

**SAN BENITO CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL  
AND  
COMPLIANCE REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2012*

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2012

**TRUSTEES**

Yliana G. Rodriguez - President

Anna Cruz - Vice-President

June Aguilera - Secretary

Hector G. Leal

Julian Huerta

Oscar Medrano

Fatima Huerta

**SUPERINTENDENT**

Antonio G. Limon

**BUSINESS MANAGER**

Emma McCall

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**YEAR ENDED AUGUST 31, 2012**

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**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
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## **INTRODUCTORY SECTION**



### CERTIFICATE OF BOARD

San Benito Consolidated Independent School District  
Name of School District

Cameron  
County

031-912  
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and \_\_\_\_ approved -- \_\_\_\_ disapproved for the year ended August 31, 2012 at a  
(Check one)

meeting of the board of school trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
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, 2012, 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, 2012, 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 28, 2013 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.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 through 22 and 62 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information in the table of contents, are presented in accordance with requirements of the Texas Education Agency and for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented 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 is also not a required part of the basic financial statements of the District. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**LONG CHILTON, LLP**

*Certified Public Accountants*

Harlingen, Texas  
January 28, 2013



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of San Benito Consolidated Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

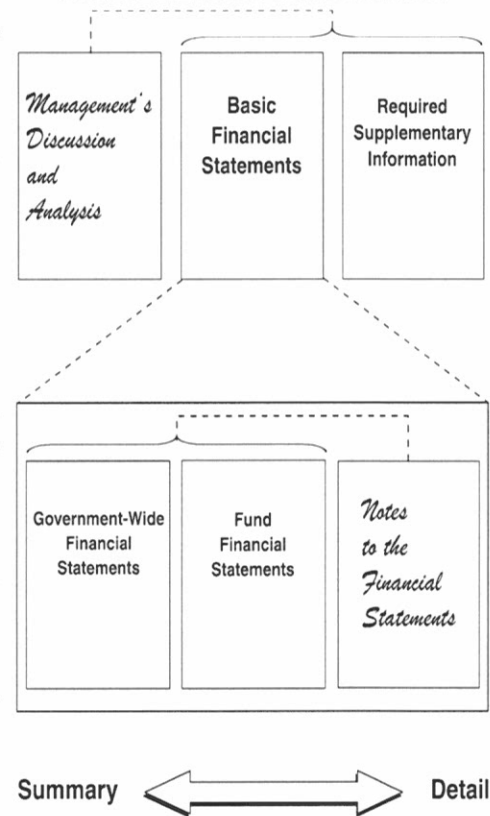
- The District's total combined net assets were \$49,582,831 at August 31, 2012. This is a decrease of \$231,588 from the prior year.
- During the year, the District's expenses were \$229,739 more than the \$113,718,291 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$17,272,035.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

## Government-wide Statements

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

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

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

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

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

- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- The District uses *internal service funds* to report activities for its worker's compensation and employee benefits program, transportation, print shop and day care services.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The Governmental Accounting Standard Board (GASB) released Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” provides for a hierarchy of five possible fund balance classifications 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.

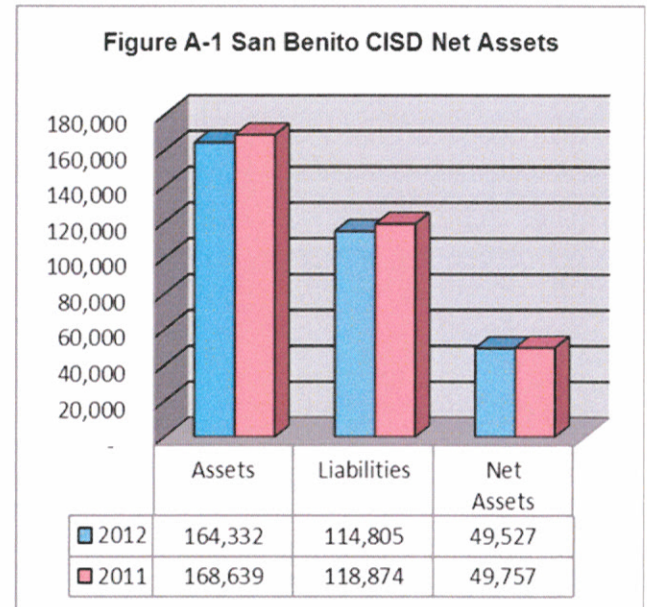
The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. **Restricted:** fund balances that are constrained by external parties, constitutional provisions or enabling legislation; **committed:** fund balances that contain self-imposed 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 \$49,527,056 at August 31, 2012. (See Table A-1).

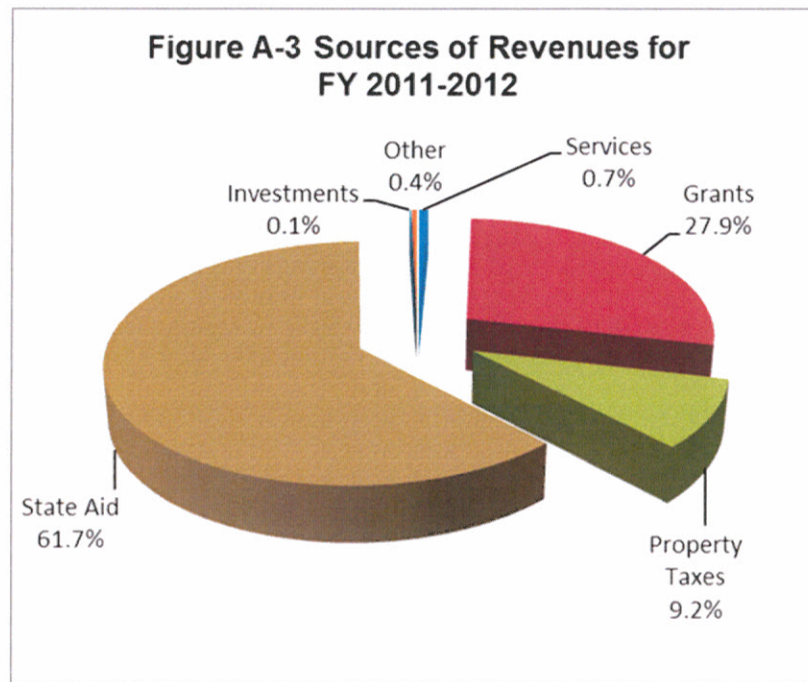
**Table A-1**  
San Benito Consolidated Independent School District's Net Assets  
(In thousands dollars)

|                                                     | Governmental<br>Activities |                  |
|-----------------------------------------------------|----------------------------|------------------|
|                                                     | 2012                       | 2011             |
| Current and other assets                            | \$ 35,442                  | \$ 37,520        |
| Capital assets                                      | <u>128,890</u>             | <u>131,111</u>   |
| Total Assets                                        | <u>164,332</u>             | <u>168,631</u>   |
| Long-term liabilities outstanding                   | 101,260                    | 100,604          |
| Other liabilities                                   | <u>13,545</u>              | <u>18,270</u>    |
| Total Liabilities                                   | <u>114,805</u>             | <u>118,874</u>   |
| Net Assets:                                         |                            |                  |
| Invested in capital assets –<br>net of related debt | 27,554                     | 31,941           |
| Restricted                                          | 907                        | 4,751            |
| Unrestricted                                        | <u>21,066</u>              | <u>13,065</u>    |
| Total Net Assets                                    | \$ <u>49,527</u>           | \$ <u>49,757</u> |



Approximately 1.8% of the District's net assets are subject to external restrictions on how they may be used. The \$21,066,228 of unrestricted net assets represents resources available to fund the programs of the District next year.

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



**Changes in net assets.** The District's total revenues were \$113,786,439. Approximately 9.2% of the District's revenue comes from taxes. (See Figure A-3.) 61.7% comes from state aid – formula grants and operating grants, while 27.9% comes from federal grants. The increase in state revenues is due primarily to additional classes which were eligible for funding under the career and technology education funds for the 2011-12 school year.

The total cost of all programs and services was \$114,018,027.

#### **Governmental Activities**

- Property tax rates remained at 1.3049. Property values increased by about 1.2%.
- Average daily attendance increased by 40 students.

