

**SAN BENITO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL
AND
COMPLIANCE REPORT*

FOR THE YEAR ENDED AUGUST 31, 2009

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2009

TRUSTEES

Joe G. Gonzalez - President

Oscar Medrano - Vice-President

Manuel Gonzales, Jr. - Secretary

Oscar de la Fuente, Jr.

Hector G. Leal

Yliana G. Rodriguez

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, 2009**

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
INTRODUCTORY SECTION		
<i>Certificate of Board</i>	-	7
FINANCIAL SECTION		
<i>Independent Auditors' Report</i>	-	11
Management's Discussion and Analysis (Required Supplementary information)	-	15
<i>Basic Financial Statements</i>		
<i>Government-wide Statements:</i>		
Statement of Net Assets	A-1	24
Statement of Activities	B-1	25
<i>Government Fund Financial Statements:</i>		
Balance Sheet	C-1	26
Reconciliation for C-1	C-2	27
Statement of Revenues, Expenditures, and Changes in Fund Balance	C-3	28
Reconciliation for C-3	C-4	29
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Assets	D-1	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets	D-2	31
Statement of Cash Flows	D-3	32
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Assets	E-1	33
Notes to the Financial Statements		35
REQUIRED SUPPLEMENTARY INFORMATION		
General Fund - Budgetary Comparison Schedule	G-1	58
Notes to Required Supplementary Information		59

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2009**

TABLE OF CONTENTS - CONTINUED

	<u>EXHIBIT</u>	<u>PAGE</u>
OTHER SCHEDULES		
Schedule of Delinquent Taxes Receivable	J-1	62
Schedule of Expenditures for Computation of Indirect Cost for 2010-2011 – General and Special Revenue Funds	J-2	64
Fund Balance and Cash Flow Calculation Worksheet (Unaudited) – General Fund	J-3	65
Debt Service Fund – Budgetary Comparison Schedule	J-4	66
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 <i>Government Auditing Standards</i>	-	69
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	-	73
Schedule of Findings and Questioned Costs	-	77
Schedule of Status of Prior Findings	-	79
Corrective Action Plan		81
Schedule of Expenditures of Federal Awards	K-1	82
Notes on Accounting Policies for Federal Awards	K-2	84
Schedule of Required Responses to Selected School First Indicators	L-1	85

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

San Benito Consolidated Independent School District
Name of School District

Cameron
County

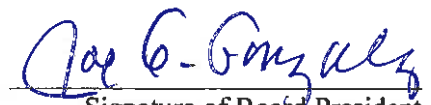
031-912
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and X approved -- ____ disapproved for the year ended August 31, 2009 at a

(Check one)

meeting of the board of school trustees of such school district on the 12TH day of JANUARY, 2010.


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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Benito Consolidated Independent School District as of August 31, 2009, 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 5, 2010 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 58 through 59 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 5, 2010

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, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

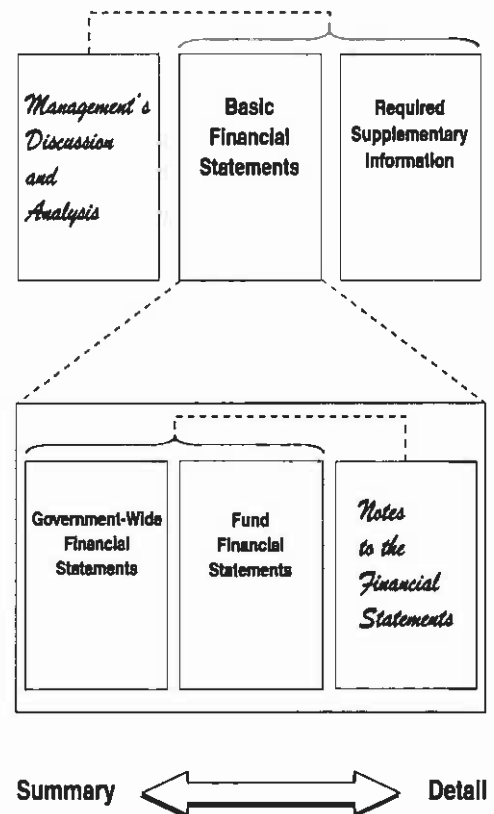
- The District's total combined net assets were \$62,903,257 at August 31, 2009. This is an increase of \$4,080,048 from the prior year.
- During the year, the District's expenses were \$ 4,080,048 less than the \$113,931,358 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$13,066,799.

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-term* 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 cash flows	* Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The 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.

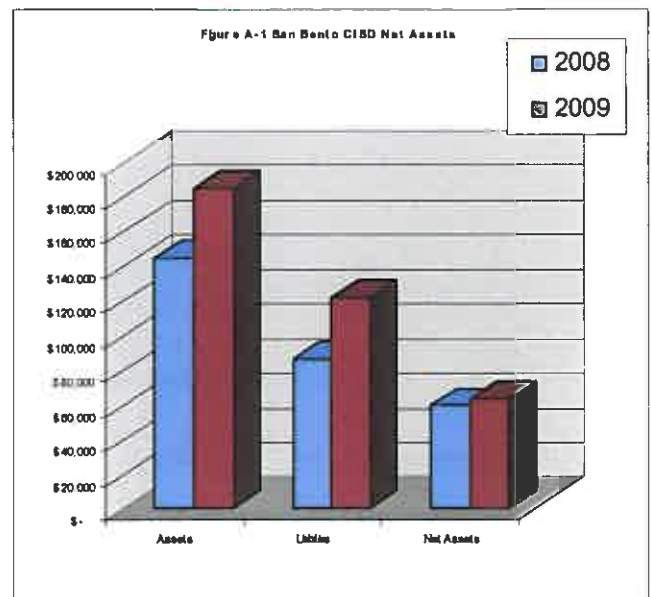
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The District uses *internal service funds* to report activities for its worker's compensation and employee benefits program, transportation, print shop and day care services.
- *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 \$62,903,257 at August 31, 2009. (See Table A-1).

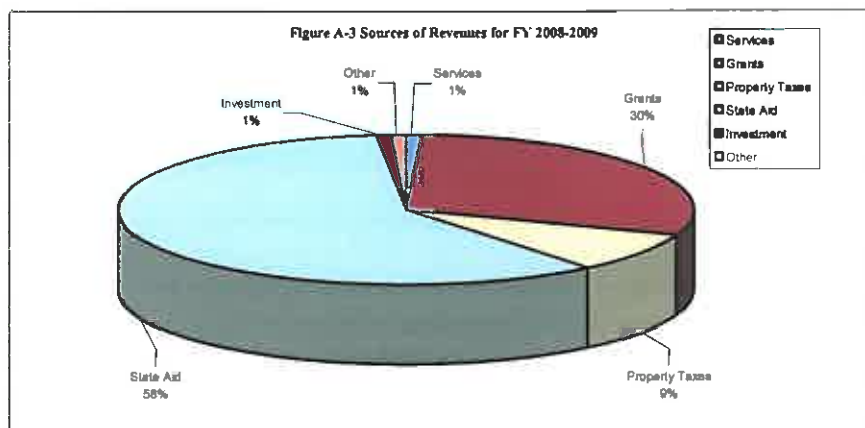
Table A-1
San Benito Consolidated Independent School District's Net Assets
(In thousands dollars)

