

**SAN BENITO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL
AND
COMPLIANCE REPORT*

FOR THE YEAR ENDED AUGUST 31, 2011

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2011

TRUSTEES

Yliana G. Rodriguez - President

Hector G. Leal - Vice-President

June Aguilera - Secretary

Oscar de la Fuente, Jr.

Julian Huerta

Oscar Medrano

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, 2011

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2011

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

San Benito Consolidated Independent School District
Name of School District

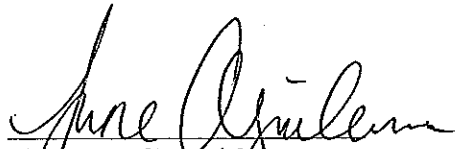
Cameron
County

031-912
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and X approved -- disapproved for the year ended August 31, 2011 at a

(Check one)

meeting of the board of school trustees of such school district on the 17th day of January, 2012.


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, business-type 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, 2011, 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, business-type activities, each major fund, and the aggregate remaining fund information of San Benito Consolidated Independent School District as of August 31, 2011, 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 13, 2012 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 22 and 64 through 65 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 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 13, 2012

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	Government-wide	Fund Statements		
		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. There are two proprietary fund types, enterprise funds and internal service funds.

The District uses an enterprise fund to account for the day care services. Charges for day care are used to cover the costs of operations.

- The District uses *internal service funds* to report activities for its worker's compensation and employee benefits program, transportation and print shop. The goods and services these funds provide are charged to the other district funds on a cost reimbursement basis.
- *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.

The Governmental Accounting Standard Board (GASB) released Statement 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” on March 11, 2009, which is effective for fiscal year ending August 31, 2011. This new statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. Previously, fund balance was classified as “reserved” or “unreserved”. GASB 54 will change how fund balance is reported. The hierarchy of five possible classifications is as follows.

Non spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The District has inventories and prepaid insurance that are considered non-spendable.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. **Restricted:** fund balances that are constrained by external parties, constitutional provisions or enabling legislation; **committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority (the board of trustees); **assigned:** fund balances that contained self-imposed constraints of the government to be used for a particular purpose (the Superintendent or the Assistant Superintendent for Business Services have the authority to assign funds for specific purposes); and **unassigned:** fund balance of the general fund that has not been constrained for any particular purpose.

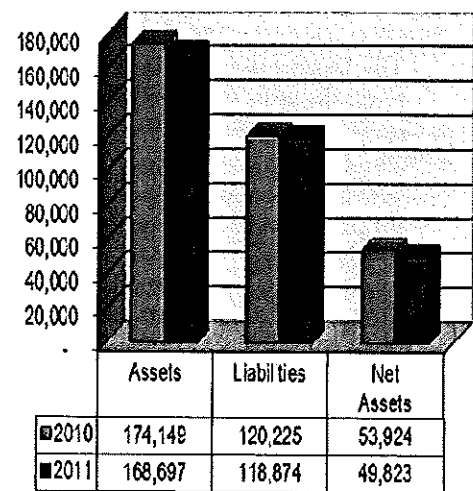
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets for governmental activities were \$49,756,795 at August 31, 2011. (See Table A-1).

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

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 37,520	\$ 48,184
Capital assets	<u>131,111</u>	<u>125,965</u>
Total Assets	<u>168,631</u>	<u>174,149</u>
Long-term liabilities outstanding	100,604	105,311
Other liabilities	<u>18,270</u>	<u>14,914</u>
Total Liabilities	<u>118,874</u>	<u>120,225</u>
Net Assets:		
Invested in capital assets – net of related debt	31,941	17,413
Restricted	4,751	19,518
Unrestricted	<u>13,065</u>	<u>16,993</u>
Total Net Assets	\$ <u>49,757</u>	\$ <u>53,924</u>

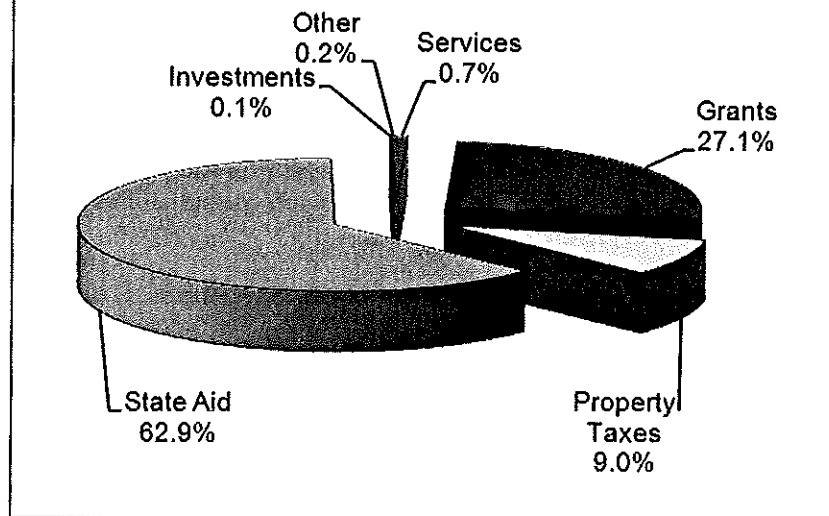
Figure A-1 San Benito CISD Net Assets



Approximately 9.5% of the District's net assets are subject to external restrictions on how they may be used. The \$13,122,733 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.

Figure A-3 Sources of Revenues for FY 2010-2011



Changes in net assets. The District's total revenues were \$ 116,246,815. Approximately 9%, of the District's revenue comes from taxes. (See Figure A-3.) 62.9% comes from state aid – formula grants and operating grants, while 27.1% comes from federal grants. The increase in local revenues is due primarily to an increase in taxable property values.

The total cost of all programs and services was \$120,403,698.

Governmental Activities

- Property tax rates remained at 1.3049. Property values increased by about 2.5%.
- Average daily attendance increased by about 120 students.

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

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Program Revenues:		
Charges for Services	\$ 725	\$ 929
Operating Grants and Contributions	31,518	29,372
General Revenues:		
Property Taxes	10,496	10,060
State Aid – Formula	73,089	81,961
Investment Earnings	59	109
Other	<u>252</u>	<u>1,958</u>
Total Revenues	116,139	124,389
Expenses:		
Instruction	60,428	61,088
Instructional Resources and Media Services	2,143	1,819
Curriculum Dev. And Instructional Staff Dev	2,083	2,511
Instructional Leadership	4,152	4,168
School Leadership	5,818	5,635
Guidance, Counseling and Evaluation Services	3,786	3,494
Social Work Services	471	1,131
Health Services	1,144	1,069
Student (Pupil) Transportation	1,319	1,171
Food Services	7,594	7,012
Co-Curricular/Extracurricular Activities	2,958	2,947
General Administration	4,713	3,963
Plant Maintenance & Operations	15,070	15,265
Security & Monitoring Services	1,992	2,013
Data Processing Services	743	170
Community Services	674	634
Debt Service	5,058	5,443
Bond Issuance Fees	7	7
Payments to Juvenile Justice Alternative Education	38	48
Other Intergovernmental	<u>115</u>	<u>114</u>
Total Expenses	<u>120,306</u>	<u>119,702</u>
Increase (Decrease) in Net Assets	(4,167)	4,687
Beginning Net Assets	<u>53,924</u>	<u>49,237</u>
Ending Net Assets	<u>\$ 49,757</u>	<u>\$ 53,924</u>

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 \$120,305,983.
- However, the amount that our taxpayers paid for these activities through property taxes was \$10,495,518.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2011</u>	<u>2010</u>		<u>2011</u>	<u>2010</u>	
Instruction	\$ 60,428	\$ 61,088	(1.1%)	\$ 43,245	\$ 40,627	6.4%
School Leadership	5,818	5,635	3.2%	5,417	2,002	170.6%
Food Services	7,594	7,012	8.3%	267	6,573	(95.9%)
Plant Maintenance & Operations	15,070	15,265	(1.3%)	14,735	14,917	(1.2%)
Debt Service	5,058	5,443	(7.1%)	5,058	5,443	(7.1%)

- Some of the cost was paid by those who directly benefited from the programs \$725,296 or by grants and contributions \$31,517,935.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$115,953,668 a decrease of \$6.8 million over the preceding year. There was a decrease in local revenues of about \$73,907. Although property tax collections increased this was more than offset by the decrease of interest income. As the construction projects have progressed the balance of funds to invest has decreased. In addition the yields on the investments have continued to decrease due to the sluggish economy. State revenue totaled \$77.1 million a decrease of \$3,384,230 over last year. The decrease in state revenue was due primarily to a decrease in the state share of EDA and IFA bonds since the district did not collect the full local portion for these bonds. Federal program revenues were \$27.5 million. This is a decrease of \$3.3 million over the prior year. This increase was due to a decrease stimulus funding and the SFSF.

