance in one functional expenditure category.

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.

Schedule Reference Number: (08-2)**Allocated State Program Revenues****General****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.

Condition Found:

The District failed to expend at least 85% of its allocation for Gifted and Talented (Program Code 21), Career and Technology (Program Code 22) and Bilingual Education (Program Code 25) program during the 2006-2007 year.

Questioned Costs/Basis:

Gifted and Talented (Program Code 21) - \$46,487
Career and Technology (Program Code 22) - \$384,825
Bilingual Education (Program Code 25) - \$9,303

Questioned costs represent the amount under 85% which the District failed to expend.

Context:

The questioned costs represent the total amount underspent for the program listed.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

YEAR ENDED AUGUST 31, 2008

Section II - Financial Statement Findings – Continued

PROGRAM DESCRIPTION

DESCRIPTION

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).

Recommendations:

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 cost associated with the program are properly accounted for.

Section III – Federal Award Findings and Questioned Costs

None noted that were required to be reported.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

YEAR ENDED AUGUST 31, 2008

PROGRAM DESCRIPTION

**STATUS OF PRIOR YEAR'S
FINDING/NONCOMPLIANCE**

Schedule Reference Number: (07-1)

Expenditures in Excess of Budget Appropriations

This situation was also noted in the current year. See finding 08-1.

Schedule Reference Number: (07-2)

Allocated State Program Revenues

This situation was also noted in the current year. See finding 08-2.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

YEAR ENDED AUGUST 31, 2008

PROGRAM DESCRIPTION

Schedule Reference Number: (08-1)

General

Corrective Action Plan:

CORRECTIVE ACTION PLAN

Expenditures in Excess of Budget Appropriations

Available budget amounts will continue to be compared to purchase orders approved close to year end to ensure that expenditures in excess of appropriations are not the result of expenditure accruals recorded at year end. The District will ensure that sufficient amounts are available to cover wage accruals.

Schedule Reference Number: (08-2)

General

Corrective Action Plan:

Allocated State Program Revenues

District personnel, campus principals, and other administrative staff will meet on a periodic basis to review expenditures by funds to monitor compliance with appropriate spending compliance.

Contact Person:

Emma McCall
Business Manager

Implementation Time Frame:

Within the next fiscal year

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2008

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U. S. DEPARTMENT OF EDUCATION			
	Passed Through State Department of Education:			
211	ESEA Title I Part A - Improving Basic Programs	84.010A	0861010403191200	\$ 5,081,373
211	ESEA Title I Part A - Improving Basic Programs	84.010A	09610101031912	223,347
	Total CFDA Number 84.010A			5,304,720
212	ESEA Title I Part C - Education of Migratory Children	84.011	08615001031912	562,933
212	ESEA Title I Part C - Education of Migratory Children	84.011	09615001031912	46,308
	Total CFDA Number 84.011			609,241
224	IDEA-B Formula *	84.027	0866000103191266	1,556,141
224	IDEA-B Formula *	84.027	09600010319126600	39,405
	Total CFDA Number 84.027			1,595,546
244	Vocational Education - Basic Grant	84.048	0842000603191200	180,972
244	Vocational Education - Basic Grant	84.048	0942000603191201	1,505
	Total CFDA Number 84.048			182,477
225	IDEA-B Preschool *	84.173	0866100103191266	18,509
225	IDEA-B Preschool *	84.173	09600010319126600	1,683
	Total CFDA Number 84.173			20,192
264	Community Service Grant Program	84.184C		261,518
282	Safe Schools / Healthy Students	84.184L	Q184L060006-07	1,644,276
282	Safe Schools / Healthy Students	84.184L	Q184L0006-08	88,742
282	Cops - Secure Our Schools Grant	84.184L	2007CKWX0919	58,077
	Total CFDA Number 84.184L			1,791,095
204	Title IV, Part A - Safe and Drug Free Schools and Communities Act	84.186A	08691001031912	77,245
204	Title IV, Part V - Safe and Drug Free Schools and Communities Act	84.186A	09691001031912	1,095
	Total CFDA Number 84.186A			78,340
265	Title IV Part B21st Century Community Learning Centers	84.287	086950017110046	1,837,878
269	Title V, Part A - Innovative Programs	84.298	08685001031912	22,644
262	Title II, Part D - Enhancing Education Through Technology	84.318	08630001031912	82,622
401	Gear-up Region I ESC	84.334A	P334A050083-8	141,425
261	Reading First	84.357	086455017110058	1,132,181
263	Title III Part A English Language Acquisition and Language Enhancement	84.365A	08671001031912	285,513
263	Title III Part A English Language Acquisition and Language Enhancement	84.365A	09671001031912	2,186
	Total CFDA Number 84.365A			287,699
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	08694501031912	974,378
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	09694501031912	24,473
	Total CFDA Number 84.367A			998,851
	Total Passed Through State Department of Education			14,346,429
	Total U. S. Department of Education			\$ 14,346,429

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2008

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U. S. DEPARTMENT OF DEFENSE			
	Passed Through State Department of Education:			
	ROTC	12.113		\$ 23,944
	Total U. S. DEPARTMENT OF DEFENSE			<u>23,944</u>
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
240	Food Distribution	10.550		285,213
240	School Breakfast Program *	10.553		1,770,584
240	National School Lunch Program *	10.555		3,993,047
	Total Passed Through State Department of Education			<u>6,048,844</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>20,419,217</u>
	Passed Through Federal Awards Not Required to be Included:			
	Medicaid Administrative Claim			54,550
	School Health and Related Services (SHARS)			288,690
	Payment in Lieu of Taxes			<u>16,154</u>
	Total			<u>359,394</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS PER EXHIBIT C-2			<u>\$ 20,778,611</u>

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

The accompanying notes are an integral part of this schedule.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Benito Consolidated 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.

NOTE B – PROGRAM REPORTING

SHARS, Medicaid, ROTC and \$237,868 of indirect cost are accounted for in the general fund. The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, and Summer Feeding Program are also accounted for in the General Fund. Expenditures are not specifically attributable to these revenues and are shown on this schedule in an amount equal to revenue for balancing purposes only.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS****AS OF AUGUST 31, 2008**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 773,789