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

|                                                    | Governmental<br>Activities |                  |
|----------------------------------------------------|----------------------------|------------------|
|                                                    | <u>2012</u>                | <u>2011</u>      |
| Program Revenues:                                  |                            |                  |
| Charges for Services                               | \$ 790                     | \$ 725           |
| Operating Grants and Contributions                 | 27,360                     | 31,518           |
| General Revenues:                                  |                            |                  |
| Property Taxes                                     | 10,488                     | 10,496           |
| State Aid – Formula                                | 74,569                     | 73,089           |
| Investment Earnings                                | 54                         | 59               |
| Other                                              | <u>457</u>                 | <u>252</u>       |
| Total Revenues                                     | 113,718                    | 116,139          |
| Expenses:                                          |                            |                  |
| Instruction                                        | 56,328                     | 60,428           |
| Instructional Resources and Media Services         | 1,572                      | 2,143            |
| Curriculum Dev. And Instructional Staff Dev        | 2,365                      | 2,083            |
| Instructional Leadership                           | 3,916                      | 4,152            |
| School Leadership                                  | 5,584                      | 5,818            |
| Guidance, Counseling and Evaluation Services       | 4,218                      | 3,786            |
| Social Work Services                               | 711                        | 471              |
| Health Services                                    | 1,077                      | 1,144            |
| Student (Pupil) Transportation                     | 1,273                      | 1,319            |
| Food Services                                      | 7,708                      | 7,594            |
| Co-Curricular/Extracurricular Activities           | 2,895                      | 2,958            |
| General Administration                             | 4,765                      | 4,713            |
| Plant Maintenance & Operations                     | 13,663                     | 15,070           |
| Security & Monitoring Services                     | 1,793                      | 1,992            |
| Data Processing Services                           | 704                        | 743              |
| Community Services                                 | 541                        | 674              |
| Debt Service                                       | 4,668                      | 5,058            |
| Bond Issuance Fees                                 | 3                          | 7                |
| Payments to Juvenile Justice Alternative Education | 58                         | 38               |
| Other Intergovernmental                            | <u>106</u>                 | <u>115</u>       |
| Total Expenses                                     | <u>113,948</u>             | <u>120,306</u>   |
| Increase (Decrease) in Net Assets                  | (230)                      | (4,167)          |
| Beginning Net Assets                               | <u>49,757</u>              | <u>53,924</u>    |
| Ending Net Assets                                  | \$ <u>49,527</u>           | \$ <u>49,757</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 \$113,948,030.
- However, the amount that our taxpayers paid for these activities through property taxes was \$10,487,812.

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

|                                | Total Cost of<br>Services |             | % Change | Net Cost of<br>Services |             | % Change |
|--------------------------------|---------------------------|-------------|----------|-------------------------|-------------|----------|
|                                | <u>2012</u>               | <u>2011</u> |          | <u>2012</u>             | <u>2011</u> |          |
| Instruction                    | 56,328                    | 60,428      | (6.8%)   | 43,125                  | 43,245      | (0.3%)   |
| School Leadership              | 5,584                     | 5,818       | (4.0%)   | 5,287                   | 5,417       | (2.4%)   |
| Food Services                  | 7,708                     | 7,594       | 1.5%     | 321                     | 267         | 20.2%    |
| Plant Maintenance & Operations | 13,663                    | 15,070      | (9.3%)   | 13,330                  | 14,735      | (9.5%)   |
| Debt Service                   | 4,668                     | 5,058       | (7.7%)   | 4,668                   | 5,058       | (7.7%)   |

- Some of the cost was paid by those who directly benefited from the programs \$789,732 or by grants and contributions \$27,360,210.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$113,646,731 a decrease of \$2.3 million over the preceding year. There was an increase in local revenues of \$378,697. Although property tax collections decreased by \$435,312 this was more than offset by the decrease of interest income. Most of the interest was earned on the balance of the bonds which were sold in 2008. As the construction projects have progressed the balance of funds to invest has decreased. In addition the yields on the investments have decreased due to the sluggish economy. State revenue totaled \$77.5 million an increase of \$312,506 over last year. Federal program revenues were \$24.5 million. This is a decrease of \$3.0 million over the prior year.

### **General Fund Budgetary Highlights**

- Property tax collections rate was 91.3%.
- Average daily attendance was 10,314 up 40 from the prior year.
- For seven consecutive years the District has received a Superior rating for the Financial Integrity Reporting System of Texas (FIRST).

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2012, the District had invested \$210,464,832 in a broad range of capital assets, including land, equipment, buildings and vehicles.

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

|                                | Governmental<br>Activities |                  |
|--------------------------------|----------------------------|------------------|
|                                | <u>2012</u>                | <u>2011</u>      |
| Land                           | \$ 7,946                   | \$ 7,940         |
| Buildings and improvements     | 184,635                    | 163,501          |
| Vehicles &<br>Equipment        | 17,884                     | 16,868           |
| Construction in Progress       | <u>-</u>                   | <u>16,838</u>    |
| Totals at historical cost      | 210,465                    | 205,147          |
| Total accumulated depreciation | <u>81,575</u>              | <u>74,036</u>    |
| Net capital assets             | <u>\$128,890</u>           | <u>\$131,111</u> |

#### Long Term Debt

At year-end the District had \$101,260,030 in bonds outstanding as shown in Table A-5. During the year, the District refunded \$28,825,000 of the Series 2004 bonds. This refunding will result in a net savings of \$2,614,084.

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

|                              | Governmental<br>Activities |                  |
|------------------------------|----------------------------|------------------|
|                              | <u>2012</u>                | <u>2011</u>      |
| Compensated absences payable | \$ 1,086                   | \$ 1,108         |
| Accrued interest payable     | 441                        | -                |
| Capital leases               | -                          | 107              |
| Bonds payable                | 98,436                     | 102,791          |
| Note payable                 | 466                        | 611              |
| Deferred loss                | (2,815)                    | (139)            |
| Discount/Premium - Bonds     | <u>3,646</u>               | <u>528</u>       |
| Total bonds & notes payable  | <u>\$101,260</u>           | <u>\$105,006</u> |

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2012-13 budget preparation are up \$15 million, or about 2% from \$838 million in 2011 –2012 to \$854 million currently.
- The tax rate remained at 1.3049.
- The District's 2011-12 refined average daily attendance was expected to remain at 10,314.

These indicators were taken into account when adopting the general fund budget for 2012-2013. The general fund appropriations for 2012-13 were set at \$91.1 million, a decrease of 1.2 percent from the 2011-2012 original budget of \$92.2 million.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at 240 N. Crockett Street, San Benito, Texas 78586.

**BASIC**  
**FINANCIAL STATEMENTS**



SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

|                        |                                                 | 1                  | 2          | 3             |
|------------------------|-------------------------------------------------|--------------------|------------|---------------|
|                        |                                                 | Primary Government |            |               |
| Data                   |                                                 |                    | Business   |               |
| Control                |                                                 | Governmental       | Type       |               |
| Codes                  |                                                 | Activities         | Activities | Total         |
| ASSETS                 |                                                 |                    |            |               |
| 1110                   | Cash and Cash Equivalents                       | \$ 26,595,316      | \$ 55,775  | \$ 26,651,091 |
| 1220                   | Property Taxes Receivable (Delinquent)          | 3,016,431          | -          | 3,016,431     |
| 1230                   | Allowance for Uncollectible Taxes               | (301,643)          | -          | (301,643)     |
| 1240                   | Due from Other Governments                      | 3,976,324          | -          | 3,976,324     |
| 1267                   | Due from Fiduciary Funds                        | 231,492            | -          | 231,492       |
| 1290                   | Other Receivables, net                          | 45,393             | -          | 45,393        |
| 1300                   | Inventories                                     | 425,532            | -          | 425,532       |
| 1410                   | Deferred Expenses                               | 224,553            | -          | 224,553       |
| 1420                   | Capitalized Bond and Other Debt Issuance Costs  | 1,227,901          | -          | 1,227,901     |
| 1490                   | Other Current Assets                            | 685                | -          | 685           |
| Capital Assets:        |                                                 |                    |            |               |
| 1510                   | Land                                            | 7,945,934          | -          | 7,945,934     |
| 1520                   | Buildings, Net                                  | 116,036,118        | -          | 116,036,118   |
| 1530                   | Furniture and Equipment, Net                    | 4,908,041          | -          | 4,908,041     |
| 1000                   | Total Assets                                    | 164,332,077        | 55,775     | 164,387,852   |
| LIABILITIES            |                                                 |                    |            |               |
| 2110                   | Accounts Payable                                | 2,753,890          | -          | 2,753,890     |
| 2150                   | Payroll Deductions & Withholdings               | 27,114             | -          | 27,114        |
| 2160                   | Accrued Wages Payable                           | 2,981,957          | -          | 2,981,957     |
| 2180                   | Due to Other Governments                        | 6,141,505          | -          | 6,141,505     |
| 2300                   | Unearned Revenues                               | 1,640,525          | -          | 1,640,525     |
| Noncurrent Liabilities |                                                 |                    |            |               |
| 2501                   | Due Within One Year                             | 4,715,819          | -          | 4,715,819     |
| 2502                   | Due in More Than One Year                       | 96,544,211         | -          | 96,544,211    |
| 2000                   | Total Liabilities                               | 114,805,021        | -          | 114,805,021   |
| NET ASSETS             |                                                 |                    |            |               |
| 3200                   | Invested in Capital Assets, Net of Related Debt | 27,553,765         | -          | 27,553,765    |
| Restricted for:        |                                                 |                    |            |               |
| 3820                   | Restricted for Federal and State Programs       | 494,641            | -          | 494,641       |
| 3860                   | Restricted for Capital Projects                 | 412,422            | -          | 412,422       |
| 3900                   | Unrestricted Net Assets                         | 21,066,228         | 55,775     | 21,122,003    |
| 3000                   | Total Net Assets                                | \$ 49,527,056      | \$ 55,775  | \$ 49,582,831 |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