General Fund Budgetary Highlights

- Property tax collections rate was 98.4%.
- Average Daily Attendance was 10,543, up 150 from the prior year.
- For seven consecutive years have received Superior rating for the Financial Integrity Reporting System of Texas (FIRST).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had invested \$205,146,720 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 for various campuses.

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

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Land	\$ 7,940	\$ 7,483
Buildings and improvements	163,501	156,580
Vehicles & Equipment	16,868	16,042
Construction in Progress	<u>16,838</u>	<u>12,129</u>
Totals at historical cost	205,147	192,234
 Total accumulated depreciation	 <u>74,036</u>	 <u>66,269</u>
Net capital assets	<u>\$131,111</u>	<u>\$125,965</u>

Long Term Debt

At year-end the District had \$102,791,045 in bonds outstanding as shown in Table A-5.

Table A-5
District's Bonds and Long-Term Liabilities
(In thousands of dollars)

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Compensated absences payable	\$ 1,108	\$ 1,112
Accrued interest payable	-	29
Capital leases	107	209
Bonds payable	102,791	107,596
Note payable	611	750
Deferred loss	(139)	(156)
Discount/Premium - Bonds	<u>528</u>	<u>563</u>
Total bonds & notes payable	<u>\$105,006</u>	<u>\$110,103</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2011-12 budget preparation are down \$80 million, or about 10% from \$831 million in 2009 –2010 to \$751 million currently.
- The tax rate remained at 1.3049. The District held a TRE on September 18, 2010. The election passed and this allowed the district to continue to shift 13 cents from the debt service rate to the maintenance rate as was done in the prior year. This had been done based on an attorney's opinion that no election was required for this. However, the Texas attorney general ruled later that a TRE would be required.
- The District's 2010-11 refined average daily attendance was expected to remain at 10,274.
- Federal stimulus funds and SFSF funding were not available after the 2011-12 school year.
- The district offered an early resignation incentive to highly compensated/experienced staff in order to reduce costs for the upcoming school year.
- The district opened a new elementary school in 2011-12.

These indicators were taken into account when adopting the general fund budget for 2011-2012. The appropriations of \$ 92.2 million for 2011-12 is an increase of approximately \$4.5 million over the prior year budget of \$ 87.7 million. This is about a 5% increase. The district is anticipating a reduction in fund balance of about \$ 5.5 million for the fiscal year ending August 31, 2012.

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 CISD
STATEMENT OF NET ASSETS
AUGUST 31, 2011

EXHIBIT A-1

		1	2	3
Data		Primary Government		
Control			Business	
Codes		Governmental	Type	
		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 25,604,552	\$ 57,624	\$ 25,662,176
1220	Property Taxes Receivable (Delinquent)	3,112,039	-	3,112,039
1230	Allowance for Uncollectible Taxes	(311,204)	-	(311,204)
1240	Due from Other Governments	7,357,139	-	7,357,139
1267	Due from Fiduciary Funds	395,231	-	395,231
1290	Other Receivables, net	198,584	-	198,584
1300	Inventories	419,358	-	419,358
1420	Capitalized Bond and Other Debt Issuance Costs	743,914	-	743,914
1490	Other Current Assets	685	-	685
Capital Assets:				
1510	Land	7,939,642	-	7,939,642
1520	Buildings, Net	101,528,027	-	101,528,027
1530	Furniture and Equipment, Net	4,804,689	-	4,804,689
1580	Construction in Progress	16,838,453	-	16,838,453
1000	Total Assets	168,631,109	57,624	168,688,733
LIABILITIES				
2110	Accounts Payable	2,312,559	-	2,312,559
2140	Interest Payable	4,416	-	4,416
2150	Payroll Deductions & Withholdings	254,028	-	254,028
2160	Accrued Wages Payable	3,757,245	-	3,757,245
2180	Due to Other Governments	6,685,011	-	6,685,011
2300	Unearned Revenues	855,170	-	855,170
Noncurrent Liabilities				
2501	Due Within One Year	4,401,625	-	4,401,625
2502	Due in More Than One Year	100,604,260	-	100,604,260
2000	Total Liabilities	118,874,314	-	118,874,314
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	31,940,925	-	31,940,925
Restricted for:				
3820	Restricted for Federal and State Programs	127,797	-	127,797
3860	Restricted for Capital Projects	4,622,964	-	4,622,964
3900	Unrestricted Net Assets	13,065,109	57,624	13,122,733
3000	Total Net Assets	\$ 49,756,795	\$ 57,624	\$ 49,814,419

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

**SAN BENITO CISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 60,427,853	\$ -	\$ 17,182,697
12 Instructional Resources and Media Services	2,142,711	-	524,843
13 Curriculum and Staff Development	2,082,618	-	1,522,420
21 Instructional Leadership	4,152,360	-	1,887,775
23 School Leadership	5,817,613	-	400,509
31 Guidance, Counseling and Evaluation Services	3,785,781	-	1,209,707
32 Social Work Services	471,329	-	89,702
33 Health Services	1,143,995	-	200,688
34 Student (Pupil) Transportation	1,318,748	-	134,369
35 Food Services	7,593,641	425,428	6,901,453
36 Extracurricular Activities	2,957,815	139,887	138,226
41 General Administration	4,713,674	159,497	243,513
51 Facilities Maintenance and Operations	15,070,598	484	335,509
52 Security and Monitoring Services	1,991,849	-	209,882
53 Data Processing Services	743,036	-	120,711
61 Community Services	674,478	-	415,931
72 Debt Service - Interest on Long Term Debt	5,057,887	-	-
73 Debt Service - Bond Issuance Cost and Fees	7,400	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	37,894	-	-
99 Other Intergovernmental Charges	114,703	-	-
[TG] Total Governmental Activities:	120,305,983	725,296	31,517,935
BUSINESS-TYPE ACTIVITIES:			
01 Unidentified Fund from Trial Balance	62,487	77,357	-
02 Unidentified Fund from Trial Balance	35,228	30,427	-
[TB] Total Business-Type Activities:	97,715	107,784	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 120,403,698	\$ 833,080	\$ 31,517,935

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (43,245,156)	\$ -	\$ (43,245,156)
(1,617,868)	-	(1,617,868)
(560,198)	-	(560,198)
(2,264,585)	-	(2,264,585)
(5,417,104)	-	(5,417,104)
(2,576,074)	-	(2,576,074)
(381,627)	-	(381,627)
(943,307)	-	(943,307)
(1,184,379)	-	(1,184,379)
(266,760)	-	(266,760)
(2,679,702)	-	(2,679,702)
(4,310,664)	-	(4,310,664)
(14,734,605)	-	(14,734,605)
(1,781,967)	-	(1,781,967)
(622,325)	-	(622,325)
(258,547)	-	(258,547)
(5,057,887)	-	(5,057,887)
(7,400)	-	(7,400)
(37,894)	-	(37,894)
(114,703)	-	(114,703)
(88,062,752)	-	(88,062,752)
-	14,870	14,870
-	(4,801)	(4,801)
-	10,069	10,069
(88,062,752)	10,069	(88,052,683)
9,409,089	-	9,409,089
1,086,429	-	1,086,429
68,558,430	-	68,558,430
4,530,288	-	4,530,288
59,457	-	59,457
252,106	-	252,106
83,895,799	-	83,895,799
(4,166,953)	10,069	(4,156,884)
53,923,748	47,555	53,971,303
\$ 49,756,795	\$ 57,624	\$ 49,814,419