	Governmental Activities	
	2009	2008
Current and other assets	\$ 54,307	\$ 21,716
Capital assets	<u>129,914</u>	<u>122,567</u>
Total Assets	<u>184,221</u>	<u>144,283</u>
Long-term liabilities outstanding	107,979	75,724
Other liabilities	<u>13,339</u>	<u>9,735</u>
Total Liabilities	<u>121,318</u>	<u>85,459</u>
Net Assets:		
Invested in capital assets – net of related debt	44,473	46,068
Restricted	4,654	5,739
Unrestricted	<u>13,776</u>	<u>7,016</u>
Total Net Assets	\$ <u>62,903</u>	\$ <u>58,823</u>



Approximately 7.4% of the District's net assets are subject to external restrictions on how they may be used. The \$13,776,556 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 \$ 113,931,358. Approximately 9%, of the District's revenue comes from taxes. (See Figure A-3.) 89% comes from state aid – formula grants and operating grants, while only 1% relates to charges for services. The increase in local revenues is due primarily to the increase in the debt service tax rate which was raised by about 6 cents in order to cover the District's share of the bonds which were issued in 2008. The state revenues increased due to the increased state share for the bonds issued in 2008, increases in enrollment in state funded targeted assistance groups and an increase in local tax effort.

The total cost of all programs and services was \$109,851,310.

Governmental Activities

- Property tax rates increased from 1.24 to 1.3049 from the previous year and property values increased 5%.
- Average daily attendance increased by 21 students.

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

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Program Revenues:		
Charges for Services	\$ 880	\$ 612
Operating Grants and Contributions	34,066	31,484
General Revenues:		
Property Taxes	9,817	9,255
State Aid – Formula	67,258	66,013
Investment Earnings	894	797
Other	<u>1,016</u>	<u>569</u>
Total Revenues	113,931	108,730
Expenses:		
Instruction	54,177	53,430
Instructional Resources and Media Services	1,609	1,643
Curriculum Dev. And Instructional Staff Dev	1,592	1,592
Instructional Leadership	4,105	4,580
School Leadership	5,364	5,350
Guidance, Counseling and Evaluation Services	3,357	3,231
Social Work Services	1,174	1,273
Health Services	1,011	1,019
Student (Pupil) Transportation	1,417	3,277
Food Services	6,823	6,766
Co-Curricular/Extracurricular Activities	3,217	3,106
General Administration	3,010	3,312
Plant Maintenance & Operations	14,522	14,965
Security & Monitoring Services	1,711	1,900
Data Processing Services	228	220
Community Services	573	858
Debt Service	5,832	4,097
Bond Issuance Fees	7	7
Capital Outlay	31	-
Payments to Juvenile Justice Alternative Education	<u>91</u>	<u>13</u>
Total Expenses	<u>109,851</u>	<u>110,639</u>
Increase in Net Assets	4,080	(1,909)
Beginning Net Assets	<u>58,823</u>	<u>60,732</u>
Ending Net Assets	<u>\$62,903</u>	<u>\$58,823</u>

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2009</u>	<u>2008</u>		<u>2009</u>	<u>2008</u>	
Instruction	54,177	53,431	1.4%	42,990	48,078	(10.6%)
School Leadership	5,364	5,350	.3%	4,839	4,829	.2%
Food Services	6,823	6,766	.8%	209	227	(7.9%)
Plant Maintenance & Operations	14,522	14,965	(3.0%)	13,829	14,603	(5.3%)
Debt Service – Interest & Fiscal Charges	5,832	4,097	42.4%	(1,821)	(1,847)	(1.4%)

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 \$109,851,310.
- However, the amount that our taxpayers paid for these activities through property taxes was \$9,817,167.
- Some of the cost was paid by those who directly benefited from the programs \$879,769 or by grants and contributions \$34,066,262.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$113,931,358 an increase of \$5.2 million over the preceding year. There was a increase in local revenues of over \$1 million. This increase was a result of the increase in the tax levy and the increase in property values. State revenue totaled \$80,253,756 an increase of \$3.3 million over last year. The increase in state revenue was due to increased state funding for the State's share of the 2008 bond series, and an increase in average daily attendance of certain targeted assistance populations, and an increase in local tax effort.

General Fund Budgetary Highlights

- Property tax collections rate was 98%.
- Average Daily Attendance was 10,055, up 21 from the prior year.
- Superior rating for the Financial Integrity Reporting System of Texas (FIRST).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had invested \$185,465,239 in a broad range of capital assets, including land, equipment, buildings, vehicles, and Construction in Progress. (See Table A-4.) The construction in progress consists of remodeling and replacement of chill water systems for various campuses.

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

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Land	\$ 6,586	\$ 6,395
Buildings and improvements	152,733	151,316
Vehicles & Equipment	14,909	14,111
Construction in Progress	<u>11,237</u>	<u>-</u>
Totals at historical cost	185,465	171,822
 Total accumulated depreciation	 <u>55,551</u>	 <u>49,255</u>
Net capital assets	<u>\$129,914</u>	<u>\$122,567</u>

Long Term Debt

At year-end the District had \$110,812,569 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 Bonds and Long-Term Liabilities
(In thousands of dollars)

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Compensated absences payable	\$ 936	\$ 740
Accrued interest payable	1,071	774
Capital leases	306	440
Bonds payable	110,813	78,055
Discount/Premium - Bonds	<u>337</u>	<u>(78)</u>
Total bonds & notes payable	<u>\$113,463</u>	<u>\$79,931</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2009-10 budget preparation are up \$33 million, or about 4% from \$775 million in 2008 –2009 to \$808 million currently.
- The tax rate remained at 1.3049. However there was an increase of 13 cents to the maintenance tax rate and a corresponding decrease of 13 cents to the debt service tax rate. The increase in the maintenance tax rate will enable the District to maximize state foundation revenues while still being able to make the debt service payments through excess collections and debt service fund balance. Maintenance and operations is at \$1.17 and interest and sinking is at \$.1349 for a total rate of 1.3049.
- The District's 2008-2009 refined average daily attendance was expected to remain at 10,055.

These indicators were taken into account when adopting the general fund budget for 2009-2010. Amounts available for appropriation in the general fund budget are \$80.9 million, a decrease of 5.6 percent from the 2008-2009 budget of \$85.7 million. However, this decrease was offset by the State Fiscal Stabilization Funds which was part of the stimulus package. Property taxes revenue will increase due to the 13 cent increase to maintenance taxes and the increase in property values. State revenue will increase due to the additional local tax effort.