| Data<br>Control<br>Codes                             | 1              | Program Revenues        |                                          |
|------------------------------------------------------|----------------|-------------------------|------------------------------------------|
|                                                      |                | 3                       | 4                                        |
|                                                      | Expenses       | Charges for<br>Services | Operating<br>Grants and<br>Contributions |
| <b>Primary Government:</b>                           |                |                         |                                          |
| GOVERNMENTAL ACTIVITIES:                             |                |                         |                                          |
| 11 Instruction                                       | \$ 56,328,203  | \$ -                    | \$ 13,203,426                            |
| 12 Instructional Resources and Media Services        | 1,571,906      | -                       | 176,917                                  |
| 13 Curriculum and Staff Development                  | 2,365,243      | -                       | 1,716,566                                |
| 21 Instructional Leadership                          | 3,916,131      | -                       | 1,769,709                                |
| 23 School Leadership                                 | 5,583,916      | -                       | 296,617                                  |
| 31 Guidance, Counseling and Evaluation Services      | 4,217,758      | -                       | 1,473,825                                |
| 32 Social Work Services                              | 710,653        | -                       | 291,418                                  |
| 33 Health Services                                   | 1,077,207      | -                       | 193,932                                  |
| 34 Student (Pupil) Transportation                    | 1,273,431      | -                       | 130,667                                  |
| 35 Food Services                                     | 7,708,186      | 371,792                 | 7,015,592                                |
| 36 Extracurricular Activities                        | 2,894,494      | 162,268                 | 170,511                                  |
| 41 General Administration                            | 4,764,867      | 247,944                 | 135,590                                  |
| 51 Facilities Maintenance and Operations             | 13,663,044     | 7,728                   | 325,691                                  |
| 52 Security and Monitoring Services                  | 1,792,422      | -                       | 135,233                                  |
| 53 Data Processing Services                          | 703,964        | -                       | -                                        |
| 61 Community Services                                | 541,293        | -                       | 324,516                                  |
| 72 Debt Service - Interest on Long Term Debt         | 4,667,868      | -                       | -                                        |
| 73 Debt Service - Bond Issuance Cost and Fees        | 3,351          | -                       | -                                        |
| 95 Payments to Juvenile Justice Alternative Ed. Prg. | 57,655         | -                       | -                                        |
| 99 Other Intergovernmental Charges                   | 106,438        | -                       | -                                        |
| [TG] Total Governmental Activities:                  | 113,948,030    | 789,732                 | 27,360,210                               |
| BUSINESS-TYPE ACTIVITIES:                            |                |                         |                                          |
| 01 Day Care                                          | 47,464         | 43,052                  | -                                        |
| 02 After School Paid                                 | 22,533         | 25,096                  | -                                        |
| [TB] Total Business-Type Activities:                 | 69,997         | 68,148                  | -                                        |
| [TP] TOTAL PRIMARY GOVERNMENT:                       | \$ 114,018,027 | \$ 857,880              | \$ 27,360,210                            |

|                          |                                              |
|--------------------------|----------------------------------------------|
| Data<br>Control<br>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<br>Changes in Net Assets |                             |                 |
|----------------------------------------------------|-----------------------------|-----------------|
| 6                                                  | 7                           | 8               |
| Primary Government                                 |                             |                 |
| Governmental<br>Activities                         | Business Type<br>Activities | Total           |
| \$ (43,124,777)                                    | \$ -                        | \$ (43,124,777) |
| (1,394,989)                                        | -                           | (1,394,989)     |
| (648,677)                                          | -                           | (648,677)       |
| (2,146,422)                                        | -                           | (2,146,422)     |
| (5,287,299)                                        | -                           | (5,287,299)     |
| (2,743,933)                                        | -                           | (2,743,933)     |
| (419,235)                                          | -                           | (419,235)       |
| (883,275)                                          | -                           | (883,275)       |
| (1,142,764)                                        | -                           | (1,142,764)     |
| (320,802)                                          | -                           | (320,802)       |
| (2,561,715)                                        | -                           | (2,561,715)     |
| (4,381,333)                                        | -                           | (4,381,333)     |
| (13,329,625)                                       | -                           | (13,329,625)    |
| (1,657,189)                                        | -                           | (1,657,189)     |
| (703,964)                                          | -                           | (703,964)       |
| (216,777)                                          | -                           | (216,777)       |
| (4,667,868)                                        | -                           | (4,667,868)     |
| (3,351)                                            | -                           | (3,351)         |
| (57,655)                                           | -                           | (57,655)        |
| (106,438)                                          | -                           | (106,438)       |
| (85,798,088)                                       | -                           | (85,798,088)    |
| -                                                  | (4,412)                     | (4,412)         |
| -                                                  | 2,563                       | 2,563           |
| -                                                  | (1,849)                     | (1,849)         |
| (85,798,088)                                       | (1,849)                     | (85,799,937)    |
| 9,419,485                                          | -                           | 9,419,485       |
| 1,068,327                                          | -                           | 1,068,327       |
| 70,206,231                                         | -                           | 70,206,231      |
| 4,362,991                                          | -                           | 4,362,991       |
| 54,079                                             | -                           | 54,079          |
| 457,236                                            | -                           | 457,236         |
| 85,568,349                                         | -                           | 85,568,349      |
| (229,739)                                          | (1,849)                     | (231,588)       |
| 49,756,795                                         | 57,624                      | 49,814,419      |
| \$ 49,527,056                                      | \$ 55,775                   | \$ 49,582,831   |

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

| Data<br>Control<br>Codes             |                                             | General<br>Fund      | Debt Service<br>Fund | Other<br>Funds      | Total<br>Governmental<br>Funds |
|--------------------------------------|---------------------------------------------|----------------------|----------------------|---------------------|--------------------------------|
| <b>ASSETS</b>                        |                                             |                      |                      |                     |                                |
| 1110                                 | Cash and Cash Equivalents                   | \$ 22,616,602        | \$ 1,005,633         | \$ 1,203,697        | \$ 24,825,932                  |
| 1220                                 | Property Taxes - Delinquent                 | 2,642,594            | 373,837              | -                   | 3,016,431                      |
| 1230                                 | Allowance for Uncollectible Taxes (Credit)  | (264,259)            | (37,384)             | -                   | (301,643)                      |
| 1240                                 | Receivables from Other Governments          | 2,023,233            | -                    | 1,953,091           | 3,976,324                      |
| 1260                                 | Due from Other Funds                        | 1,638,362            | 5,135,872            | -                   | 6,774,234                      |
| 1290                                 | Other Receivables                           | 14,687               | -                    | -                   | 14,687                         |
| 1300                                 | Inventories                                 | 425,532              | -                    | -                   | 425,532                        |
| 1410                                 | Deferred Expenditures                       | 224,553              | -                    | -                   | 224,553                        |
| 1490                                 | Other Current Assets                        | 685                  | -                    | -                   | 685                            |
| 1000                                 | Total Assets                                | <u>\$ 29,321,989</u> | <u>\$ 6,477,958</u>  | <u>\$ 3,156,788</u> | <u>\$ 38,956,735</u>           |
| <b>LIABILITIES AND FUND BALANCES</b> |                                             |                      |                      |                     |                                |
| Liabilities:                         |                                             |                      |                      |                     |                                |
| 2110                                 | Accounts Payable                            | \$ 905,278           | \$ -                 | \$ 848,083          | \$ 1,753,361                   |
| 2150                                 | Payroll Deductions and Withholdings Payable | 27,114               | -                    | -                   | 27,114                         |
| 2160                                 | Accrued Wages Payable                       | 2,704,298            | -                    | 248,758             | 2,953,056                      |
| 2170                                 | Due to Other Funds                          | 6,031,929            | -                    | -                   | 6,031,929                      |
| 2180                                 | Due to Other Governments                    | -                    | 6,141,505            | -                   | 6,141,505                      |
| 2300                                 | Deferred Revenues                           | 2,381,335            | 336,453              | 1,638,525           | 4,356,313                      |
| 2000                                 | Total Liabilities                           | <u>12,049,954</u>    | <u>6,477,958</u>     | <u>2,735,366</u>    | <u>21,263,278</u>              |
| Fund Balances:                       |                                             |                      |                      |                     |                                |
| Nonspendable Fund Balance:           |                                             |                      |                      |                     |                                |
| 3410                                 | Inventories                                 | 176,124              | -                    | -                   | 176,124                        |
| 3430                                 | Prepaid Items                               | 224,553              | -                    | -                   | 224,553                        |
| Restricted Fund Balance:             |                                             |                      |                      |                     |                                |
| 3450                                 | Federal or State Funds Grant Restriction    | 494,641              | -                    | -                   | 494,641                        |
| Committed Fund Balance:              |                                             |                      |                      |                     |                                |
| 3510                                 | Construction                                | -                    | -                    | 421,422             | 421,422                        |
| Assigned Fund Balance:               |                                             |                      |                      |                     |                                |
| 3590                                 | Other Assigned Fund Balance                 | 5,050,787            | -                    | -                   | 5,050,787                      |
| 3600                                 | Unassigned Fund Balance                     | 11,325,930           | -                    | -                   | 11,325,930                     |
| 3000                                 | Total Fund Balances                         | <u>17,272,035</u>    | <u>-</u>             | <u>421,422</u>      | <u>17,693,457</u>              |
| 4000                                 | Total Liabilities and Fund Balances         | <u>\$ 29,321,989</u> | <u>\$ 6,477,958</u>  | <u>\$ 3,156,788</u> | <u>\$ 38,956,735</u>           |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