SAN BENITO CISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS				
1110	Cash and Cash Equivalents	\$ 17,523,568	\$ 392,928	\$ 4,975,824
1220	Property Taxes - Delinquent	2,697,790	414,249	-
1230	Allowance for Uncollectible Taxes (Credit)	(269,779)	(41,425)	-
1240	Receivables from Other Governments	3,169,339	-	-
1260	Due from Other Funds	5,274,139	3,108,699	-
1290	Other Receivables	178,000	-	5,000
1300	Inventories	419,358	-	-
1490	Other Current Assets	685	-	-
1000	Total Assets	<u>\$ 28,993,100</u>	<u>\$ 3,874,451</u>	<u>\$ 4,980,824</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ 911,593	\$ -	\$ 357,860
2140	Interest Payable - Current	4,416	-	-
2150	Payroll Deductions and Withholdings Payable	185,576	-	-
2160	Accrued Wages Payable	3,290,628	-	-
2170	Due to Other Funds	4,333,286	-	-
2180	Due to Other Governments	3,002,863	3,501,627	-
2300	Deferred Revenues	2,430,529	372,824	-
2000	Total Liabilities	<u>14,158,891</u>	<u>3,874,451</u>	<u>357,860</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410	Inventories	419,358	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	127,797	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	2,439,261	-	-
3600	Unassigned Fund Balance	11,847,793	-	4,622,964
3000	Total Fund Balances	<u>14,834,209</u>	<u>-</u>	<u>4,622,964</u>
4000	Total Liabilities and Fund Balances	<u>\$ 28,993,100</u>	<u>\$ 3,874,451</u>	<u>\$ 4,980,824</u>

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

Other Funds	Total Governmental Funds
\$ 1,108,668	\$ 24,000,988
-	3,112,039
-	(311,204)
4,187,800	7,357,139
-	8,382,838
-	183,000
-	419,358
-	685
<u>\$ 5,296,468</u>	<u>\$ 43,144,843</u>

\$ 91,745	\$ 1,361,198
-	4,416
-	185,576
422,037	3,712,665
3,749,634	8,082,920
180,521	6,685,011
852,531	3,655,884
<u>5,296,468</u>	<u>23,687,670</u>

-	419,358
-	127,797
-	2,439,261
-	16,470,757
-	<u>19,457,173</u>
<u>\$ 5,296,468</u>	<u>\$ 43,144,843</u>

SAN BENITO CISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$ 19,457,173
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 \$200,532,878 and the accumulated depreciation was \$70,842,882. The net effect of capital assets (net of accumulated depreciation) in the governmental activities is to increase (decrease) net assets.	129,689,996
2 The District used internal service funds to charge the costs of certain activities, such as self-insurance, printing and transportation, 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 the this consolidation is to increase (decrease) net assets.	2,070,244
3 Property taxes receivable to pay for current period expenditures are deferred in the funds.	2,801,354
4 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(102,791,045)
5 Other long-term liabilities, including notes payable of \$611,579 and capital leases payable of \$106,622, are not due and payable in the current period and therefore are not reported in the funds.	(718,201)
6 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.	(1,108,050)
7 Discounts and premiums on bonds totaling \$527,609 and deferred gains and losses on refunding in the amount (\$139,019), are reported as other financing sources or uses in governmental funds, whereas they are capitalized and amortized for net assets.	(388,590)
8 Deferred charges for bond issuance costs are current expenditures in the governmental funds, whereas they are capitalized and amortized for net assets.	743,914
19 Net Assets of Governmental Activities	\$ 49,756,795

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

SAN BENITO CISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources			
5800	State Program Revenues	\$ 10,206,335	\$ 1,116,923	\$ 23,757
5900	Federal Program Revenues	70,713,513	3,801,221	-
		8,775,893	-	-
5020	Total Revenues	89,695,741	4,918,144	23,757
EXPENDITURES:				
Current:				
0011	Instruction	41,442,098	-	-
0012	Instructional Resources and Media Services	1,525,559	-	-
0013	Curriculum and Instructional Staff Development	419,155	-	-
0021	Instructional Leadership	1,677,549	-	-
0023	School Leadership	5,294,927	-	-
0031	Guidance, Counseling and Evaluation Services	2,460,842	-	-
0032	Social Work Services	400,659	-	-
0033	Health Services	917,911	-	-
0034	Student (Pupil) Transportation	910,597	-	-
0035	Food Services	7,070,272	-	-
0036	Extracurricular Activities	2,842,186	-	-
0041	General Administration	3,291,443	-	-
0051	Facilities Maintenance and Operations	14,127,273	-	-
0052	Security and Monitoring Services	1,683,203	-	-
0053	Data Processing Services	170,066	-	-
0061	Community Services	195,142	-	-
Debt Service:				
0071	Principal on Long Term Debt	417,296	4,696,192	-
0072	Interest on Long Term Debt	169,079	4,647,764	-
0073	Bond Issuance Cost and Fees	3,800	3,600	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	748,882	-	11,610,883
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	37,894	-	-
0099	Other Intergovernmental Charges	114,703	-	-
6030	Total Expenditures	85,920,536	9,347,556	11,610,883
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,775,205	(4,429,412)	(11,587,126)
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	14,303	-	-
7915	Transfers In	-	3,021,603	-
7949	Other Resources	52,408	-	-
8911	Transfers Out (Use)	(4,783,382)	-	-
7080	Total Other Financing Sources (Uses)	(4,716,671)	3,021,603	-
1200	Net Change in Fund Balances	(941,466)	(1,407,809)	(11,587,126)
0100	Fund Balance - September 1 (Beginning)	15,775,675	1,407,809	16,210,090
3000	Fund Balance - August 31 (Ending)	\$ 14,834,209	\$ -	\$ 4,622,964

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

Other Funds	Total Governmental Funds
\$ 2,553	\$ 11,349,568
2,623,895	77,138,629
18,689,578	27,465,471
21,316,026	115,953,668
15,179,782	56,621,880
467,618	1,993,177
1,513,929	1,933,084
2,175,743	3,853,292
148,851	5,443,778
1,100,638	3,561,480
70,670	471,329
151,317	1,069,228
533	911,130
-	7,070,272
75,494	2,917,680
106,047	3,397,490
19,101	14,146,374
159,112	1,842,315
498,203	668,269
404,569	599,711
-	5,113,488
-	4,816,843
-	7,400
-	12,359,765
-	37,894
-	114,703
22,071,607	128,950,582
(755,581)	(12,996,914)
-	14,303
120,258	3,141,861
-	52,408
-	(4,783,382)
120,258	(1,574,810)
(635,323)	(14,571,724)
635,323	34,028,897
\$ -	\$ 19,457,173

SAN BENITO CISD
 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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ (14,571,724)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, printing and transportation 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.	330,212
Current year capital outlays of \$12,362,730 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statements. Depreciation totaling \$(7,476,706) 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 capital outlay net of current period depreciation is to increase net assets.	4,886,024
Revenues recognized in the statement of activities that are not considered current financial resources are deferred and not reported as revenues in the funds.	229,751
Repayment of long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. This is the total amount the District repaid during the year for bonds \$4,815,000, notes payable \$138,421 and capital leases \$101,983.	5,055,404
Interest accretion on long-term debt is included in the change in net assets as it accrues, regardless of when payment is made. This is the amount accrued \$(121,124) net of accrued interest paid of \$140,000.	18,876
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.	4,426
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. This is the current period amortization of issuance costs.	(138,331)
Debt issuance premiums and discounts totaling \$35,788 and gains and losses on refunding of \$(17,379), 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 fund balance upon issuance as other financing sources and uses. This is the net effect of current period amortization of premiums and discounts and gains and losses on refunding of bonds.	18,409
Change in Net Assets of Governmental Activities	\$ (4,166,953)

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

SAN BENITO CISD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 57,624	\$ 1,603,565
Due from Other Funds	-	95,451
Other Receivables	-	15,584
Total Current Assets	57,624	1,714,600
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	-	106,956
Depreciation on Buildings	-	(78,636)
Furniture and Equipment	-	4,506,886
Depreciation on Furniture and Equipment	-	(3,114,391)
Total Noncurrent Assets	-	1,420,815
Total Assets	57,624	3,135,415
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	951,361
Payroll Deductions and Withholdings Payable	-	68,452
Accrued Wages Payable	-	44,580
Due to Other Funds	-	138
Deferred Revenues	-	640
Total Liabilities	-	1,065,171
NET ASSETS		
Unrestricted Net Assets	57,624	2,070,244
Total Net Assets	\$ 57,624	\$ 2,070,244