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, 2009

		Primary Government
Data		
Control		Governmental
Codes		Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 41,672,158
1220	Property Taxes Receivable (Delinquent)	2,830,705
1230	Allowance for Uncollectible Taxes	(283,070)
1240	Due from Other Governments	6,972,711
1250	Accrued Interest	414,312
1267	Due from Fiduciary Funds	873,823
1290	Other Receivables, net	338,164
1300	Inventories	420,145
1410	Deferred Expenses	223,769
1420	Capitalized Bond and Other Debt Issuance Costs	843,391
1490	Other Current Assets	685
Capital Assets:		
1510	Land	6,585,828
1520	Buildings, Net	106,381,297
1530	Furniture and Equipment, Net	5,709,802
1580	Construction in Progress	11,237,066
1000	Total Assets	184,220,786
LIABILITIES		
2110	Accounts Payable	4,563,446
2140	Interest Payable	12,630
2150	Payroll Deductions & Withholdings	5,348
2160	Accrued Wages Payable	3,226,990
2180	Due to Other Governments	7,197
2300	Deferred Revenues	39,306
Noncurrent Liabilities		
2501	Due Within One Year	5,483,893
2502	Due in More Than One Year	107,978,719
2000	Total Liabilities	121,317,529
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	44,473,407
3820	Restricted for Federal and State Programs	2,488,660
3850	Restricted for Debt Service	2,164,634
3900	Unrestricted Net Assets	13,776,556
3000	Total Net Assets	\$ 62,903,257

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2009					Net (Expense) Revenue and Changes in Net Assets
Data	Program Revenues				
Control	1	3	4	6	
Codes		Charges for	Operating	Primary Gov.	
	Expenses	Services	Grants and Contributions	Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11 Instruction	\$ 54,177,017	\$ 159,047	\$ 11,027,895	\$ (42,990,075)	
12 Instructional Resources and Media Services	1,609,288	42,966	104,320	(1,462,002)	
13 Curriculum and Instructional Staff Development	1,592,208	-	1,083,612	(508,596)	
21 Instructional Leadership	4,105,300	-	2,095,336	(2,009,964)	
23 School Leadership	5,363,891	-	525,405	(4,838,486)	
31 Guidance, Counseling and Evaluation Services	3,357,347	-	1,419,430	(1,937,917)	
32 Social Work Services	1,174,365	-	821,811	(352,554)	
33 Health Services	1,010,867	-	162,343	(848,524)	
34 Student (Pupil) Transportation	1,417,084	-	133,265	(1,283,819)	
35 Food Services	6,823,110	462,231	6,152,094	(208,785)	
36 Extracurricular Activities	3,216,854	149,465	221,192	(2,846,197)	
41 General Administration	3,009,627	-	132,736	(2,876,891)	
51 Plant Maintenance and Operations	14,521,708	66,060	626,642	(13,829,006)	
52 Security and Monitoring Services	1,711,243	-	327,452	(1,383,791)	
53 Data Processing Services	226,860	-	93,473	(133,387)	
61 Community Services	573,300	-	406,069	(167,231)	
72 Debt Service - Interest on Long Term Debt	5,832,411	-	7,653,066	1,820,655	
73 Debt Service - Bond Issuance Cost and Fees	6,778	-	-	(6,778)	
81 Facilities Acquisition and Construction	31,450	-	-	(31,450)	
95 Payments to Juvenile Justice Alternative Ed. Prg.	90,602	-	-	(90,602)	
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 109,851,310	\$ 879,769	\$ 32,986,141	(75,985,400)	

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	7,829,718
DT	Property Taxes, Levied for Debt Service	1,987,449
SF	State Aid - Formula Grants	67,257,661
GC	Grants and Contributions not Restricted	1,080,121
IE	Investment Earnings	894,256
MI	Miscellaneous Local and Intermediate Revenue	1,016,243
TR	Total General Revenues	80,065,448
CN	Change in Net Assets	4,080,048
NB	Net Assets--Beginning	58,823,209
NE	Net Assets--Ending	\$ 62,903,257

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2009

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 7,062,661	\$ 28,833,196	\$ 2,148,732	\$ 38,044,589
1220 Property Taxes - Delinquent	2,349,844	-	480,861	2,830,705
1230 Allowance for Uncollectible Taxes (Credit)	(234,984)	-	(48,086)	(283,070)
1240 Due from Other Governments	3,920,572	-	1,339,493	5,260,065
1250 Accrued Interest	414,312	-	-	414,312
1260 Due from Other Funds	5,312,071	-	141,138	5,453,209
1290 Other Receivables	229,725	-	36	229,761
1300 Inventories	420,145	-	-	420,145
1410 Deferred Expenditures	101,513	-	-	101,513
1490 Other Current Assets	685	-	-	685
1800 Restricted Assets	-	561,854	-	561,854
1000 Total Assets	\$ 19,576,544	\$ 29,395,050	\$ 4,062,174	\$ 53,033,768
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 1,123,795	\$ 2,309,751	\$ 119,142	\$ 3,552,688
2140 Interest Payable - Current	12,630	-	-	12,630
2150 Payroll Deductions and Withholdings Payable	5,348	-	-	5,348
2160 Accrued Wages Payable	2,570,664	-	357,922	2,928,586
2170 Due to Other Funds	682,448	-	10,405	692,853
2180 Due to Other Governments	-	-	7,197	7,197
2300 Deferred Revenues	2,114,860	-	472,082	2,586,942
2000 Total Liabilities	6,509,745	2,309,751	966,748	9,786,244
Fund Balances:				
Reserved For:				
3410 Investments in Inventory	420,145	-	-	420,145
3420 Retirement of Long Term Debt	-	-	2,164,634	2,164,634
3430 Prepaid Items	101,513	-	-	101,513
Unreserved Designated For:				
3590 Other Purposes	1,557,868	-	930,792	2,488,660
Unreserved and Undesignated:				
3600 Reported in the General Fund	10,987,273	-	-	10,987,273
3620 Reported in Capital Projects Funds	-	27,085,299	-	27,085,299
3000 Total Fund Balances	13,066,799	27,085,299	3,095,426	43,247,524
4000 Total Liabilities and Fund Balances	\$ 19,576,544	\$ 29,395,050	\$ 4,062,174	\$ 53,033,768

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2009

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 43,247,524
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was \$181,791,865 and the accumulated depreciation was \$53,362,532. The net effect of capital assets (net of depreciation) in the governmental activities is to increase (decrease) net assets.	128,429,333
2 Property taxes receivable to pay for current period expenditures are deferred in the funds.	2,547,635
3 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.	1,297,983
4 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(110,812,569)
5 Long-term liabilities, including payables for capital leases, are not due and payable in the current period and therefore are not reported in the funds.	(305,760)
6 Long-term liabilities, including payables for bond interest accretion, are not due and payable in the current period and therefore are not reported in the funds.	(1,070,738)
7 Long-term liabilities, including payables for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(936,725)
8 Other long-term assets such as capitalized bond costs are not available to pay for current period expenditures and are deferred in the funds.	(410,417)
9 Discounts on bonds are reported as other financing sources or uses in governmental funds, whereas they are capitalized and amortized for net assets.	73,599
10 Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets.	843,392
19 Net Assets of Governmental Activities	\$ 62,903,257