EXHIBIT C-2

|                                                                                                                                                                                                                                                                                                                                                                                                       |                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| <b>Total Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                       | <b>\$ 17,693,457</b>        |
| <b>1</b> 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.                       | 127,395,800                 |
| <b>2</b> The District use 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 this consolidation is to increase (decrease) net assets. | 1,754,140                   |
| <b>3</b> Property taxes receivable to pay for current period expenditures are deferred in the funds.                                                                                                                                                                                                                                                                                                  | 2,715,788                   |
| <b>4</b> Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.                                                                                                                                                                                                                                                   | (98,436,045)                |
| <b>5</b> 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.                                                                                                                                                                                                                               | (1,086,285)                 |
| <b>6</b> Discounts and premiums on bonds totaling \$3,645,780 and deferred gains and losses on refunding in the amount of \$(2,815,193), are reported as other financing sources or uses in governmental funds, whereas they are capitalized and amortized for net assets.                                                                                                                            | (830,587)                   |
| <b>7</b> Other long-term liabilities, such as notes payable are not due and payable in the current period and therefore are not reported in the funds.                                                                                                                                                                                                                                                | (466,449)                   |
| <b>8</b> Other long-term liabilities, including interest accretion on CAB bonds, are not due and payable in the current period and therefore are not reported in the funds.                                                                                                                                                                                                                           | (440,664)                   |
| <b>9</b> Deferred charges for bond issuance costs are current expenditures in the governmental funds, whereas they are capitalized and amortized for net assets.                                                                                                                                                                                                                                      | 1,227,901                   |
| <b>19 Net Assets of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                                       | <u><u>\$ 49,527,056</u></u> |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT C-3

| Data Control Codes              |                                                           | General Fund  | Debt Service Fund | Other Funds | Total Governmental Funds |
|---------------------------------|-----------------------------------------------------------|---------------|-------------------|-------------|--------------------------|
| REVENUES:                       |                                                           |               |                   |             |                          |
| 5700                            | Total Local and Intermediate Sources                      | \$ 10,566,045 | \$ 1,142,808      | \$ 19,412   | \$ 11,728,265            |
| 5800                            | State Program Revenues                                    | 72,678,209    | 3,881,598         | 891,328     | 77,451,135               |
| 5900                            | Federal Program Revenues                                  | 8,459,693     | -                 | 16,007,638  | 24,467,331               |
| 5020                            | Total Revenues                                            | 91,703,947    | 5,024,406         | 16,918,378  | 113,646,731              |
| EXPENDITURES:                   |                                                           |               |                   |             |                          |
| Current:                        |                                                           |               |                   |             |                          |
| 0011                            | Instruction                                               | 42,005,580    | -                 | 11,067,191  | 53,072,771               |
| 0012                            | Instructional Resources and Media Services                | 1,347,658     | -                 | 116,707     | 1,464,365                |
| 0013                            | Curriculum and Instructional Staff Development            | 504,625       | -                 | 1,699,276   | 2,203,901                |
| 0021                            | Instructional Leadership                                  | 1,937,654     | -                 | 1,723,810   | 3,661,464                |
| 0023                            | School Leadership                                         | 5,167,195     | -                 | 34,700      | 5,201,895                |
| 0031                            | Guidance, Counseling and Evaluation Services              | 2,578,388     | -                 | 1,353,513   | 3,931,901                |
| 0032                            | Social Work Services                                      | 393,288       | -                 | 272,310     | 665,598                  |
| 0033                            | Health Services                                           | 858,105       | -                 | 145,405     | 1,003,510                |
| 0034                            | Student (Pupil) Transportation                            | 923,503       | -                 | 1,469       | 924,972                  |
| 0035                            | Food Services                                             | 7,254,172     | -                 | -           | 7,254,172                |
| 0036                            | Extracurricular Activities                                | 2,604,903     | -                 | 104,684     | 2,709,587                |
| 0041                            | General Administration                                    | 2,865,139     | -                 | 1,860       | 2,866,999                |
| 0051                            | Facilities Maintenance and Operations                     | 12,741,732    | -                 | 23,210      | 12,764,942               |
| 0052                            | Security and Monitoring Services                          | 1,581,897     | -                 | 87,897      | 1,669,794                |
| 0053                            | Data Processing Services                                  | 274,874       | -                 | 380,929     | 655,803                  |
| 0061                            | Community Services                                        | 188,275       | -                 | 315,986     | 504,261                  |
| Debt Service:                   |                                                           |               |                   |             |                          |
| 0071                            | Principal on Long Term Debt                               | 437,182       | 4,087,948         | -           | 4,525,130                |
| 0072                            | Interest on Long Term Debt                                | 107,972       | 4,136,222         | -           | 4,244,194                |
| 0073                            | Bond Issuance Cost and Fees                               | -             | 475,279           | -           | 475,279                  |
| Capital Outlay:                 |                                                           |               |                   |             |                          |
| 0081                            | Facilities Acquisition and Construction                   | 68,222        | -                 | 4,209,988   | 4,278,210                |
| Intergovernmental:              |                                                           |               |                   |             |                          |
| 0095                            | Payments to Juvenile Justice Alternative Ed. Prg.         | 57,655        | -                 | -           | 57,655                   |
| 0099                            | Other Intergovernmental Charges                           | 106,438       | -                 | -           | 106,438                  |
| 6030                            | Total Expenditures                                        | 84,004,457    | 8,699,449         | 21,538,935  | 114,242,841              |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | 7,699,490     | (3,675,043)       | (4,620,557) | (596,110)                |
| OTHER FINANCING SOURCES (USES): |                                                           |               |                   |             |                          |
| 7911                            | Capital Related Debt Issued (Regular Bonds)               | -             | 28,825,000        | -           | 28,825,000               |
| 7912                            | Sale of Real and Personal Property                        | 21,856        | -                 | -           | 21,856                   |
| 7915                            | Transfers In                                              | -             | 3,203,114         | 419,015     | 3,622,129                |
| 7916                            | Premium or Discount on Issuance of Bonds                  | -             | 3,327,183         | -           | 3,327,183                |
| 7949                            | Other Resources                                           | 12,119        | -                 | -           | 12,119                   |
| 8911                            | Transfers Out (Use)                                       | (5,295,638)   | -                 | -           | (5,295,638)              |
| 8949                            | Other (Uses)                                              | -             | (31,680,254)      | -           | (31,680,254)             |
| 7080                            | Total Other Financing Sources (Uses)                      | (5,261,663)   | 3,675,043         | 419,015     | (1,167,605)              |
| 1200                            | Net Change in Fund Balances                               | 2,437,827     | -                 | (4,201,542) | (1,763,715)              |
| 0100                            | Fund Balance - September 1 (Beginning)                    | 14,834,209    | -                 | 4,622,963   | 19,457,172               |
| 3000                            | Fund Balance - August 31 (Ending)                         | \$ 17,272,036 | \$ -              | \$ 421,421  | \$ 17,693,457            |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>\$ (1,763,715)</b> |
| The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.                                                                                                                                                                                             | (316,104)             |
| Current year capital outlays of \$4,967,367 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statements net of dispositions totaling \$123,151. Depreciation totaling \$(7,384,714) is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's capital outlay and dispositions net of current period depreciation is to decrease net assets. | (2,294,196)           |
| Revenues recognized in the statement of activities that are not considered current financial resources are deferred and not reported as revenues in the funds.                                                                                                                                                                                                                                                                                                                                                                      | (85,566)              |
| 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 \$4,380,000, notes payable \$145,130 and capital leases \$106,622.                                                                                                                                                                                                                                    | 4,631,752             |
| 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 \$(535,664), net of accrued interest paid of \$95,000.                                                                                                                                                                                                                                                                                                                   | (465,664)             |
| 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.                                                                                                                                                                                                                                                                                                                                                                    | 21,765                |
| 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.                                                                                                                                                                                                                                                                                                       | 483,987               |
| Debt issuance premiums and discounts on current year refundings totaling \$(3,327,183) and deferred losses on current year year refundings of \$2,855,254, 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 of \$209,011 and deferred losses on refunding of bonds totaling \$(179,080).       | (3,297,252)           |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.                                                                                                                                                                                                                                                                                                                                                                           | (28,825,000)          |
| Payment to escrow agent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 31,680,254            |
| <b>Change in Net Assets of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>\$ (229,739)</b>   |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2012