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

SAN BENITO CISD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 107,784	\$ 8,931,063
State Program Revenues	-	1,101,805
Total Operating Revenues	107,784	10,032,868
OPERATING EXPENSES:		
Payroll Costs	41,685	1,980,385
Professional and Contracted Services	51,941	8,000,616
Supplies and Materials	3,073	679,218
Other Operating Costs	1,016	502,366
Depreciation Expense	-	290,589
Capital Outlay	-	3,246
Total Operating Expenses	97,715	11,456,420
Operating Income (Loss)	10,069	(1,423,552)
NONOPERATING REVENUES (EXPENSES):		
(Loss) on Sale of Real and Personal Property	-	(31,000)
Total Nonoperating Revenues (Expenses)	-	(31,000)
Income Before Contributions & Transfers	10,069	(1,454,552)
Contributed Capital	-	143,243
Transfer In	-	1,641,521
Change in Net Assets	10,069	330,212
Total Net Assets - September 1 (Beginning)	47,555	1,740,032
Total Net Assets - August 31 (Ending)	\$ 57,624	\$ 2,070,244

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

SAN BENITO CISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Grants	\$ 107,784	\$ 1,101,805
Cash Received from Quasi-external Operating Trans.	-	8,931,063
Cash Payments to Employees for Services	(41,685)	(2,103,307)
Cash Payments for Suppliers	(58,306)	(8,178,902)
Cash Payments for Insurance Premiums	-	(2,125,544)
Net Cash Provided by (Used for) Operating Activities	7,793	(2,374,885)
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Operating Transfer Out	-	1,641,521
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	-	(438,135)
Net Increase (Decrease) in Cash and Cash Equivalents	7,793	(1,171,499)
Cash and Cash Equivalents at Beginning of the Year:	49,831	2,775,064
Cash and Cash Equivalents at the End of the Year:	\$ 57,624	\$ 1,603,565
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ 10,069	\$ (1,423,552)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	-	290,589
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	824,679
Decrease (increase) in Prepaid Expenses	-	462,336
Increase (decrease) in Accounts Payable	(2,276)	6,544
Increase (decrease) in Payroll Deductions	-	(94,479)
Increase (decrease) in Accrued Wages Payable	-	(28,443)
Increase (decrease) in other liabilities	-	320
Increase (decrease) in due to other funds	-	(2,412,879)
Net Cash Provided by (Used for) Operating Activities	\$ 7,793	\$ (2,374,885)
<u>Noncash Investing, Capital and Financing Activities:</u>		
Contributions of Capital Assets from Government	-	143,243

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

SAN BENITO CISD
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2011

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 10,437	\$ 738,747
Due from Other Funds	-	6,197
Total Assets	<u>10,437</u>	<u>\$ 744,944</u>
LIABILITIES		
Accounts Payable	-	\$ 25,698
Due to Other Funds	-	401,429
Due to Student Groups	-	317,817
Deferred Revenues	10,437	-
Total Liabilities	<u>10,437</u>	<u>\$ 744,944</u>

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, 2011

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, 2011

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:

Governmental Funds:

Special Revenue Funds. The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fiduciary Funds:

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

Private Purpose Trust Funds. The District accounts for donations for which the donor stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds includes the General Scholarship Fund, tax clearing fund and escrow account fund.

Agency Funds. The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund, tax clearing fund and escrow account fund.

In addition, the District reports the following proprietary fund:

Enterprise Fund. The District accounts for daycare services and the after school paid program.

Internal Service Fund. These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the uses of support services on a cost reimbursement basis. 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The District considers revenues as available if they are collected within the 60 days after year end. Revenues susceptible to accrual are property taxes, fiscal year state funding, and interest revenues. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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, 2010. 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 nonspendable fund balance 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

7. Other Current Assets

Other current assets are prepaid expenses that will benefit periods beyond August 31, 2011. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2011, and which extend beyond that date. The reported prepaid insurance is equally offset by nonspendable fund balance, 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.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 Balance Reporting*

The District has adopted GASB 54 during the current year. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District has prepaid items and inventories that are considered nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the Board of Trustees. Committed amounts cannot be used for any other purpose unless the governing board changes or lifts the constraint taking the same formal action that imposed the constraint originally.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Superintendent or the Assistant Superintendent for Business Services.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District's policy authorizes all the State allowable investments.

The District's management believes that it has complied in all material respects with the requirements of the Act and the District's investment policies.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE C - DEPOSITS AND INVESTMENTS - Continued

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, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,360,267 and the bank balance was \$3,725,999. In addition to these cash and cash equivalents, the District maintains \$24,049,315 in a government investment pool.

The District's cash deposits at August 31, 2011 are maintained primarily at Frost Bank, Harlingen, Texas. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank except for the month of November 2010 when the District was undercollateralized as noted below. 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 except as noted above.

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

- a. Depository: Frost Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$10,379,000.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$15,897,474 and occurred during the month of November 26, 2010.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE C - DEPOSITS 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	\$24,049,131	AAA	100.0%
Lone Star Investments	AAA	184	AAA	0.0%
		<u>\$24,049,315</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.

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2011

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 2010 tax rate was \$1.04 for maintenance and \$.2649 for debt service per \$100 assessed valuation. The 2010 assessed valuation was \$808,526,943.

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

Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2011 outstanding taxes in the general fund and debt service fund was \$2,697,790 and \$414,249 with a corresponding allowance for doubtful accounts of \$269,779 and \$41,425.

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	\$ 290,934	\$ -
Foundation Funds	<u>2,878,405</u>	<u>3,002,863</u>
	3,169,339	3,002,863

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES - Continued

<i>Other Governmental Funds:</i>	<u>Due From</u>	<u>Due To</u>
Texas Education Agency:		
Vocational Education – Basic Grant	\$ 5,084	\$ -
ESEA, Title I, Part A – Improving Basic Programs	1,262,367	-
ESEA, Title I, Part A – ARRA – Improving Basic Programs	22,147	-
ESEA, Title II, Part C – Education of Migratory Children	146,883	-
ESEA, Title II, Part A – Teacher and Principal Training	73,458	-
ESEA, Title III, Part A – English Language Acquisition	45,131	-
ESEA, Title IV, Part B – 21 st Century Community Learning	162,482	-
ESEA, Title II, Part D – Enhancing Education Through Technology	5,471	-
ESEA, Title II, Part D – Enhancing Education Through Technology – ARRA	4,518	-
IDEA-B Formula	704,911	180,521
IDEA-B Preschool	2,979	-
IDEA-B Preschool – ARRA	144	-
Improving Literacy through School Libraries	8,435	-
Gear Up/Region One ESC	43,828	-
Student Success Initiative	21,385	-
Texas Fitness Now Grant	22,285	-
Teacher Excellence Program	759,054	-
Title IV, State Fiscal Stabilization Fund – ARRA	726,409	-
Kindergarten and Pre-kindergarten Grants	36,102	-
Early Childhood (LEP) Summer Program	5,549	-
Intensive Summer Cycle 1	1,207	-
Algebra Cycle 2 Program	10,985	-
Education Jobs	116,986	-
Debt Service	<u>-</u>	<u>3,501,627</u>
	<u>4,187,800</u>	<u>3,682,148</u>
Total governmental funds	<u>\$7,357,139</u>	<u>\$6,685,011</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2011, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$2,697,790	\$3,169,339	\$5,274,139	\$ 178,000	\$11,319,268
Capital Projects Fund	-	-	-	5,000	5,000
Debt Service	414,249	-	3,108,699	-	3,522,948
Nonmajor Governmental Funds	-	4,187,800	-	-	4,187,800
Total Governmental Activities	<u>\$3,112,039</u>	<u>\$7,357,139</u>	<u>\$8,382,838</u>	<u>\$ 183,000</u>	<u>\$19,035,016</u>

Payables at August 31, 2011, were as follows:

	<u>Accounts Payable</u>	<u>Interest Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 911,592	\$ 4,416	\$3,476,204	\$4,333,286	\$3,002,863	\$11,728,361
Capital Projects Fund	357,860	-	-	-	-	357,860
Debt Service	-	-	-	-	3,501,627	3,501,627
Nonmajor Governmental Funds	91,745	-	422,037	3,749,634	180,521	4,443,937
Total Governmental Activities	<u>\$1,361,197</u>	<u>\$ 4,416</u>	<u>\$3,898,241</u>	<u>\$8,082,920</u>	<u>\$ 6,685,011</u>	<u>\$20,031,785</u>