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

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

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,015,431	\$ 668,780	\$ 2,111,356	\$ 11,795,567
5800 State Program Revenues	70,566,590	-	9,687,146	80,253,736
5900 Federal Program Revenues	7,429,467	-	13,564,041	20,993,508
5020 Total Revenues	87,011,488	668,780	25,362,543	113,042,811
EXPENDITURES:				
Current:				
0011 Instruction	41,951,441	-	9,034,141	50,985,582
0012 Instructional Resources and Media Services	1,476,597	-	35,672	1,512,269
0013 Curriculum and Instructional Staff Development	407,862	-	1,088,357	1,496,219
0021 Instructional Leadership	1,514,613	-	2,343,192	3,857,805
0023 School Leadership	4,717,042	-	323,477	5,040,519
0031 Guidance, Counseling and Evaluation Services	1,827,024	-	1,327,919	3,154,943
0032 Social Work Services	294,503	-	809,063	1,103,566
0033 Health Services	835,450	-	114,475	949,925
0034 Student (Pupil) Transportation	905,022	-	6,671	911,693
0035 Food Services	6,583,160	-	1,565	6,584,725
0036 Extracurricular Activities	2,893,361	-	142,596	3,035,957
0041 General Administration	2,945,331	-	495	2,945,826
0051 Facilities Maintenance and Operations	13,664,329	-	15,130	13,679,459
0052 Security and Monitoring Services	1,468,935	-	278,225	1,747,160
0053 Data Processing Services	119,711	-	93,473	213,184
0061 Community Services	139,498	-	399,239	538,737
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	294,429	-	4,580,000	4,874,429
0072 Debt Service - Interest on Long Term Debt	207,547	-	4,799,019	5,006,566
0073 Debt Service - Bond Issuance Cost and Fees	4,350	-	426,997	431,347
Capital Outlay:				
0081 Facilities Acquisition and Construction	6,930	13,358,526	-	13,365,456
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	90,602	-	-	90,602
6030 Total Expenditures	82,347,737	13,358,526	25,819,706	121,525,969
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	4,663,751	(12,689,746)	(457,163)	(8,483,158)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	37,005,059	-	37,005,059
7915 Transfers In	30,500	-	158,928	189,428
7916 Premium or Discount on Issuance of Bonds	-	-	424,569	424,569
7949 Other Resources	776,561	-	-	776,561
8911 Transfers Out (Use)	(777,691)	-	-	(777,691)
7080 Total Other Financing Sources (Uses)	29,370	37,005,059	583,497	37,617,926
1200 Net Change in Fund Balances	4,693,121	24,315,313	126,334	29,134,768
0100 Fund Balance - September 1 (Beginning)	8,373,678	2,769,986	2,969,092	14,112,756
3000 Fund Balance - August 31 (Ending)	\$ 13,066,799	\$ 27,085,299	\$ 3,095,426	\$ 43,247,524

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 29,134,768
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.	419,243
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets government-wide financial statements. The net effect of removing the 2009 capital outlays is to increase (decrease) net assets.	13,825,455
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(6,075,119)
The gain or loss on the disposal of capital assets is not reported in the funds.	(183,216)
Revenues recognized in the statement of activities that are not considered current financial resources are deferred and not reported as revenues in the funds.	106,929
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(37,000,000)
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	424,569
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	4,295,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	134,426
Governmental funds report the effect of issuance costs when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This is the current year amortization of issuance costs.	(40,879)
Interest accretion on long-term debt is included in the change in net assets as it accrues, regardless of when payment is made.	(983,805)
Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due. This is the amount paid during the current period.	634,288
Compensated absences are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.	(196,595)
Debt issuance premiums and discounts are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fundbalance upon issuance as other financing sources and uses. This is the current period amortization of premiums and discounts.	(415,016)
Change in Net Assets of Governmental Activities	<u>\$4,080,048</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2009

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,065,715
Due from Other Governments	1,712,646
Accrued Interest	108,403
Due from Other Funds	3,781
Deferred Expenses	122,256
Total Current Assets	<u>5,012,801</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	106,956
Depreciation on Buildings	(76,929)
Furniture and Equipment	3,566,657
Depreciation on Furniture and Equipment	<u>(2,112,024)</u>
Total Noncurrent Assets	<u>1,484,660</u>
Total Assets	<u>6,497,461</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,010,794
Payroll Deductions and Withholdings Payable	267,473
Accrued Wages Payable	30,931
Due to Other Funds	<u>3,890,314</u>
Total Liabilities	<u>5,199,512</u>
NET ASSETS	
Unrestricted Net Assets	<u>1,297,949</u>
Total Net Assets	<u><u>\$ 1,297,949</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 9,480,798
State Program Revenues	1,816,769
Total Operating Revenues	<u>11,297,567</u>
OPERATING EXPENSES:	
Payroll Costs	1,792,345
Professional and Contracted Services	8,376,080
Supplies and Materials	533,380
Other Operating Costs	764,816
Total Operating Expenses	<u>11,466,621</u>
Income Before Transfers	(169,054)
Transfer In	588,262
Change in Net Assets	419,208
Total Net Assets - September 1 (Beginning)	<u>878,741</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 1,297,949</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

	Governmental Activities -
	Total
	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Grants	\$ 109,296
Cash Received for Quasi-external Operating Trans.	7,200,590
Cash Received for Employee Premiums	3,229,684
Cash Payments to Employees for Services	(1,518,278)
Cash Payments for Suppliers	(6,543,839)
Net Cash Provided by Operating Activities	<u>2,477,453</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In (Out)	<u>588,262</u>
Net Increase in Cash and Cash Equivalents	3,065,715
Cash and Cash Equivalents at Beginning of the Year:	<u>-</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 3,065,715</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (169,054)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	220,510
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	784,790
Decrease (increase) in Due From Other Governments	(1,712,646)
Decrease (increase) in Prepaid Expenses	(7,746)
Increase (decrease) in Accounts Payable	48,426
Increase (decrease) in Accrued Wages Payable	274,067
Increase (decrease) in Interfunds	3,039,106
Net Cash Provided by Operating Activities	<u><u>\$ 2,477,453</u></u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2009

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 10,409	\$ 1,213,076
Due from Other Funds	-	2,075
Total Assets	10,409	\$ 1,215,151
LIABILITIES		
Accounts Payable	-	\$ 14,809
Due to Other Funds	-	875,897
Due to Other Governments	-	495
Due to Student Groups	-	323,950
Deferred Revenues	10,409	-
Total Liabilities	10,409	\$ 1,215,151

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

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. 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. There are no discretely presented component units within the reporting entity.

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, 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

1. *Government-Wide Statements and Fund Financial 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.

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, 2009

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

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 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, 2009

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, 2008. The budget was formally adopted by the board of school trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was amended by the board of school trustees throughout the year. Expenditures may not legally exceed budgeted appropriations at the function level.

4. *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid 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, 2009. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2009, and which extend beyond that date. The reported prepaid insurance is equally offset by a fund balance reserve, which indicates that they do not constitute "available 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, 2009

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 expenditures.

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, 2009

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 at fair value.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE C - CASH AND INVESTMENTS - Continued

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, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,907,116 and the bank balance was \$3,219,286. In addition to these cash and cash equivalents the District maintains \$39,988,525 in a government investment pool. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District's cash deposits at August 31, 2009 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 \$12,880,328.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$13,618,342 and occurred during the month of November 2008.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$500,000.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

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. Presented below is the minimum rating required by the District's investment policy and the Texas Public Fund Investment Act and the actual rating as of year end for each investment.

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating</u>	<u>Percentage</u>
MBIA Asset Management	AAA	\$39,988,342	AAA	100.0%
Lone Star Investments	AAA	183	AAA	0.0%
		<u>\$39,988,525</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.

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 \$775,765,108.

Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE D - PROPERTY TAX - Continued

Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2009 outstanding taxes in the general fund and debt service fund was \$2,349,844 and \$480,861 with a corresponding allowance for doubtful accounts of \$234,984 and \$48,086.

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	\$ 239,700	\$ -
Foundation revenues	<u>2,836,440</u>	<u>-</u>
	3,076,140	-
<i>Other Governmental Funds:</i>		
Texas Education Agency:		
Vocational Education – Basic Grant	27,314	-
Gifted and Talented	10,870	-
Career and Technology	159,825	-
Special Education	202,194	-
State Compensatory Education Fund	357,578	-
Bilingual Education	37,965	-
ESEA, Title IV, Part A – Safe and Drug Free Schools	2,732	-
ESEA, Title I, Part A – Improving Basic Programs	317,392	-
ESEA, Title I, Part A – ARRA – Improving Basic Programs	15,054	-
ESEA, Title II, Part C – Education of Migratory Children	122,165	-
ESEA, Title II, Part A – Teacher and Principal Training	49,468	-
ESEA, Title III, Part A – English Language Acquisition	2,879	-
ESEA, Title IV, Part B – 21 st Century Community Learning	187,484	-
Improving Academic Achievement	8,404	-
IDEA-B Formula	59,210	-
IDEA-B Formula – ARRA	132,559	-
IDEA-B Preschool	1,579	-
Reading First	114,487	-
Safe Schools/Healthy Student Grant	81,204	-
Gear Up/Region One ESC	83,154	-
Youth Building Positive Results	22,624	-
Texas High School Project	19,072	-
Student Success Initiative	35,643	-
Texas Educator Excellence Award	30,500	-
Technology Allotment	-	7,197
Texas Fitness Now Grant	17,456	-
State Funded Optional Extended - Year Program	3,533	-
Math Instruction Coaches Pilot – Cycle – 2	<u>5,580</u>	<u>-</u>
	2,107,925	7,197
<i>Internal Revenue Service</i>	<u>76,000</u>	<u>-</u>
Total governmental funds	<u>\$5,260,065</u>	<u>\$ 7,197</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE F – CAPITAL ASSETS

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

	<u>Balance</u> <u>Sept. 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>Aug. 31, 2009</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 6,395,732	\$ 202,896	\$ (12,800)	\$ 6,585,828
Construction in progress	<u>-</u>	<u>11,237,066</u>	<u>-</u>	<u>11,237,066</u>
Total capital assets not being depreciated	<u>6,395,732</u>	<u>11,439,962</u>	<u>(12,800)</u>	<u>17,822,894</u>
Capital assets being depreciated				
Building and improvements	151,316,033	1,587,514	(170,416)	152,733,131
Equipment	7,804,263	715,256	-	8,519,519
Vehicles	<u>6,307,211</u>	<u>82,723</u>	<u>-</u>	<u>6,389,934</u>
Total capital assets being depreciated	<u>165,427,507</u>	<u>2,385,493</u>	<u>(170,416)</u>	<u>167,642,584</u>
Less accumulated depreciation for:				
Building and improvements	41,009,198	5,342,638	-	46,351,836
Equipment	4,446,206	600,532	-	5,046,738
Vehicles	<u>3,800,454</u>	<u>352,457</u>	<u>-</u>	<u>4,152,911</u>
Total accumulated depreciation	<u>49,255,858</u>	<u>6,295,627</u>	<u>-</u>	<u>55,551,485</u>
Total capital assets being depreciated, net	<u>116,171,649</u>	<u>(3,910,134)</u>	<u>(170,416)</u>	<u>112,091,099</u>
Governmental activities capital assets, net	<u>\$122,567,381</u>	<u>\$ 7,529,828</u>	<u>\$ (183,216)</u>	<u>\$129,913,993</u>

Depreciation was charged to the following functions:

Government Activities:

11 – Instruction	\$3,283,492
12 – Instructional Resources and Media Services	97,391
13 – Curriculum and Staff Development	96,357
21 – Instructional Leadership	248,444
23 – School Leadership	324,611
31 – Guidance, Counseling and Evaluation Services	203,180
32 – Social Work Services	71,070
33 – Health Services	61,176
34 – Student Transportation	58,713
35 – Food Services	424,059
36 – Cocurricular/Extracurricular Activities	195,517
41 – General Administration	189,712
51 – Plant Maintenance and Operations	880,963
52 – Security and Monitoring Services	112,518
53 – Data Processing Services	13,729
61 – Community Services	<u>34,695</u>
	<u>\$6,295,627</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE G - 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, 2009 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance Sept. 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Aug. 31, 2009</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
Unlimited Tax School Building Bonds – Series 1996	\$ 1,635,000	\$ -	\$ (600,000)	\$ 1,035,000	\$ 505,000
Unlimited Tax School Building Bonds – Series 1998	1,145,000	-	(1,145,000)	-	-
Unlimited Tax School Building Bonds – Series 2000	6,005,000	-	(785,000)	5,220,000	820,000
Unlimited Tax School Building Bonds – Series 2004	34,665,000	-	(760,000)	33,905,000	780,000
Unlimited Tax School Building Bonds – Series 2005	800,000	-	-	800,000	-
Unlimited Tax School Building Bonds – Series 2005	27,830,000	-	(440,000)	27,390,000	980,000
Unlimited Tax Refunding CAB Bonds – Series 2005	565,000	-	-	565,000	565,000
Unlimited Tax School Building and Refunding CAB Bonds – Series 2005	1,060,000	52,569	(140,000)	972,569	140,000
Lease Revenue Bonds – Series 2006	4,350,000	-	(160,000)	4,190,000	165,000
Unlimited Tax School Building Bonds – Series 2008	-	36,460,000	-	36,460,000	-
Unlimited Tax School Building CAB - Bonds – Series 2008	-	<u>540,000</u>	<u>(265,000)</u>	<u>275,000</u>	<u>275,000</u>
Total general obligation bonds	78,055,000	37,052,569	(4,295,000)	110,812,569	4,230,000
Accrued Interest Unlimited Tax Refunding CAB Bonds – Series 2005	565,694	261,610	-	827,304	827,304
Accrued Interest Unlimited Tax School Building and Refunding CAB Bonds Series 2005	208,095	64,695	(241,856)	30,934	30,934
Accrued Interest Unlimited Tax Refunding CAB Bonds – Series 2008	-	657,500	(445,000)	212,500	212,500
Discount on Issuance, Bonds Series 2005	(78,197)	-	4,600	(73,597)	-
Premium on Issuance, Bonds Series 2008	-	424,569	(14,152)	410,417	-
Capital Leases	440,189	-	(134,429)	305,760	97,155
Compensated absences	<u>740,130</u>	<u>243,431</u>	<u>(46,836)</u>	<u>936,725</u>	<u>86,000</u>
Total governmental activities	<u>\$79,930,911</u>	<u>\$38,704,374</u>	<u>\$(5,172,673)</u>	<u>\$113,462,612</u>	<u>\$5,483,893</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE G - LONG-TERM OBLIGATIONS – Continued

General Obligation Bonds:

Bonds payable at August 31, 2009 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. \$ 1,035,000

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. 5,220,000

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. 33,905,000

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. 1,772,569

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE G - 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.

\$27,955,000

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.