EXHIBIT D-1

|                                         | Business-Type<br>Activities - | Governmental<br>Activities -       |
|-----------------------------------------|-------------------------------|------------------------------------|
|                                         | Total<br>Enterprise<br>Funds  | Total<br>Internal<br>Service Funds |
| <b>ASSETS</b>                           |                               |                                    |
| Current Assets:                         |                               |                                    |
| Cash and Cash Equivalents               | \$ 55,775                     | \$ 1,769,384                       |
| Due from Other Funds                    | -                             | 913,232                            |
| Other Receivables                       | -                             | 30,706                             |
| Total Current Assets                    | 55,775                        | 2,713,322                          |
| Noncurrent Assets:                      |                               |                                    |
| Capital Assets:                         |                               |                                    |
| Buildings and Improvements              | -                             | 106,956                            |
| Depreciation on Buildings               | -                             | (78,636)                           |
| Furniture and Equipment                 | -                             | 4,860,894                          |
| Depreciation on Furniture and Equipment | -                             | (3,394,921)                        |
| Total Noncurrent Assets                 | -                             | 1,494,293                          |
| Total Assets                            | 55,775                        | 4,207,615                          |
| <b>LIABILITIES</b>                      |                               |                                    |
| Current Liabilities:                    |                               |                                    |
| Accounts Payable                        | -                             | 1,000,529                          |
| Accrued Wages Payable                   | -                             | 28,901                             |
| Due to Other Funds                      | -                             | 1,424,045                          |
| Total Liabilities                       | -                             | 2,453,475                          |
| <b>NET ASSETS</b>                       |                               |                                    |
| Unrestricted Net Assets                 | 55,775                        | 1,754,140                          |
| Total Net Assets                        | \$ 55,775                     | \$ 1,754,140                       |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

|                                            | Business-Type<br>Activities - | Governmental<br>Activities -       |
|--------------------------------------------|-------------------------------|------------------------------------|
|                                            | Total<br>Enterprise<br>Funds  | Total<br>Internal<br>Service Funds |
| OPERATING REVENUES:                        |                               |                                    |
| Local and Intermediate Sources             | \$ 68,148                     | \$ 8,795,435                       |
| State Program Revenues                     | -                             | 1,043,056                          |
| Total Operating Revenues                   | 68,148                        | 9,838,491                          |
| OPERATING EXPENSES:                        |                               |                                    |
| Payroll Costs                              | 22,331                        | 1,835,057                          |
| Professional and Contracted Services       | 45,264                        | 8,590,408                          |
| Supplies and Materials                     | 604                           | 700,200                            |
| Other Operating Costs                      | 1,798                         | 421,910                            |
| Depreciation Expense                       | -                             | 280,530                            |
| Total Operating Expenses                   | 69,997                        | 11,828,105                         |
| Income (Loss) Before Transfers             | (1,849)                       | (1,989,614)                        |
| Transfer In                                | -                             | 1,673,510                          |
| Operating Income (Loss)                    | (1,849)                       | (316,104)                          |
| Total Net Assets - September 1 (Beginning) | 57,624                        | 2,070,244                          |
| Total Net Assets - August 31 (Ending)      | \$ 55,775                     | \$ 1,754,140                       |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT D-3

|                                                                                      | Business-Type<br>Activities  | Governmental<br>Activities -       |
|--------------------------------------------------------------------------------------|------------------------------|------------------------------------|
|                                                                                      | Total<br>Enterprise<br>Funds | Total<br>Internal<br>Service Funds |
| <u>Cash Flows from Operating Activities:</u>                                         |                              |                                    |
| Cash Received from Services                                                          | \$ 68,148                    | \$ 1,027,934                       |
| Cash Received from Quasi-external Transactions                                       | -                            | 9,416,683                          |
| Cash Payments to Employees for Services                                              | (22,331)                     | (1,835,057)                        |
| Cash Payments for Insurance Premiums                                                 | -                            | (2,307,275)                        |
| Cash Payments for Suppliers                                                          | (47,666)                     | (7,455,968)                        |
| Net Cash Used for Operating Activities                                               | (1,849)                      | (1,153,683)                        |
| <u>Cash Flows from Non-Capital Financing Activities:</u>                             |                              |                                    |
| Operating Transfer In                                                                | -                            | 1,673,510                          |
| <u>Cash Flows from Capital &amp; Related Financing Activities:</u>                   |                              |                                    |
| Acquisition of Capital Assets                                                        | -                            | (354,008)                          |
| Net Increase (Decrease) in Cash and Cash Equivalents                                 | (1,849)                      | 165,819                            |
| Cash and Cash Equivalents at Beginning of Year                                       | 57,624                       | 1,603,565                          |
| Cash and Cash Equivalents at End of Year                                             | \$ 55,775                    | \$ 1,769,384                       |
| <u>Reconciliation of Operating Income (Loss) to Net Cash</u>                         |                              |                                    |
| <u>Used for Operating Activities:</u>                                                |                              |                                    |
| Operating Income (Loss):                                                             | \$ (1,849)                   | \$ (1,989,614)                     |
| Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities: |                              |                                    |
| Depreciation                                                                         | -                            | 280,530                            |
| Effect of Increases and Decreases in Current Assets and Liabilities:                 |                              |                                    |
| Decrease (increase) in Receivables                                                   | -                            | (15,122)                           |
| Increase (decrease) in Accounts Payable                                              | -                            | 48,528                             |
| Increase (decrease) in Accrued Wages Payable                                         | -                            | (84,131)                           |
| Increase (decrease) in due to other funds                                            | -                            | 606,126                            |
| Net Cash Used for Operating Activities                                               | \$ (1,849)                   | \$ (1,153,683)                     |

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

EXHIBIT E-1

|                           | Private<br>Purpose<br>Trust Funds | Agency<br>Funds   |
|---------------------------|-----------------------------------|-------------------|
| <b>ASSETS</b>             |                                   |                   |
| Cash and Cash Equivalents | \$ 10,449                         | \$ 599,149        |
| Due from Other Funds      | -                                 | 1,686             |
| Total Assets              | <u>10,449</u>                     | <u>\$ 600,835</u> |
| <b>LIABILITIES</b>        |                                   |                   |
| Accounts Payable          | -                                 | \$ 45,361         |
| Due to Other Funds        | -                                 | 233,178           |
| Due to Student Groups     | -                                 | 322,296           |
| Deferred Revenues         | 10,449                            | -                 |
| Total Liabilities         | <u>10,449</u>                     | <u>\$ 600,835</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, 2012*

**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, 2012*

**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.

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.

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

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**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, 2012*

**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, 2011. 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, 2012*

**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, 2012. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2012, 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<br/>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.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**11. *Use of Estimates***

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

**12. *Compensated Absences***

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

**13. *Accounting System***

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

**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***

GASB Statement No. 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 Statement No. 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.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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.

**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 31<sup>st</sup> 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.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS – CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE C - DEPOSITS AND INVESTMENTS – Continued**

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

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

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and to the extent reasonable possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .995 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, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings account included in temporary investments) was \$2,666,648 and the bank balance was \$3,157,704. In addition to these cash and cash equivalents, the District maintains \$24,594,042 in a government investment pool.

The District maintains all deposit accounts in "non-interest-bearing transaction accounts" which are insured in full by the Federal Deposit Insurance Corporation (FDIC) from December 30, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**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<br/>Legal Rating</u> | <u>Amount</u>       | <u>Rating</u> | <u>Percentage</u> |
|-----------------------|---------------------------------|---------------------|---------------|-------------------|
| First Public          | AAA                             | \$15,841,538        | AAA           | 64%               |
| Lone Star Investments | AAA                             | <u>8,752,504</u>    | AAA           | <u>36%</u>        |
|                       |                                 | <u>\$24,594,042</u> |               | <u>100%</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**

First Public's Lone Start Investment Pool and MBIA, Inc.'s Texas CLASS pools are 2a7-like investment pools. Texas CLASS pool is rated AAAM by Standard and Poor's Rating Services. 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. Lone Star Investment Pool is rated AAA by Standard and Poor's Rating Services.

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, 2012*

**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 2011 tax rate was \$1.17 for maintenance and \$.1349 for debt service per \$100 assessed valuation. The 2011 assessed valuation was \$838,322,189.

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, 2012 outstanding taxes in the general fund and debt service fund was \$2,642,594 and \$373,837 with a corresponding allowance for doubtful accounts of \$264,259 and \$37,384.

**NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES**

|                                                                      | <u>Due From</u>    | <u>Due To</u>      |
|----------------------------------------------------------------------|--------------------|--------------------|
| <b>Governmental Funds:</b>                                           |                    |                    |
| <i>General Fund:</i>                                                 |                    |                    |
| Texas Education Agency:                                              |                    |                    |
| Child Nutrition Program                                              | \$ 198,928         | \$ -               |
| Foundation Funds                                                     | <u>1,824,305</u>   | <u>-</u>           |
|                                                                      | 2,023,233          | -                  |
| <i>Other Governmental Funds:</i>                                     |                    |                    |
| Texas Education Agency:                                              |                    |                    |
| Vocational Education – Basic Grant                                   | 3,259              | -                  |
| ESEA, Title I, Part A – Improving Basic Programs                     | 583,789            | -                  |
| ESEA, Title I, SIP Academy Grant                                     | 192,317            | -                  |
| ESEA, Title II, Part C – Education of Migratory Children             | 148,532            | -                  |
| ESEA, Title II, Part A – Teacher and Principal Training              | 74,921             | -                  |
| ESEA, Title III, Part A – English Language Acquisition               | 45,748             | -                  |
| ESEA, Title IV, Part A – Safe and Drug-Free Schools                  | 51,490             | -                  |
| ESEA, Title IV, Part B – 21 <sup>st</sup> Century Community Learning | 129,388            | -                  |
| IDEA-B Formula                                                       | 302,299            | -                  |
| IDEA-B Preschool                                                     | 3,102              | -                  |
| Gear Up/Region One ESC                                               | 113,152            | -                  |
| Early Childhood (LEP) Summer Program                                 | 6,692              | -                  |
| Education Jobs                                                       | 292,043            | -                  |
| Certification (ESC)                                                  | 6,359              | -                  |
| Instructional Facilities Allotment                                   | <u>-</u>           | <u>6,141,505</u>   |
| Total governmental funds                                             | <u>1,953,091</u>   | <u>6,141,505</u>   |
|                                                                      | <u>\$3,976,324</u> | <u>\$6,141,505</u> |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2012, were as follows:

|                                 | <u>Property<br/>Taxes</u> | <u>Other<br/>Governments</u> | <u>Due From<br/>Other Funds</u> | <u>Other<br/>Receivables</u> | <u>Total<br/>Receivables</u> |
|---------------------------------|---------------------------|------------------------------|---------------------------------|------------------------------|------------------------------|
| <b>Governmental Activities:</b> |                           |                              |                                 |                              |                              |
| General Fund                    | \$2,378,335               | \$2,023,233                  | \$1,638,362                     | \$ 14,687                    | \$ 6,054,617                 |
| Debt Service                    | 336,453                   | -                            | 5,135,872                       | -                            | 5,472,325                    |
| Nonmajor Governmental Funds     | <u>-</u>                  | <u>1,953,091</u>             | <u>-</u>                        | <u>-</u>                     | <u>1,953,091</u>             |
| Total receivables               | <u>\$2,714,788</u>        | <u>\$3,976,324</u>           | <u>\$6,774,234</u>              | <u>\$ 14,687</u>             | <u>\$13,480,033</u>          |

Payables at August 31, 2012, were as follows:

|                                 | <u>Accounts<br/>Payable</u> | <u>Salaries<br/>and<br/>Benefits</u> | <u>Due to<br/>Other Funds</u> | <u>Due to Other<br/>Governments</u> | <u>Total<br/>Payables</u> |
|---------------------------------|-----------------------------|--------------------------------------|-------------------------------|-------------------------------------|---------------------------|
| <b>Governmental Activities:</b> |                             |                                      |                               |                                     |                           |
| General Fund                    | \$ 905,278                  | \$2,731,412                          | \$6,031,929                   | \$ -                                | \$ 9,668,619              |
| Debt Service                    | -                           | -                                    | -                             | 6,141,505                           | 6,141,505                 |
| Nonmajor Governmental Funds     | <u>848,083</u>              | <u>248,758</u>                       | <u>-</u>                      | <u>-</u>                            | <u>1,096,841</u>          |
| Total payables                  | <u>\$1,753,361</u>          | <u>\$2,980,170</u>                   | <u>\$6,031,929</u>            | <u>\$6,141,505</u>                  | <u>\$16,906,965</u>       |

**NOTE G – CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2012, was as follows:

|                                             | <u>Balance<br/>Sept. 1, 2011</u> | <u>Increase</u>      | <u>Decrease</u>  | <u>Transfers/<br/>Reclassifications</u> | <u>Balance<br/>Aug. 31, 2012</u> |
|---------------------------------------------|----------------------------------|----------------------|------------------|-----------------------------------------|----------------------------------|
| <b>Governmental activities</b>              |                                  |                      |                  |                                         |                                  |
| Capital assets not being depreciated        |                                  |                      |                  |                                         |                                  |
| Land                                        | \$ 7,939,642                     | \$ 6,292             | \$ -             | \$ -                                    | \$ 7,945,934                     |
| Construction in progress                    | <u>16,838,453</u>                | <u>-</u>             | <u>-</u>         | <u>(16,838,453)</u>                     | <u>-</u>                         |
| Total capital assets not being depreciated  | <u>24,778,095</u>                | <u>6,292</u>         | <u>-</u>         | <u>(16,838,453)</u>                     | <u>7,945,934</u>                 |
| Capital assets being depreciated            |                                  |                      |                  |                                         |                                  |
| Building and improvements                   | 163,501,056                      | 4,295,928            | -                | 16,838,453                              | 184,635,437                      |
| Equipment                                   | 9,433,063                        | 1,006,460            | 3,263            | -                                       | 10,436,260                       |
| Vehicles                                    | <u>7,434,506</u>                 | <u>12,695</u>        | <u>-</u>         | <u>-</u>                                | <u>7,447,201</u>                 |
| Total capital assets being depreciated      | <u>180,368,625</u>               | <u>5,315,083</u>     | <u>3,263</u>     | <u>16,838,453</u>                       | <u>202,518,898</u>               |
| Less accumulated depreciation for:          |                                  |                      |                  |                                         |                                  |
| Building and improvements                   | 61,973,029                       | 6,626,290            | -                | -                                       | 68,599,319                       |
| Equipment                                   | 6,600,370                        | 651,149              | 36,642           | -                                       | 7,214,877                        |
| Vehicles                                    | <u>5,462,510</u>                 | <u>387,805</u>       | <u>89,772</u>    | <u>-</u>                                | <u>5,760,543</u>                 |
| Total accumulated depreciation              | <u>74,035,909</u>                | <u>7,665,244</u>     | <u>126,414</u>   | <u>-</u>                                | <u>81,574,739</u>                |
| Total capital assets being depreciated, net | <u>106,332,716</u>               | <u>(2,350,161)</u>   | <u>123,151</u>   | <u>16,838,453</u>                       | <u>120,944,159</u>               |
| Governmental activities capital assets, net | <u>\$131,110,811</u>             | <u>\$(2,343,869)</u> | <u>\$123,151</u> | <u>\$ -</u>                             | <u>\$128,890,093</u>             |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE G – CAPITAL ASSETS - Continued**

Depreciation was charged to the following functions:

**Government Activities:**

|                                                   |                    |
|---------------------------------------------------|--------------------|
| 11 – Instruction                                  | \$3,897,605        |
| 12 – Instructional Resources and Media Services   | 107,541            |
| 13 – Curriculum and Instructional Staff           | 161,852            |
| 21 – Instructional Leadership                     | 268,894            |
| 23 – School Leadership                            | 382,021            |
| 31 – Guidance, Counseling and Evaluation Services | 288,754            |
| 32 – Social Work Services                         | 48,881             |
| 33 – Health Services                              | 73,697             |
| 34 – Student (Pupil) Transportation               | 348,459            |
| 35 – Food Services                                | 532,738            |
| 36 – Cocurricular/Extracurricular Activities      | 198,989            |
| 41 – General Administration                       | 210,549            |
| 51 – Plant Maintenance and Operations             | 937,443            |
| 52 – Security and Monitoring Services             | 122,628            |
| 53 – Data Processing Services                     | 48,161             |
| 61 – Community Services                           | <u>37,032</u>      |
|                                                   | <u>\$7,665,244</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, 2012 are as follows:

| <u>Governmental Activities</u>                                            | <u>Beginning<br/>Balance<br/>Sept. 1, 2011</u> | <u>Increase</u> | <u>Decrease</u>  | <u>Balance<br/>Aug. 31, 2012</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------------------------------------------------|------------------------------------------------|-----------------|------------------|----------------------------------|--------------------------------|
| <b>General Obligation Bonds:</b>                                          |                                                |                 |                  |                                  |                                |
| Unlimited Tax School Building<br>Bonds – Series 2004                      | \$32,320,000                                   | \$ -            | \$(29,655,000)   | \$ 2,665,000                     | \$ 860,000                     |
| Unlimited Tax School Building<br>Bonds – Series 2005 - B                  | 25,810,000                                     | -               | (2,250,000)      | 23,560,000                       | 2,375,000                      |
| Unlimited Tax School Building<br>Bonds – Series 2005 - A                  | 800,000                                        | -               | -                | 800,000                          | -                              |
| Unlimited Tax School Building<br>Refunding CAB Bonds -<br>Series 2005 - B | 761,045                                        | -               | (100,000)        | 661,045                          | 96,045                         |
| Lease Revenue Bonds – Series 2006                                         | 3,850,000                                      | -               | (185,000)        | 3,665,000                        | 190,000                        |
| Unlimited Tax School Building<br>Bonds – Series 2008                      | 35,745,000                                     | -               | (735,000)        | 35,010,000                       | 760,000                        |
| Unlimited Tax School Building<br>Bonds – Series 2010                      | 3,505,000                                      | -               | -                | 3,505,000                        | -                              |
| Unlimited Tax School Building CAB<br>Bonds – Series 2010                  | -                                              | 25,000          | (5,000)          | 20,000                           | 5,000                          |
| Unlimited Tax School Refunding Bonds,<br>Series 2011                      | -                                              | 8,030,000       | (150,000)        | 7,880,000                        | 95,000                         |
| Unlimited Tax School Refunding CAB<br>Bonds, Series 2011                  | -                                              | 440,000         | -                | 440,000                          | -                              |
| Unlimited Tax School Refunding Bonds,<br>Series 2012                      | -                                              | 19,855,000      | -                | 19,855,000                       | -                              |
| Unlimited Tax School Refunding CAB<br>Bonds, Series 2012                  | <u>-</u>                                       | <u>500,000</u>  | <u>(125,000)</u> | <u>375,000</u>                   | <u>110,000</u>                 |
| Total general obligation bonds                                            | 102,791,045                                    | 28,850,000      | (33,205,000)     | 98,436,045                       | 4,491,045                      |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE H - LONG-TERM OBLIGATIONS – Continued**

| <u>Governmental Activities</u>            | <u>Beginning<br/>Balance<br/>Sept. 1, 2011</u> | <u>Increase</u>     | <u>Decrease</u>       | <u>Balance<br/>Aug. 31, 2012</u> | <u>Due Within<br/>One Year</u> |
|-------------------------------------------|------------------------------------------------|---------------------|-----------------------|----------------------------------|--------------------------------|
| Accrued Interest Unlimited Tax School     |                                                |                     |                       |                                  |                                |
| Building and Refunding CAB Bonds          | \$ -                                           | \$ 535,664          | \$ (95,000)           | \$ 440,664                       | \$ -                           |
| Discount on issuance, Bonds – Series 2005 | (64,397)                                       | -                   | 4,600                 | (59,797)                         | -                              |
| Discount on issuance, Bonds – Series 2012 | -                                              | (403,277)           | 33,606                | (369,671)                        | -                              |
| Premium on issuance, Bonds – Series 2008  | 382,113                                        | -                   | (14,152)              | 367,961                          | -                              |
| Premium on issuance, Bonds – Series 2010  | 209,892                                        | -                   | (26,237)              | 183,655                          | -                              |
| Premium on issuance, Bonds – Series 2011  | -                                              | 1,184,088           | (91,084)              | 1,093,004                        | -                              |
| Premium on issuance, Bonds – Series 2012  | -                                              | 2,546,372           | (115,744)             | 2,430,628                        | -                              |
| Deferred loss on refunding – Series 2010  | (139,019)                                      | -                   | 17,378                | (121,641)                        | -                              |
| Deferred loss on refunding – Series 2011  | -                                              | (1,014,291)         | 78,022                | (936,269)                        | -                              |
| Deferred loss on refunding – Series 2012  | -                                              | (1,840,963)         | 83,680                | (1,757,283)                      | -                              |
| Note payable                              | 611,579                                        | -                   | (145,130)             | 466,449                          | 149,774                        |
| Capital lease                             | 106,622                                        | -                   | (106,622)             | -                                | -                              |
| Compensated absences                      | <u>1,108,050</u>                               | <u>54,735</u>       | <u>(76,500)</u>       | <u>1,086,285</u>                 | <u>75,000</u>                  |
| Total governmental activities             | <u>\$105,005,885</u>                           | <u>\$29,912,328</u> | <u>\$(33,658,183)</u> | <u>\$101,260,030</u>             | <u>\$4,715,819</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, 2012 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.

\$2,665,000

On May 15, 2004, an election to authorize the District to sell \$2,005,000 Unlimited Tax School Building and Refunding Bonds Series 2005, passed by a majority of the participating voters. The bonds comprise of \$800,000 current interest bonds with an interest rate 4.50% maturing February 15, 2025 and \$1,205,500 in capital appreciation bonds. Capital appreciations bonds mature in years 2008 through 2020 in installments ranging from \$140,000 to \$145,000 with interest rates ranging from 3.35% to 4.95%. The bonds were issued to equip school buildings including a football stadium and to purchase the necessary sites for construction.

1,461,045

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**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.

\$23,560,000

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.

3,665,000

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 9<sup>th</sup> and 10<sup>th</sup> 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 15<sup>th</sup> beginning in the year 2011. The bond matures on February 15, 2028.

35,010,000

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.

3,525,000

On August 30, 2011, an election to authorize the District to sell \$8,470,000 Unlimited Tax Refunding Bonds, Series 2011, passed by a majority of the participating voters. The bonds comprise of \$8,030,000 current interest serial bonds with interest rates ranging from 2% to 3.5% on installments ranging from \$95,000 to \$1,340,000. Current interest serial bonds mature in years 2012 through 2024. The refunding also comprised of capital appreciation bonds totaling \$440,000 and matures in 2018. The bonds were used to refund portions of the Unlimited Tax School Building Bonds, Series 2004.

8,320,000

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE H - LONG-TERM OBLIGATIONS – Continued**

On February 21, 2012, an election to authorize the District to sell \$20,355,000 Unlimited Tax Refunding Bonds, Series 2012, passed by a majority of the participating voters. The bonds comprise of \$13,520 current interest serial bonds with interest rates ranging from 2% to 5% on installments ranging from \$90,000 to \$1,970,000. Current interest serial bonds mature in years 2012 through 2024, current interest term bonds totaling \$6,335,000 due February 15, 2034 and capital appreciation bonds totaling \$500,000 and matures in years 2012 through 2017. The bonds were used to refund portions of the Unlimited Tax School Building Bonds, Series 2004.

\$20,230,000

\$98,436,045

Debt service requirements on long-term debt at August 31, 2012 are as follows:

| Year Ending<br>August 31, | General Obligation Bonds |                      | Notes Payable    |                  | Total<br>Requirement |
|---------------------------|--------------------------|----------------------|------------------|------------------|----------------------|
|                           | Principal                | Interest             | Principal        | Interest         |                      |
| 2013                      | \$ 4,491,045             | \$ 5,498,702         | \$149,774        | \$ 15,350        | \$ 10,154,871        |
| 2014                      | 4,725,000                | 5,316,332            | 154,702          | 10,423           | 10,206,457           |
| 2015                      | 4,925,000                | 4,420,376            | 161,973          | 5,333            | 9,512,682            |
| 2016                      | 4,175,000                | 3,533,000            | -                | -                | 7,708,000            |
| 2017                      | 4,300,000                | 3,363,742            | -                | -                | 7,663,742            |
| 2018-2022                 | 21,195,000               | 14,288,872           | -                | -                | 35,483,872           |
| 2023-2027                 | 20,870,000               | 9,364,117            | -                | -                | 30,234,117           |
| 2028-2032                 | 17,265,000               | 5,627,163            | -                | -                | 22,892,163           |
| 2033-2037                 | 14,195,000               | 2,012,638            | -                | -                | 16,207,638           |
| 2038-2042                 | <u>2,295,000</u>         | <u>57,375</u>        | <u>-</u>         | <u>-</u>         | <u>2,352,375</u>     |
|                           | <u>\$98,436,045</u>      | <u>\$ 53,482,317</u> | <u>\$466,449</u> | <u>\$ 31,106</u> | <u>\$152,415,917</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, 2012.