NOTE G – CAPITAL ASSETS

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

	<u>Balance Sept. 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers/ Reclassifications</u>	<u>Balance Aug. 31, 2011</u>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 7,483,178	\$ 456,805	\$ -	\$ (341)	\$ 7,939,642
Construction in progress	12,129,409	9,558,252	-	(4,849,208)	16,838,453
Total capital assets not being depreciated	<u>19,612,587</u>	<u>10,015,057</u>	<u>-</u>	<u>(4,849,549)</u>	<u>24,778,095</u>
Capital assets being depreciated					
Building and improvements	156,579,502	2,072,346	-	4,849,208	163,501,056
Equipment	9,020,325	443,295	(21,327)	(9,230)	9,433,063
Vehicles	7,021,198	502,111	(89,772)	969	7,434,506
Total capital assets being depreciated	<u>172,621,025</u>	<u>3,017,752</u>	<u>(111,099)</u>	<u>4,840,947</u>	<u>180,368,625</u>
Less accumulated depreciation for:					
Building and improvements	55,419,063	6,553,966	-	-	61,973,029
Equipment	5,842,582	757,788	-	-	6,600,370
Vehicles	5,006,969	455,541	-	-	5,462,510
Total accumulated depreciation	<u>66,268,614</u>	<u>7,767,295</u>	<u>-</u>	<u>-</u>	<u>74,035,909</u>
Total capital assets being depreciated, net	<u>106,352,411</u>	<u>(4,749,543)</u>	<u>(111,099)</u>	<u>4,840,947</u>	<u>106,332,716</u>
Governmental activities capital assets, net	<u>\$125,964,998</u>	<u>\$ 5,265,514</u>	<u>\$(111,099)</u>	<u>\$ (8,602)</u>	<u>\$131,110,811</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE G – CAPITAL ASSETS - Continued

Depreciation was charged to the following functions:

Government Activities:

11 – Instruction	\$4,038,992
12 – Instructional Resources and Media Services	155,346
13 – Curriculum and Instructional Staff	155,346
21 – Instructional Leadership	310,692
23 – School Leadership	388,365
31 – Guidance, Counseling and Evaluation Services	233,019
33 – Health Services	77,673
34 – Student (Pupil) Transportation	77,673
35 – Food Services	543,711
36 – Cocurricular/Extracurricular Activities	233,019
41 – General Administration	233,019
51 – Plant Maintenance and Operations	1,009,748
52 – Security and Monitoring Services	155,346
53 – Data Processing Services	77,673
61 – Community Services	77,673
	<u>\$7,767,295</u>

NOTE H - 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, 2011 are as follows:

	Beginning Balance Sept. 1, 2010	Increase	Decrease	Balance Aug. 31, 2011	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Unlimited Tax School Building Bonds – Series 1996	\$ 530,000	\$ -	\$ (530,000)	\$ -	\$ -
Unlimited Tax School Building Bonds – Series 2000	865,000	-	(865,000)	-	-
Unlimited Tax School Building Bonds – Series 2004	33,125,000	-	(805,000)	32,320,000	830,000
Unlimited Tax School Building Bonds – Series 2005 - B	27,390,000	-	(1,580,000)	25,810,000	2,250,000
Unlimited Tax School Building Bonds – Series 2005 - A	800,000	-	-	800,000	-
Unlimited Tax School Building Refunding CAB Bonds - Series 2005 - B	866,045	-	(105,000)	761,045	100,000
Lease Revenue Bonds – Series 2006	4,025,000	-	(175,000)	3,850,000	185,000
Unlimited Tax School Building Bonds – Series 2008	36,460,000	-	(715,000)	35,745,000	735,000
Unlimited Tax School Building Bonds – Series 2010	3,505,000	-	-	3,505,000	-
Unlimited Tax School Building CAB Bonds – Series 2010	30,000	10,000	(40,000)	-	-
Total general obligation bonds	107,596,045	10,000	(4,815,000)	102,791,045	4,100,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE H - LONG-TERM OBLIGATIONS – Continued

<u>Governmental Activities</u>	<u>Beginning Balance Sept. 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Aug. 31, 2011</u>	<u>Due Within One Year</u>
Accrued Interest Unlimited Tax School Building and Refunding CAB					
Bonds – Series 2005	\$ 28,876	\$111,124	\$ (140,000)	\$ -	\$ 140,000
Discount on Issuance, Bonds - Series 2005	(68,997)	-	4,600	(64,397)	-
Premium on Issuance, Bonds - Series 2008	396,265	-	(14,152)	382,113	-
Premium on Issuance, Bonds - Series 2010	236,129	-	(26,237)	209,892	-
Deferred loss on Refunding - Series 2010	(156,397)	-	17,378	(139,019)	-
Note payable	750,000	-	(138,421)	611,579	145,003
Capital Leases	208,605	-	(101,983)	106,622	106,622
Compensated absences	<u>1,112,476</u>	<u>62,057</u>	<u>(66,483)</u>	<u>1,108,050</u>	<u>50,000</u>
Total governmental activities	<u>\$110,103,002</u>	<u>\$183,181</u>	<u>\$(5,280,298)</u>	<u>\$105,005,885</u>	<u>\$4,541,625</u>

The District's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

General Obligation Bonds:

Bonds payable at August 31, 2011 are comprised of the following individual issues:

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.

\$ 32,320,000

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.

1,561,045

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE H - 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.

\$ 25,810,000

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.

3,850,000

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.

35,745,000

On May 15, 2010, the District issued \$3,535,000 Unlimited Tax Refunding Bonds Series 2010. The bonds consist of \$3,505,000 current interest bonds with interest rates ranging from 2.52% to 2.91% and capital appreciation bonds totaling \$30,000 with interest rates ranging from .90% to 2.62%. The capital appreciation bonds mature in six annual installments of \$40,000 beginning in 2011 and ending in 2016. The current interest bonds mature in three installments beginning in 2017 and ending in 2019 ranging from \$1,060,000 to \$1,240,000. 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.

3,505,000

\$102,791,045

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE H - LONG-TERM OBLIGATIONS – Continued

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

Year Ending August 31,	General Obligation Bonds		Notes Payable		Total Requirement
	Principal	Interest	Principal	Interest	
2012	\$ 4,105,000	\$ 4,704,316	\$145,003	\$ 20,121	\$ 8,974,440
2013	4,286,045	4,534,095	149,774	15,350	8,985,264
2014	4,465,000	4,355,275	154,702	10,423	8,985,400
2015	4,660,000	4,163,180	162,100	5,333	8,990,613
2016	4,865,000	3,960,157	-	-	8,825,157
2016-2020	22,020,000	16,812,077	-	-	38,832,077
2021-2025	21,770,000	11,528,662	-	-	33,298,662
2026-2030	16,250,000	7,178,378	-	-	23,428,378
2031-2035	15,915,000	2,842,125	-	-	18,757,125
2036-2040	4,455,000	226,750	-	-	4,681,750
	<u>\$102,791,045</u>	<u>\$ 60,305,015</u>	<u>\$611,579</u>	<u>\$ 51,227</u>	<u>\$163,758,866</u>

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, 2011.

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 \$23,890,000 remains outstanding at August 31, 2011.

Advanced Refunding

In May 2010, the District advance refunded \$3,535,000, Series 2000 Bonds. The District issued \$3,505,000 in current interest bonds and \$30,000 in capital appreciation bonds (CAB) to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the accounts of the District. The refunding bonds were sold at a premium in the amount of \$195,371 and the current interest bonds carry an original issue discount totaling \$66,995. The bond issuance costs were \$88,592. The capital appreciation bonds of \$30,000 will mature at \$240,000 ranging from the fiscal years of 2011 to 2016. Interest rates for CAB range from .90% to 2.62%. The current interest bonds mature in years 2017 to 2019 and interest rates vary from 2.52% to 2.91%.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE H - LONG-TERM OBLIGATIONS – Continued

The advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$419,789 and to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$373,832. At August 31, 2011, \$3,535,000 of outstanding revenue bonds are considered defeased.

Maintenance Tax Note

In March 2010, the District passed a resolution to borrow \$750,000. The District issued, through Frost Bank, The San Benito CISD \$750,000 Maintenance Tax Note for the purpose of re-turfing the District's Bobby Morrow Stadium. The note bears interest at 3.29% and matures in five equal installments of \$165,124 beginning on April 2011 and ending in April 2015. The balance of the note at August 31, 2011 was \$611,579.

Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2011, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	<u>\$106,622</u>	<u>\$ 5,320</u>

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

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

Lease revenue bonds in the principal amount of \$4,500,000 were issued on February 13, 2006, pursuant to a resolution by the Board of Directors of the Public Facility Corporation and a Master Trust Indenture dated as of February 1, 2007, (the "Trust Indenture") between the Public Facility Corporation and Compass 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE J - 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	Debt Service Fund	Other Governmental Funds	Total Governmental Fund	Internal Service Funds
Property taxes	\$ 9,188,383	\$ -	\$1,077,384	\$ -	\$10,265,767	\$ -
Food sales	425,427	-	-	-	425,427	-
Investment income	31,916	23,757	3,754	-	59,427	8,297
Penalties and interest	260,594	-	35,785	-	296,379	-
Co-curricular activities	139,887	-	-	-	139,887	-
Other	160,128	-	-	2,553	162,681	8,953,192
	<u>\$10,206,335</u>	<u>\$ 23,757</u>	<u>\$1,116,923</u>	<u>\$ 2,553</u>	<u>\$11,349,568</u>	<u>\$8,961,489</u>

NOTE K - UNEARNED REVENUE

	Unavailable	Unearned	Total
Property taxes	\$2,801,354	\$ -	\$2,801,354
Grants and other	-	854,530	854,530
	<u>\$2,801,354</u>	<u>\$854,530</u>	<u>\$3,655,884</u>

NOTE L - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2011 were:

Due From	Due To	
Nonmajor Governmental Fund	General Fund	\$3,749,634
General Fund	General Fund	3,108,699
General Fund	Funds within the General Fund	<u>1,129,274</u>
		7,987,607
Internal Service Funds	General Fund	<u>395,231</u>
		<u>\$8,382,838</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, 2011 were as follows:

Transfers Out	Transfers In	
General Fund	Nonmajor Fund	\$ 120,258
General Fund	Debt Service Fund	3,021,603
General Fund	Internal Service Fund	<u>1,641,521</u>
		<u>\$4,783,382</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE M - 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, 2011, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
National School Lunch Program	10.555	\$4,422,746
School Breakfast Program	10.553	1,902,611
Commodity Supplemental Food Program	10.550	432,320
Summer Feeding Program	10.559	93,710
SHARS/Medicaid	N/A	1,579,992
Medicaid Administrative Claim	N/A	29,341
Payment in Lieu of Taxes		16,141
<i>Indirect Costs</i>		
ESEA Title I, School Improvement	84.369A	156,515
ESEA Title I, Part A – Improving Basic Programs	84.010A	20,344
ESEA Title I, Part C – Education of Migratory Children	84.011	7,058
ESEA Title II, Part A – Teacher and Principal Training and Recruitment	84.367A	5,304
ESEA Title II, Part D – Enhancing Education Through Technology	84.318X	2,497
ESEA Title III, Part A – English Language Acquisition and Language Enhancement	84.365A	560
ESEA Title IV, Part A – Safe and Drug Free Schools and Communities Act	84.186A	7,520
ESEA Title IV, Part B – 21 st Century Community Learning Centers	84.287C	21,212
IDEA – B Formula – ARRA	84.391A	181
ESEA Title I, Part A – Improving Basic Programs – ARRA	84.389A	30,076
IDEA-B Formula	84.027	40,633
IDEA-B Preschool	84.173	427
Improving Literacy through Libraries		<u>6,705</u>
Total general fund federal revenue		<u>\$8,775,893</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE N – COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," no violations of finance related legal and contractual provisions, occurred during the current year.

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 O – COMMITMENTS AND CONTINGENCIES

Construction Commitments

Construction in progress at August 31, 2011 is comprised of the following:

	<u>Estimated Projected Costs</u>	<u>Expended through August 31, 2011</u>	<u>Amount Committed</u>
San Benito High School - stadium	\$ 403,427	\$ 336,090	\$ 67,337
San Benito High School	7,570,021	7,540,609	29,412
Landrum Elementary	1,390,909	1,251,697	139,212
Frank Roberts Elementary	2,185,555	291,625	1,893,930
New Elementary	<u>7,959,000</u>	<u>7,418,432</u>	<u>540,568</u>
	<u>\$19,508,912</u>	<u>\$16,838,453</u>	<u>\$2,670,459</u>

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, 2011 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, 2011 are expected to be liquidated within the following reporting period.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE O – COMMITMENTS AND CONTINGENCIES - Continued

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, 2011 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, 2011 are expected to be liquidated within the following reporting period.

NOTE P - 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.

Funding Policy. State law provides for fiscal year 2009, 2010 and 2011 a state contribution rate of 6.58% and a member contribution rate of 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, 2009 were \$3,257,975, for the year ended August 31, 2010 were \$3,442,166, and for the year ended August 31, 2011 were \$3,300,457. San Benito Consolidated Independent School District paid additional state contributions for the year ended August 31, 2009 of \$316,180, for the year ended August 31, 2010 of \$411,352, and for the year ended August 31, 2011 of \$420,844, respectively on the portion of the employees' salaries that exceeded the statutory minimum.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE Q - POSTEMPLOYMENT HEALTH BENEFITS FOR PUBLIC SCHOOL EMPLOYEES

Plan Description. The Teacher Retirement System of Texas (TRS) administers the Texas Public School Retired Employees Group Insurance Plan (TRS-Care), a cost-sharing multiple-employer defined benefit OPEB plan, in accordance with Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish basic and optional group coverage for participants.

The TRS-Care program is currently funded on a pay-as-you-go basis and is subject to changes based on available funding. The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts and the State of Texas.

Benefit Provisions and Service Requirements. Retirees can receive a free basic level of coverage and optional coverage is also available. All dependent coverage is optional. Basic coverage is a comprehensive major medical group health insurance plan. Generally, TRS public school retirees with more than 10 years of service and their dependents are eligible for this insurance coverage.

Funding Policy. Funding for the free basic coverage is provided by the program based upon public school district payroll. 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 .55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage.

NOTE R - 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 Website 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 2011, 2010 and 2009.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

NOTE R - SCHOOL DISTRICT RETIREE HEALTH PLAN - Continued

Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$96,409, \$89,939, and \$89,343, respectively, the active member contributions were \$4,143,688, \$3,681,372, and \$3,420,275, respectively, and the school district's contributions were \$456,607, \$348,067, and \$317,805, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$160,858, \$170,664 and \$137,900 respectively.

NOTE S - 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 2011, 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, 2011.

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, 2011

NOTE S - RISK MANAGEMENT - Continued

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

	August 31,	
	<u>2011</u>	<u>2010</u>
Unpaid claims, beginning of year	\$ 593,140	\$ 996,898
Incurred claims (including IBNR's)	4,965,020	3,714,206
Claim payments	(4,950,995)	(4,117,964)
Unpaid claims, end of fiscal year	<u>\$ 607,165</u>	<u>\$ 593,140</u>

NOTE W - FUND BALANCES

Committed for Campus Activity Funds – the School Board has taken action to commit the fund balance in the campus activity fund to the respective campus.

Assigned – the School Board has authorized by board resolution the superintendent to assign funds for specifically identified purposes.

Unassigned – the unassigned fund balance has no constraints.

	<u>General Funds</u>	<u>Other Governmental Funds</u>			<u>Total Governmental Funds</u>
		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Funds</u>	
Fund balances					
Nonspendable					
Inventories					
Food service	\$ 419,358	\$ -	\$ -	\$ -	\$ 419,358
Restricted					
State programs	127,797	-	-	-	127,797
Assigned					
Other assigned	2,439,261	-	-	-	2,439,261
Unassigned	<u>11,847,793</u>	<u>-</u>	<u>4,622,964</u>	<u>-</u>	<u>16,470,757</u>
	<u>\$14,834,209</u>	<u>\$ -</u>	<u>\$4,622,964</u>	<u>\$ -</u>	<u>\$19,457,173</u>

NOTE X - CONTRIBUTED CAPITAL

The District transferred buses from the governmental activities to the transportation fund totaling \$143,243.