4,190,000

On September 25, 2008, the District received Unlimited Tax School Building Bonds, Series 2008 proceeds totaling \$37,000,000 to renovate certain campuses, more specifically the chill water system at the High School and other campuses as necessary; to add new wings to Veterans Academy to convert campus to a 9th and 10th grade campus. The bonds include \$17,945,000 in Serial Bonds, \$18,515,000 Term Current Interest Bonds and \$540,000 Premium Capital Appreciation Bonds (CAB). Interest rates vary from 3.00% to 4.625% on the serial bonds 5% on the term current interest bonds and 2.11% to 2.63% on the CAB bonds. Interest on the Term Current Interest Bonds and Interest on the CAB bonds is to accrete from the date of initial delivery. Interest on the Serial bonds will mature and are payable annually on February 15th beginning in the year 2011. The bond matures on February 15, 2028.

36,735,000

\$110,812,569

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

Year Ending August 31,	General Obligation Bonds		Accrued Interest CAB Bonds	Total Requirement
	Principal	Interest		
2010	\$ 3,216,524	\$ 5,482,348	\$ 1,070,738	\$ 9,769,610
2011	4,775,000	4,923,290	-	9,698,290
2012	4,100,000	4,738,106	-	8,838,106
2013	4,281,045	4,563,930	-	8,844,975
2014	4,460,000	4,379,065	-	8,839,065
2014-2018	23,580,000	18,725,772	-	42,305,772
2019-2023	20,980,000	13,644,863	-	34,624,863
2024-2028	18,045,000	8,739,125	-	26,784,125
2029-2033	18,845,000	4,581,875	-	23,426,875
2034-2038	<u>8,530,000</u>	<u>879,750</u>	-	<u>9,409,750</u>
	<u>\$110,812,569</u>	<u>\$70,658,124</u>	<u>\$1,070,738</u>	<u>\$182,541,431</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE G - LONG-TERM OBLIGATIONS – Continued

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, 2009.

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, 2009.

Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2009, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 97,155	\$ 15,218
2011	101,983	10,389
2012	<u>106,622</u>	<u>5,320</u>
	<u>\$305,760</u>	<u>\$ 30,927</u>

NOTE H – 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE H – SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION - Continued

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 I - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Fund	Internal Service Funds
Property taxes	\$7,796,379	\$ -	\$1,913,859	\$ 9,710,238	\$ -
Food sales	462,231	-	-	462,231	-
Investment income	116,884	668,780	78,346	864,010	4,442
Co-curricular activities	149,465	-	-	149,465	-
Other	<u>490,472</u>	<u>-</u>	<u>119,151</u>	<u>609,623</u>	<u>9,476,356</u>
	<u>\$9,015,431</u>	<u>\$ 668,780</u>	<u>\$2,111,356</u>	<u>\$11,795,567</u>	<u>\$9,480,798</u>

NOTE J – UNEARNED REVENUE

	Unavailable	Unearned	Total
SBCISD taxes	\$2,547,635	\$ -	\$2,547,635
Other	<u>-</u>	<u>39,307</u>	<u>39,307</u>
	<u>\$2,547,635</u>	<u>\$ 39,307</u>	<u>\$2,586,942</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE K - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due from other funds:

<u>Due to</u>	<u>Due From</u>	
General Fund	Fiduciary Fund	\$ 726,829
General Fund	Nonmajor Governmental Fund	10,405
General Fund	Funds within the General Fund	671,282
Funds within the General Fund	General Fund	7,385
General Fund	Internal Service Fund	3,890,314
Nonmajor Funds	Fiduciary Fund	141,138
Internal Service Fund	General Fund	3,781
Fiduciary Fund	Other Fiduciary Fund	<u>2,075</u>
	Due from other funds	<u>\$5,453,209</u>

Due to other funds:

Funds within the General Fund	General Fund	\$ 678,667
General Fund	Nonmajor Governmental Funds	10,405
Internal Service Fund	General Fund	<u>3,781</u>
	Due to other funds	<u>\$ 692,853</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, 2009 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	
Nonmajor Governmental Funds	General Fund	\$ 158,929
Funds within the General Fund	General Fund	30,500
General Fund	Internal Service Funds	<u>588,262</u>
		<u>\$ 777,691</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE L - 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, 2009, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$4,042,467
School Breakfast Program	10.553	1,784,024
Commodity Supplemental Food Program	10.550	338,883
SHARS/Medicaid	N/A	628,946
Medicaid Administrative Claim	N/A	25,458
ROTC	12.113	49,870
Payment in Lieu of Taxes		16,358
Federal Emergency Management Agency (FEMA)	97.036	303,729
<i>Indirect Costs</i>		
ESEA Title I, School Improvement	84.369A	5,515
ESEA Title I, Part A – Improving Basic Programs	84.010A	111,101
ESEA Title I, Part C – Education of Migratory Children	84.011	20,339
ESEA Title II, Part A – Teacher and Principal Training and Recruitment	84.367A	19,199
ESEA Title II, Part D – Enhancing Education Through Technology	84.318	1,160
ESEA Title III, Part A – English Language Acquisition and Language Enhancement	84.365A	3,969
ESEA Title IV, Part A – Safe and Drug Free Schools and Communities Act	84.186A	1,274
ESEA Title IV, Part B – 21 st Century Community Learning Centers	84.287	13,174
IDEA-B Formula	84.027	37,924
IDEA-B Preschool	84.173	693
Reading First	84.357	20,384
Vocational Education – Basic Grant	80.048	<u>5,000</u>
Total general fund federal revenue		<u>\$7,429,467</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE M – 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.

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

NOTE N – COMMITMENTS AND CONTINGENCIES

Construction Commitments

Construction in progress at August 31, 2009 is comprised of the following:

	<u>Estimated Projected Costs</u>	<u>Expended through August 31, 2009</u>	<u>Amount Committed</u>
Dr. Cash Elementary	\$ 535,000	\$ 468,474	\$ 66,526
Ed Downs Elementary	1,156,000	1,035,848	120,152
HVAC Improvement – Rangerville Elementary	1,020,000	926,838	93,162
Sullivan Elementary Additions and Renovations	4,670,000	2,805,097	1,864,903
HVAC Improvement – High School	5,298,700	4,995,383	303,317
Landrum Elementary Additions and Renovations	1,012,700	32,745	979,955
High School Science Wing	<u>974,656</u>	<u>972,681</u>	<u>1,975</u>
	<u>\$14,667,056</u>	<u>\$11,237,066</u>	<u>\$ 3,429,990</u>

Restricted assets at August 31, 2009, consisted of restricted cash balances relating to retainage agreements on the District's ongoing construction projects.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE N – COMMITMENTS AND CONTINGENCIES - Continued

Contingencies

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, 2009 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, 2009 are expected to be liquidated within the following reporting period.

Included in other resources are \$768,000 in net legal settlement proceeds related to construction disputes at the Veterans Memorial Academy campus. The \$859,698 is net of \$91,698 in repairs made by the District.