NOTE Y - SUBSEQUENT EVENTS

Series 2011 Refunding Bonds

On August 30, 2011, the Board of Trustees authorized the issuance of \$8,470,000 in Series 2011 refunding bonds. The proceeds will be used to refund, a portion of Series 2004, existing bonds.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BENITO CISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

FOR THE YEAR ENDING AUGUST 31, 2011					
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	\$ 10,222,274	\$ 10,222,274	\$ 10,206,335	\$ (15,939)	
5800 State Program Revenues	74,171,543	74,972,273	70,713,513	(4,258,760)	
5900 Federal Program Revenues	8,277,621	8,385,029	8,775,893	390,864	
5020 Total Revenues	92,671,438	93,579,576	89,695,741	(3,883,835)	
EXPENDITURES:					
Current:					
0011 Instruction	42,638,684	43,390,655	41,442,098	1,948,557	
0012 Instructional Resources and Media Services	1,514,562	1,685,507	1,525,559	159,948	
0013 Curriculum and Instructional Staff Development	403,981	515,692	419,155	96,537	
0021 Instructional Leadership	1,507,572	1,868,589	1,677,549	191,040	
0023 School Leadership	5,211,944	5,415,020	5,294,927	120,093	
0031 Guidance, Counseling and Evaluation Services	2,596,028	2,734,913	2,460,842	274,071	
0032 Social Work Services	363,980	420,647	400,659	19,988	
0033 Health Services	924,800	924,745	917,911	6,834	
0034 Student (Pupil) Transportation	1,036,923	1,250,830	910,597	340,233	
0035 Food Services	7,315,621	7,565,285	7,070,272	495,013	
0036 Extracurricular Activities	2,651,782	2,877,995	2,842,186	35,809	
0041 General Administration	3,328,149	3,543,822	3,291,443	252,379	
0051 Facilities Maintenance and Operations	15,230,428	15,106,244	14,127,273	978,971	
0052 Security and Monitoring Services	1,693,157	1,755,500	1,683,203	72,297	
0053 Data Processing Services	125,000	177,214	170,066	7,148	
0061 Community Services	161,887	191,609	195,142	(3,533)	
Debt Service:					
0071 Principal on Long Term Debt	484,128	417,297	417,296	1	
0072 Interest on Long Term Debt	-	216,015	169,079	46,936	
0073 Bond Issuance Cost and Fees	-	5,000	3,800	1,200	
Capital Outlay:					
0081 Facilities Acquisition and Construction	320,650	1,011,974	748,882	263,092	
Intergovernmental:					
0095 Payments to Juvenile Justice Alternative Ed. Prg.	60,000	60,000	37,894	22,106	
0099 Other Intergovernmental Charges	117,909	117,909	114,703	3,206	
6030 Total Expenditures	87,687,185	91,252,462	85,920,536	5,331,926	
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	4,984,253	2,327,114	3,775,205	1,448,091	
OTHER FINANCING SOURCES (USES):					
7912 Sale of Real and Personal Property	-	-	14,303	14,303	
7949 Other Resources	-	38,618	52,408	13,790	
8911 Transfers Out (Use)	-	(2,305,219)	(4,783,382)	(2,478,163)	
7080 Total Other Financing Sources (Uses)	-	(2,266,601)	(4,716,671)	(2,450,070)	
1200 Net Change in Fund Balances	4,984,253	60,513	(941,466)	(1,001,979)	
0100 Fund Balance - September 1 (Beginning)	15,775,675	15,775,675	15,775,675	-	
3000 Fund Balance - August 31 (Ending)	\$ 20,759,928	\$ 15,836,188	\$ 14,834,209	\$ (1,001,979)	

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2011

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. 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 more than budgeted state revenues due to an increase in average daily attendance. Instructional expenditures were less than budgeted amounts because amounts are budgeted for various programs including payroll but not actually spent during the year.

T.E.A. REQUIRED SCHEDULES

SAN BENITO CISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3) Assessed/Appraised Value for School Tax Purposes	
	Tax Rates			
	Maintenance	Debt Service		
2002 and prior years	Various	Various	\$	Various
2003	1.131500	0.144000		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	1.040000	0.264900		775,765,108
2010	1.040000	0.264900		808,526,943
2011 (School year under audit)	1.170000	0.134900		828,448,406
1000 TOTALS				

(10) Beginning Balance 9/1/2010		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2011	
\$	460,746	\$	-	\$	8,997	\$	1,885	\$	(2,903)	\$	446,961
	60,791		-		3,366		401		(817)		56,207
	111,744		-		39,589		4,210		(833)		67,112
	157,622		-		12,531		1,266		(980)		142,845
	140,041		-		17,336		1,728		(2,470)		118,507
	179,553		-		29,127		3,177		(753)		146,496
	262,646		-		46,968		9,032		(248)		206,398
	462,832		-		103,894		26,463		723		333,198
	1,021,359		-		416,170		47,984		(25,497)		531,708
	-		10,611,667		8,510,370		981,237		(57,453)		1,062,607
\$	2,857,334	\$	10,611,667	\$	9,188,348	\$	1,077,383	\$	(91,231)	\$	3,112,039

SAN BENITO CISD
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2011

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	\$ -	\$ 156,227	\$ 261,574	\$ 1,260,498	\$ 604,125	\$ 136,000	\$ 2,418,424
6149	Leave for Separating Employees in Fn 41 & 53				52,296			52,296
6149	Leave - Separating Employees not in 41 & 53				-			-
6211	Legal Services	145,588	-	-		65,020	-	210,608
6212	Audit Services				30,250			30,250
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	114,703					114,703
621X	Other Professional Services	-	-	-	128,044	-	-	128,044
6220	Tuition and Transfer Payments						-	-
6230	Education Service Centers	-	-	17,162	-	2,000	-	19,162
6240	Contr. Maint. and Repair					13,077		13,077
6250	Utilities					-		-
6260	Rentals	-	4,215	6,294	24,944	11,629	-	47,082
6290	Miscellaneous Contr.	900	-	-	32,325	41,294	-	74,519
6320	Textbooks and Reading	-	-	1,522	349	591	-	2,462
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	9,666	5,056	164,646	575,210	-	754,578
6410	Travel, Subsistence, Stipends	26,634	2,273	6,426	4,315	4,831	-	44,479
6420	Ins. and Bonding Costs	24,375	400	-	500	-	-	25,275
6430	Election Costs	27,124						27,124
6490	Miscellaneous Operating	42,625	6,961	6,306	80,557	4,930	-	141,379
6500	Debt Service						-	-
6600	Capital Outlay						32,500	32,500
6000	TOTAL	\$ 267,246	\$ 294,445	\$ 304,340	\$ 1,778,724	\$ 1,322,707	\$ 168,500	\$ 4,135,962

Total expenditures/expenses for General and Special Revenue Funds:

(9) \$ 107,992,148

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 1,305,951
Total Debt & Lease(6500)	(11) 590,175
Plant Maintenance (Function 51, 6100-6400)	(12) 13,983,910
Food (Function 35, 6341 and 6499)	(13) 3,146,326
Stipends (6413)	(14) 7,800
Column 4 (above) - Total Indirect Cost	1,778,724

SubTotal:

20,812,885

Net Allowed Direct Cost

\$ 87,179,262

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 163,501,056
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) \$ 16,867,569
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$170,066 in Function 53 expenditures are included in this report on administrative costs.

\$114,703 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SAN BENITO CISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 1,355,000	\$ 1,355,000	\$ 1,116,923	\$ (238,077)
5800 State Program Revenues	3,783,677	3,783,677	3,801,221	17,544
5020 Total Revenues	5,138,677	5,138,677	4,918,144	(220,533)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	4,696,193	4,696,193	4,696,192	1
0072 Interest on Long Term Debt	4,647,764	4,647,764	4,647,764	-
0073 Bond Issuance Cost and Fees	5,000	5,000	3,600	1,400
6030 Total Expenditures	9,348,957	9,348,957	9,347,556	1,401
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,210,280)	(4,210,280)	(4,429,412)	(219,132)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	3,021,603	3,021,603
7080 Total Other Financing Sources (Uses)	-	-	3,021,603	3,021,603
1200 Net Change in Fund Balances	(4,210,280)	(4,210,280)	(1,407,809)	2,802,471
0100 Fund Balance - September 1 (Beginning)	1,407,809	1,407,809	1,407,809	-
3000 Fund Balance - August 31 (Ending)	\$ (2,802,471)	\$ (2,802,471)	\$ -	\$ 2,802,471

F

FEDERAL AWARDS SECTION

**INDEPENDENT AUDITORS' 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

Members of the Board:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of San Benito Consolidated Independent School District as of and for the year ended August 31, 2011, which collectively comprise San Benito Consolidated Independent School District's basic financial statements and have issued our report thereon dated January 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Benito Consolidated Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 11-1.

We noted certain other matters that we reported to management of San Benito Consolidated Independent School District in a separate letter dated January 13, 2012.

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

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 13, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
San Benito Consolidated Independent School District

Members of the Board:

Compliance

We have audited San Benito Consolidated Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Benito Consolidated Independent School District's major federal programs for the year ended August 31, 2011. San Benito Consolidated Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Benito Consolidated Independent School District's management. Our responsibility is to express an opinion on San Benito Consolidated Independent School District's compliance based on our audit.