NOTE O - DEFINED BENEFIT PENSION PLAN

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE O - DEFINED BENEFIT PENSION PLAN – Continued

Funding Policy. State law provides for fiscal year 2007 a state contribution rate of 6.0% and a member contribution rate of 6.4%. The rates for fiscal years 2008 and 2009 increased to a state contribution rate of 6.58% and the member contribution rate remains at 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of San Benito Consolidated Independent School District's employees for the year ended August 31, 2007 were \$3,158,000, for the year ended August 31, 2008 were \$2,784,810, and for the year ended August 31, 2009 were \$3,257,975. San Benito Consolidated Independent School District paid additional state contributions for the year ended August 31, 2007 of \$243,393, for the year ended August 31, 2008 of \$322,308, and for the year ended August 31, 2009 of \$316,180, respectively on the portion of the employees' salaries that exceeded the statutory minimum.

NOTE P - SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Texas Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$84,207, \$89,939, and \$89,343, respectively, the active member contributions were \$3,698,052, \$3,681,372, and \$3,420,275, respectively, and the school district's contributions were \$317,805, \$316,369, and \$293,927, respectively, which equaled the required contributions each year.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE P - SCHOOL DISTRICT RETIREE HEALTH PLAN - Continued

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the District were \$137,900, \$140,341 and \$118,973, respectively.

NOTE Q - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District purchased commercial insurance to cover general liabilities.

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, 2009.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2009

NOTE Q - RISK MANAGEMENT - Continued

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

	August 31,	
	2009	2008
Unpaid claims, beginning of year	\$ 864,667	\$ 862,966
Incurred claims (including IBNR's)	8,090,600	8,692,939
Claim payments	(7,958,369)	(8,691,238)
Unpaid claims, end of fiscal year	\$ <u>996,898</u>	\$ <u>864,667</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,386,984	\$ 9,386,984	\$ 9,015,431	\$ (371,553)
5800	State Program Revenues	71,016,460	71,016,460	70,566,590	(449,870)
5900	Federal Program Revenues	7,593,436	7,593,436	7,429,467	(163,969)
5020	Total Revenues	87,996,880	87,996,880	87,011,488	(985,392)
EXPENDITURES:					
Current:					
0011	Instruction	44,302,552	43,736,872	41,951,441	1,785,431
0012	Instructional Resources and Media Services	1,567,292	1,557,084	1,476,597	80,487
0013	Curriculum and Instructional Staff Development	427,449	504,880	407,862	97,018
0021	Instructional Leadership	1,525,200	1,658,515	1,514,613	143,902
0023	School Leadership	4,844,414	4,788,685	4,717,042	71,643
0031	Guidance, Counseling and Evaluation Services	1,929,884	1,911,516	1,827,024	84,492
0032	Social Work Services	297,705	314,922	294,503	20,419
0033	Health Services	898,267	871,393	835,450	35,943
0034	Student (Pupil) Transportation	1,014,106	1,147,210	905,022	242,188
0035	Food Services	6,993,988	6,984,314	6,583,160	401,154
0036	Extracurricular Activities	2,619,463	2,964,098	2,893,361	70,737
0041	General Administration	3,091,023	3,068,786	2,945,331	123,455
0051	Facilities Maintenance and Operations	14,000,815	13,987,630	13,664,329	323,301
0052	Security and Monitoring Services	1,363,435	1,557,447	1,468,935	88,512
0053	Data Processing Services	150,000	125,000	119,711	5,289
0061	Community Services	175,192	164,834	139,498	25,336
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	297,817	297,817	294,429	3,388
0072	Debt Service - Interest on Long Term Debt	212,421	212,421	207,547	4,874
0073	Debt Service - Bond Issuance Cost and Fees	5,000	5,000	4,350	650
Capital Outlay:					
0081	Facilities Acquisition and Construction	5,000	6,930	6,930	-
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	25,000	90,602	90,602	-
6030	Total Expenditures	85,746,023	85,955,956	82,347,737	3,608,219
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,250,857	2,040,924	4,663,751	2,622,827
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	30,500	30,500
7949	Other Resources	-	-	776,561	776,561
8911	Transfers Out (Use)	(2,250,857)	(2,447,907)	(777,691)	1,670,216
7080	Total Other Financing Sources (Uses)	(2,250,857)	(2,447,907)	29,370	2,477,277
1200	Net Change in Fund Balances	-	(406,983)	4,693,121	5,100,104
0100	Fund Balance - September 1 (Beginning)	8,373,681	8,373,678	8,373,678	-
3000	Fund Balance - August 31 (Ending)	\$ 8,373,681	\$ 7,966,695	\$ 13,066,799	\$ 5,100,104

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2009

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
FISCAL YEAR ENDED AUGUST 31, 2009

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.293100	0.176300	425,103,794
2002	1.311900	0.158100	459,437,771
2003	1.313500	0.156500	496,562,820
2004	1.354000	0.144000	536,985,918
2005	1.425400	0.144000	582,585,473
2006	1.445000	0.144000	636,639,688
2007	1.320000	0.144000	712,144,013
2008	1.040000	0.200000	738,640,614
2009 (School year under audit)	1.040000	0.264900	775,765,108
100 TOTALS			

(10) Beginning Balance 9/1/2008		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2009	
\$	486,322	\$	-	\$	7,443	\$	2,287	\$	(13,998)	\$	462,594
	72,204		-		5,438		741		354		66,379
	87,737		-		11,110		1,339		(172)		75,116
	87,534		-		19,658		2,342		3,233		68,767
	155,071		-		28,478		3,029		2,488		126,052
	243,067		-		56,666		5,724		4,014		184,691
	255,776		-		75,167		7,467		1,286		174,428
	426,815		-		141,772		15,666		(13,768)		255,609
	897,369		-		355,247		68,232		(6,422)		467,468
	-		9,871,524		7,111,518		1,807,129		(3,276)		949,601
\$	2,711,895	\$	9,871,524	\$	7,812,497	\$	1,913,956	\$	(26,261)	\$	2,830,705

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

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ 92,171	\$ 237,119	\$ 1,150,277	\$ 168,473	\$ -	\$ 1,648,040
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	300	-	-	300
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	165,664	-	-	165,664
6212	Audit Services	-	-	-	26,500	-	-	26,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	101,951	-	-	-	-	101,951
621X	Other Professional Services	-	-	-	124,296	-	-	124,296
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	16,959	-	-	-	16,959
6240	Contr. Maint. and Repair	-	-	75	5,520	-	-	5,595
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	4,723	6,270	23,998	-	-	34,991
6290	Miscellaneous Contr.	3,953	-	60	26,774	-	-	30,787
6320	Textbooks and Reading	-	-	1,588	95	225	-	1,908
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	10,916	4,360	49,558	4,150	-	68,984
6410	Travel, Subsistence, Stipends	22,023	3,191	8,637	4,291	868	-	39,010
6420	Ins. and Bonding Costs	-	200	-	50,783	-	-	50,983
6430	Election Costs	-	-	-	15,801	-	-	15,801
6490	Miscellaneous Operating	39,844	195	7,336	68,239	259	-	115,873
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 65,820	\$ 213,347	\$ 282,404	\$ 1,712,096	\$ 173,975	\$ -	\$ 2,447,642

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 98,361,431

LESS: Deductions of Unallowable Costs
FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 491,379
Total Debt & Lease(6500)	(11) 506,326
Plant Maintenance (Function 51, 6100-6400)	(12) 13,644,110
Food (Function 35, 6341 and 6499)	(13) 2,812,975
Stipends (6413)	(14) 231
Column 4 (above) - Total Indirect Cost	1,712,096

SubTotal: 19,167,116

Net Allowed Direct Cost \$ 79,194,315

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 152,733,133
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 14,909,453
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$119,711 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2009

UNAUDITED

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 13,066,799
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 521,658	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	1,557,868	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	7,200,000	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	4,712,646	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>13,992,172</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (925,373)</u>

Net positive undesignated unreserved general fund balance will be utilized for outstanding encumbrances and construction projects.

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,487,500	\$ 1,800,696	\$ 2,034,674	\$ 233,978
5800 State Program Revenues	5,814,645	7,670,429	7,653,066	(17,363)
5020 Total Revenues	7,302,145	9,471,125	9,687,740	216,615
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	3,870,000	4,135,000	4,580,000	(445,000)
0072 Debt Service - Interest on Long Term Debt	3,341,540	5,436,165	4,799,019	637,146
0073 Debt Service - Bond Issuance Cost and Fees	5,000	6,500	426,997	(420,497)
6030 Total Expenditures	7,216,540	9,577,665	9,806,016	(228,351)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	85,605	(106,540)	(118,276)	(11,736)
OTHER FINANCING SOURCES (USES):				
7916 Premium or Discount on Issuance of Bonds	-	-	424,569	424,569
7917 Prepaid Interest	-	192,145	-	(192,145)
7080 Total Other Financing Sources (Uses)	-	192,145	424,569	232,424
1200 Net Change in Fund Balances	85,605	85,605	306,293	220,688
0100 Fund Balance - September 1 (Beginning)	1,858,341	1,858,341	1,858,341	-
3000 Fund Balance - August 31 (Ending)	\$ 1,943,946	\$ 1,943,946	\$ 2,164,634	\$ 220,688

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, 2009, and have issued our report thereon dated January 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated January 5, 2010.

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 5, 2010

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

To the Board of Trustees
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, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, 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, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, 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 5, 2010

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2009

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ 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, 84.389A

ESEA Title I, Part A – Improving Basic Programs Cluster

84.027, 84.173, 84.391A

Special Education Cluster

10.553, 10.555, 10.565

Child Nutrition Cluster

84.287C

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

Dollar threshold used to distinguish between Type A and Type B programs: \$609,682

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, 2009

Section II - Financial Statement Findings

None noted that were required to be reported.

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, 2009

<u>PROGRAM DESCRIPTION</u>	<u>STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE</u>
Schedule Reference Number: (08-1)	Expenditures in Excess of Budget Appropriations This situation was corrected in the current year.
Schedule Reference Number: (08-2)	Allocated State Program Revenues This situation was corrected in the current year.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2009

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

No matters to be reported in the current year.

Contact Person:

Emma McCall
Business Manager

Implementation Time Frame:

Not applicable

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

	(1)	(2)	(3)	(4)
Data Control Codes	FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>Direct Programs</u>				
U.S. DEPARTMENT OF EDUCATION				
Passed through the State Department of Education:				
211	ESEA, Title I, Part A - Improving Basic Programs *	84.010A	09610101031912	4,908,662
211	ESEA, Title I, Part A - Improving Basic Programs *	84.010A	00610101031912	283,209
285	ESEA Title I, Part A - ARRA - Improving Basic Programs *	84.389A	10551001031912	15,054
	Total CFDA Number 84.010A / 84.389A			<u>5,206,926</u>
212	ESEA, Title I, Part C - Education of Migratory Children	84.011	09615001031912	877,626
212	ESEA, Title I, Part C - Education of Migratory Children	84.011	00610101031912	54,125
	Total CFDA Number 84.011			<u>931,751</u>
224	IDEA-B Formula *	84.027	09600010319126600	1,735,042
224	IDEA-B Formula *	84.027	00600010319126600	46,233
	Total CFDA Number 84.027			<u>1,781,275</u>
244	Career and Technology - Basic Grant	84.048	09420006031912	260,101
244	Career and Technology - Basic Grant	84.048	00420006031912	1,153
	Total CFDA Number 84.048			<u>261,254</u>
225	IDEA-B Preschool *	84.173	09600010319126600	29,680
225	IDEA-B Preschool *	84.173	00600010319126600	1,268
	Total CFDA Number 84.173			<u>30,948</u>
204	ESEA, Title IV - Safe and Drug-free Schools	84.186A	9691001031912	67,376
204	ESEA, Title IV - Safe and Drug-free Schools	84.186A	0691001031912	2,732
	Total CFDA Number 84.186A			<u>70,108</u>
264	Community Service Grant Program	84.318X	086300027110018	207,419
265	Title IV, Part B - 21st Century Community Learning Center	84.287C	096950017110045	1,057,647
267	Improving Academic Achievement			302,410
262	Title II, Part D - Enhancing Education Through Technology	84.318	09630001031912	53,985
401	Gear Up	84.334A	P334A050083-B	174,100
261	Reading First	84.357	096455017110058	987,496
282	Safe Schools / Healthy Students	84.184L	Q184L0006-09	1,377,675
282	Safe Schools / Healthy Students	84.184L	Q184L0006-00	60,992
	Total CFDA Number 84.184L			<u>1,438,668</u>

HARLINGEN CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
283	IDEA Part B, Formula - ARRA *	84.391A	10554001031912	143,905
283	IDEA Part B, Formula - ARRA *	84.391A	10554001031912	2,514
	Total CFDA Number 84.391			<u>146,419</u>
263	Title III, Part A - English Language Acquisition / Enhancement	84.365A	0967001031912	222,998
	Title III, Part A - English Language Acquisition / Enhancement	84.365A	0067001031912	2,298
	Total CFDA Number 84.365A			<u>225,296</u>
255	ESEA, Title II, Part A - Teacher / Principal Training	84.367A	09694501031912	887,851
255	ESEA, Title II, Part A - Teacher / Principal Training	84.367A	00694501031912	40,220
	Total CFDA Number 84.367A			<u>928,071</u>
	Total passed through State Department of Education			<u>13,803,773</u>
	Total U.S. Department of Education			<u>13,803,773</u>
	U.S. DEPARTMENT OF DEFENSE			
	ROTC	12.113		<u>49,870</u>
	Total U.S. Department of Defense			<u>49,870</u>
	U.S. DEPARTMENT OF HOMELAND SECURITY			
	FEMA - Disaster Relief	97.036		<u>303,729</u>
	Total U.S. Department of Homeland Security			<u>303,729</u>
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed through State Department of Education:			
240	School Breakfast Program *	10.553		1,784,024
240	National School Lunch Program *	10.555		4,029,187
241	Commodity Supplemental Food Program	10.565		<u>352,163</u>
	Total passed through State Department of Education			<u>6,165,374</u>
	Total U.S. Department of Agriculture			<u>6,165,374</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>20,322,746</u>
	Reconciliation of expenditures of Federal awards to Exhibit C-3:			
	Passed through Federal awards not required to be included:			
	SHARS			628,946
	Medicaid Administrative Claim Program			25,458
	Payment in Lieu of Taxes			<u>16,358</u>
	Total passed through Federal awards not required to be included			<u>670,762</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS, PER EXHIBIT C-3			<u>\$20,993,508</u>

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

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, 2009

<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 disclosures in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$1,070,738