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

In our opinion, San Benito Consolidated Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-2 and 11-3.

Internal Control Over Compliance

Management of San Benito Consolidated Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered San Benito Consolidated Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Benito Consolidated Independent School District's internal control over compliance.

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

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

San Benito Consolidated Independent School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Benito Consolidated Independent School District's responses and, accordingly, we express no opinion on the responses.

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 13, 2012

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
	Title I, Part A Cluster:
84.010	ESEA Title I, Part A – Improving Basic Programs
84.389	ESEA Title I, Part A – Improving Basic Programs - ARRA
	Special Education Cluster:
84.027	IDEA-B Formula
84.173	IDEA-B Preschool
84.391	IDEA-B Formula – ARRA
84.392	IDEA-B Preschool – ARRA
84.394	ARRA of 2009 Title XIV State Fiscal Stabilization Fund
84.410	Education Jobs
84.011	Title I, Part C, Migratory Education
84.048	Career and Technical Education

Dollar threshold used to distinguish between Type A and Type B programs: \$776,080

Auditee qualified as low-risk auditee? _____ X yes _____ no

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

**Section II – Findings Relating to the Financial Statement Audit as Required to be
Reported in Accordance with Generally Accepted Government Auditing Standards**

A. Significant Deficiencies in Internal Control

None reported.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

**Section II – Findings Relating to the Financial Statement Audit as Required to be
Reported in Accordance with Generally Accepted Government Auditing Standards -
Continued**

B. Compliance Findings

PROGRAM DESCRIPTION

DESCRIPTION

Schedule Reference Number: (11-1)

Collateralization of Deposits

Criteria:

The District's Investment Policy and statutory requirements require the District deposits exceeding amounts covered by the FDIC be secured by eligible security and must not be less than the amount of the deposit of public funds

Condition Found:

The Districts deposits with their depository were undercollateralized for three days during the month of November 2010.

Questioned Costs/Basis:

Not applicable

Context:

While reviewing the District's compliance with its investment policy and the Public Funds Investment Act we noted that the District was under collateralized for three days during the month of November 2010.

Effect:

The District may not be in compliance with its investment policy and the Public Funds Investment Act for the month of November 2010.

Recommendation:

We recommend that the District continue to monitor its collateralization of deposits and its compliance with District policy and the Public Funds Investment Act

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PROGRAM DESCRIPTION

DESCRIPTION

Schedule Reference Number: (11-2)

Certification of Employees Funded from a Single Fund Source or Cost Objective

Title I, Part A (84.010)

Title I, Part A – ARRA (84.389)

Criteria:

The Education Flexibility Partnership Act (Ed-Flex) waiver eliminates the requirement that charges for salaries and wages be supported by semi-annual certification that the employee worked solely on that program covered by the certification. The waiver is allowable as long as the employee's job description clearly states that the employee is assigned 100 percent to the program or single cost objective.

Condition Found:

The District's current job descriptions for each employee do not appear to clearly state that the employee is assigned 100 percent to the program or single cost objective.

Questioned Costs/Basis:

None.

Context:

A current job description for each employee which clearly states the program(s) or cost objectives under which the employee works, should be available for documentation to support charges to Federal programs at one central location.

Effect:

The District may not have complied with Education Flexibility Partnership Act (Ed-Flex) documentation requirements. Noncompliance can lead to overcharges to Federal grants.

Recommendation:

The District should ensure that a current job description for each employee which clearly states the program(s) or cost objectives under which the employee works, is maintained in the District's centralized personnel files.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PROGRAM DESCRIPTION

DESCRIPTION

Schedule Reference Number: (11-3)

Campus Improvement Plan

Title I, Part A (84.010)

Title I, Part A – ARRA (84.389)

Condition Found:

We had difficulty obtaining all of the District's Campus Improvement Plans. In addition, several of those that we did receive did not include all of the core elements and components required under "Schoolwide" while others did.

Criteria:

Campuses having "Schoolwide" status are required to prepare yearly Campus Improvement Plans and must include the core elements and components in them.

Questioned Costs/Basis:

Not applicable.

Context:

Not applicable.

Effect:

The campuses may not be in compliance with the school-wide program requirements.

Recommendation:

The District should maintain hard copies of the plans and have them readily available for review. All the plans should follow a similar format to ensure that all of the components are included in each.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2011

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (10-1)

Prior Period Adjustments

Corrective Action Plan:

No prior period adjustments were made in the current year.

Schedule Reference Number: (10-2)

Collateralization of Deposits

Corrective Action Plan:

See current year Finding 11-1. The District's deposits was undercollateralized during the current year.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2011

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (11-1)

Collateralization of Deposits

Corrective Action Plan:

The District will continue to work closely with their depository bank to ensure adequate collateralization.

Schedule Reference Number: (11-2)

Certification of Employees Funded from a Single Fund Source or Cost Objective

Corrective Action Plan:

The federal programs consultant and human resources staff will coordinate and monitor the review of job descriptions for each employee to ensure that each job description clearly states the program(s) or cost objectives under which the employee works and that they are maintained in the District's centralized personnel files.

Schedule Reference Number: (11-3)

Campus Improvement Plan

Corrective Action Plan:

The District will revise its Campus Improvement Plans to include all required core elements and the District will maintain them in one central location.

Contact Person:

**Emma McCall
Business Manager**

Implementation Time Frame:

Ongoing

SAN BENITO CISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
ROTC	12.113		\$ 55,506
Total Direct Programs			55,506
TOTAL DEPARTMENT OF DEFENSE			55,506
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Safe Schools / Healthy Student Grant	84.184L	Q184L0006-00	16,642
Total Direct Programs			16,642
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610103031912	6,939,494
*ESEA, Title I, Part A - Improving Basic Programs	84.010A		91,096
Total CFDA Number 84.010A			7,030,590
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10551001031912	1,154,542
Total Title I, Part A Cluster			8,185,132
ESEA, Title I, Part C - Migratory Children	84.011	11615001031912	895,580
ESEA, Title I, Part C - Migratory Children	84.011	12615001031912	56,160
Total CFDA Number 84.011			951,740
*IDEA - Part B, Formula	84.027	116600010319126600	1,732,652
*IDEA - Part B, Preschool	84.173	116610010319126610	18,664
*IDEA, Part B, Formula - ARRA	84.391	10554001031912	1,319,706
Total Special Education Cluster (IDEA)			3,071,022
Career and Technical - Basic Grant	84.048	11420006031912	229,491
Career and Technical - Basic Grant	84.048	12420006031912	4,956
Total CFDA Number 84.048			234,447
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	11691001031912	26,539
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	116950137110052	1,155,321
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	106950137110052	79,963
Total CFDA Number 84.287			1,235,284
*Title II, Part D -Enhancing Ed Through Technology	84.318	11630001031912	27,897
*Title II D Enhancing Ed Through Technology - ARRA	84.386	10553001031912	61,289
Total Educational Technology State Grants Cluster			89,186
GEAR UP	84.334S	P334A050083-B	156,857
Title III, Part A - English Language Acquisition	84.365A	11671001031912	285,898
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501031912	299,375
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001031912	3,983,890
Education Jobs Fund	84.410	11550101031912	116,986
Improving Literacy through School Libraries	84.364	S364A100409	280,107
Total Passed Through State Department of Education			18,916,463
TOTAL DEPARTMENT OF EDUCATION			18,933,105
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		29,341

SAN BENITO CISD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total Passed Through Texas Dept of Human Services			\$ 29,341
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			29,341
U.S. DEPARTMENT OF AGRICULTURE			
· <u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		1,902,611
*National School Lunch Program - Cash Assistance	10.555		4,422,746
*National School Lunch Prog. - Non-Cash Assistance	10.555		432,320
Total CFDA Number 10.555			4,855,066
*Summer Feeding Program - Cash Assistance	10.559		93,710
Total Child Nutrition Cluster			6,851,387
Total Passed Through the State Department of Agriculture			6,851,387
TOTAL DEPARTMENT OF AGRICULTURE			6,851,387
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 25,869,339

*Clustered Programs

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

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, payments in lieu of taxes and \$299,032 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.

Reconciliation

Amount of federal revenues Exhibit C-3	\$27,465,471
Less amounts not considered to be federal awards, excluded on the Schedule of Expenditures of Federal Awards:	
School Health and Related Service Program (SHARS)	(1,579,991)
Payments in lieu of taxes	<u>(16,141)</u>
Total expenditures of federal awards, per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$25,869,339</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2011

<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?	\$ -