***Advance Refunding of Debt***

On August 30, 2011 and February 21, 2012, the District issued \$28,825,000 in unlimited tax refunding school building bonds. The bonds' sales generated proceeds of \$29,839,291, which, along with the District's contribution of \$93,118, was placed in an escrow account to advance refund outstanding maturities of \$28,825,000 of the Series 2004 unlimited tax school building bonds. The 2011 refunding bonds carry a true interest rate of 2.425190% and the 2012 refunding bonds carry a true interest rate of 3.445301%. The refunded bonds true interest rate is 4.879626%. The refunding met the requirements of an in-substance defeasance and the liability for those bonds has been removed from the District's long-term debt. The refunding decreased the District's total debt service payments by \$3,402,811, for an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,641,084.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**NOTE H - LONG-TERM OBLIGATIONS – Continued**

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the deceased bonds are not included in the District's financial statements. At August 31, 2012, the following outstanding bonds are considered defeased:

| <u>Series</u> | <u>Ending Balance</u> |
|---------------|-----------------------|
| 2000          | \$17,345,000          |
| 2004          | \$28,825,000          |

***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, 2012 was \$466,449.

**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, 2012**

**NOTE J - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

|                          | General<br>Fund     | Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds | Internal<br>Service<br>Funds |
|--------------------------|---------------------|-------------------------|--------------------------------|--------------------------------|------------------------------|
| Property taxes           | \$ 9,468,080        | \$ 1,104,698            | \$ -                           | \$10,572,778                   | \$ -                         |
| Food sales               | 371,792             | -                       | -                              | 371,792                        | -                            |
| Investment income        | 42,692              | 2,942                   | 8,446                          | 54,080                         | 10,190                       |
| Penalties and interest   | 259,206             | 35,168                  | -                              | 294,374                        | -                            |
| Co-curricular activities | 162,268             | -                       | -                              | 162,268                        | -                            |
| Interfund services       | -                   | -                       | -                              | -                              | 5,814,759                    |
| Other                    | <u>262,007</u>      | <u>-</u>                | <u>10,966</u>                  | <u>272,973</u>                 | <u>3,038,635</u>             |
|                          | <u>\$10,566,045</u> | <u>\$ 1,142,808</u>     | <u>\$ 19,412</u>               | <u>\$11,728,265</u>            | <u>\$ 8,863,584</u>          |

**NOTE K – UNEARNED REVENUE**

|                  | Unavailable        | Unearned           | Total              |
|------------------|--------------------|--------------------|--------------------|
| Property taxes   | \$2,714,788        | \$ -               | \$2,714,788        |
| Grants and other | <u>-</u>           | <u>1,640,525</u>   | <u>1,640,525</u>   |
|                  | <u>\$2,714,788</u> | <u>\$1,640,525</u> | <u>\$4,355,313</u> |

**NOTE L - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances at August 31, 2012 were:

|                             | Interfund Payable  |                              |                   |                    |
|-----------------------------|--------------------|------------------------------|-------------------|--------------------|
|                             | General<br>Fund    | Internal<br>Service<br>Funds | Fiduciary<br>Fund | Total              |
| <u>Interfund receivable</u> |                    |                              |                   |                    |
| General fund                | \$ -               | \$1,424,045                  | \$214,317         | \$1,638,362        |
| Debt service fund           | <u>5,118,697</u>   | <u>-</u>                     | <u>17,175</u>     | <u>5,135,872</u>   |
| Total governmental funds    | 5,118,697          | 1,424,045                    | 231,492           | 6,774,234          |
| Internal service funds      | 913,232            | -                            | -                 | 913,232            |
| Fiduciary fund              | <u>-</u>           | <u>-</u>                     | <u>1,686</u>      | <u>1,686</u>       |
|                             | <u>913,232</u>     | <u>-</u>                     | <u>1,686</u>      | <u>914,918</u>     |
|                             | <u>\$6,031,929</u> | <u>\$1,424,045</u>           | <u>\$233,178</u>  | <u>\$7,689,152</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.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE L - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued**

Interfund transfers out during the year ended August 31, 2012 were as follows:

| <u>Transfers Out</u> | <u>Transfers In</u>   |                    |
|----------------------|-----------------------|--------------------|
| General Fund         | Nonmajor Fund         | \$ 419,015         |
| General Fund         | Debt Service Fund     | 3,203,114          |
| General Fund         | Internal Service Fund | <u>1,673,510</u>   |
|                      |                       | <u>\$5,295,639</u> |

**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, 2012, from various federal sources as follows:

| <u>Programs or Source</u>                                                         | <u>CFDA<br/>Number</u> | <u>Amount</u>      |
|-----------------------------------------------------------------------------------|------------------------|--------------------|
| National School Lunch Program                                                     | 10.555                 | \$4,447,593        |
| School Breakfast Program                                                          | 10.553                 | 1,959,804          |
| Commodity Supplemental Food Program                                               | 10.550                 | 561,602            |
| SHARS/Medicaid                                                                    | N/A                    | 1,235,338          |
| Medicaid Administrative Claim                                                     | N/A                    | 31,466             |
| Payment in Lieu of Taxes                                                          | 12.113                 | 13,608             |
| JROTC                                                                             |                        | <u>55,985</u>      |
|                                                                                   |                        | 8,305,396          |
| <b><i>Indirect Costs</i></b>                                                      |                        |                    |
| ESEA Title I, Part A – Improving Basic Programs                                   | 84.010A                | 69,220             |
| ESEA Title I, Part C – Education of Migratory Children                            | 84.011                 | 18,237             |
| ESEA Title II, Part A – Teacher and Principal Training<br>and Recruitment         | 84.367A                | 8,530              |
| Career and Technology – Basic Grant                                               | 84.048                 | 1,919              |
| ESEA Title III, Part A – English Language Acquisition<br>and Language Enhancement | 84.365A                | 3,167              |
| Title II, Part D – Vision 2020 Grant                                              | 84.377A                | 6,986              |
| ESEA Title IV, Part B – 21 <sup>st</sup> Century Community<br>Learning Centers    | 84.287C                | 13,106             |
| IDEA-B Formula                                                                    | 84.027                 | 32,772             |
| IDEA-B Preschool                                                                  | 84.173                 | <u>360</u>         |
|                                                                                   |                        | <u>154,297</u>     |
| Total general fund federal revenue                                                |                        | <u>\$8,459,693</u> |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**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**

*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, 2012 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, 2012 are expected to be liquidated within the following reporting period.

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, 2012 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, 2012 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, 2012**

**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](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action(s), the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or, (3) if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011, and 2010. The state contributed at rates of 6.0% for fiscal year 2012 and 6.644% for the fiscal years 2011 and 2010. The District contributed 100% of the annual required contribution for fiscal years 2012, 2011, and 2010. Contributions made by the State, District and staff members to TRS for the years ended August 31, 2012, August 31, 2011 and August 31, 2010 are as follows:

| <u>Fiscal<br/>Year</u> | <u>State TRS<br/>Contributions<br/>Made on Behalf<br/>of the District</u> | <u>District<br/>Required<br/>Contributions<br/>to TRS</u> | <u>Employees'<br/>Contributions<br/>to TRS</u> | <u>District's<br/>Annual<br/>Covered<br/>Payroll</u> |
|------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------|------------------------------------------------------|
| 2012                   | \$3,451,139                                                               | \$335,629                                                 | \$4,045,815                                    | \$63,215,835                                         |
| 2011                   | 3,300,457                                                                 | 456,607                                                   | 4,143,688                                      | 64,745,165                                           |
| 2010                   | 3,442,166                                                                 | 444,828                                                   | 4,050,229                                      | 63,284,772                                           |

The contributions made by the State on behalf of the District have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE Q - 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](http://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 2012, 2011 and 2010. 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.

| <u>Fiscal<br/>Year</u> | <u>State TRS - Care<br/>Contributions<br/>Made on Behalf<br/>of the District</u> | <u>District<br/>Required<br/>Contributions<br/>to TRS - Care</u> | <u>Employees'<br/>Contributions<br/>to TRS - Care</u> | <u>District's<br/>Annual<br/>Covered<br/>Payroll</u> |
|------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------|
| 2012                   | \$410,907                                                                        | \$347,689                                                        | \$86,407                                              | \$63,215,835                                         |
| 2011                   | 420,844                                                                          | 356,095                                                          | 96,409                                                | 64,745,165                                           |
| 2010                   | 411,352                                                                          | 348,067                                                          | 93,267                                                | 63,284,772                                           |

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, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District are as follows:

| <u>Fiscal<br/>Year</u> | <u>Medicare<br/>Part D</u> |
|------------------------|----------------------------|
| 2012                   | \$175,653                  |
| 2011                   | 160,858                    |
| 2010                   | 170,664                    |

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. This temporary program is available to help employers continue to provide coverage to early retirees. TRS has been certified for this program and has received funds from the ERRP program. For the year ended August 31, 2012, the subsidy payments received by TRS on behalf of the District were \$166,111.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE R - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, 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, 2012.

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

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

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

|                                    | August 31,        |                   |
|------------------------------------|-------------------|-------------------|
|                                    | 2012              | 2011              |
| Unpaid claims, beginning of year   | \$ 607,165        | \$ 593,140        |
| Incurred claims (including IBNR's) | 4,939,975         | 4,965,020         |
| Claim payments                     | (4,821,531)       | (4,950,995)       |
| Unpaid claims, end of fiscal year  | <u>\$ 725,609</u> | <u>\$ 607,165</u> |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED AUGUST 31, 2012**

**NOTE S – 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.

|                                       | Other Governmental Funds |              |                   | Total Governmental Funds |
|---------------------------------------|--------------------------|--------------|-------------------|--------------------------|
|                                       | General Funds            | Debt Service | Other Funds       |                          |
| Fund balances                         |                          |              |                   |                          |
| Nonspendable                          |                          |              |                   |                          |
| Inventories                           | \$ 176,124               | \$ -         | \$ -              | \$ 176,124               |
| Prepaid items                         | 224,553                  | -            | -                 | 224,553                  |
| Restricted                            |                          |              |                   |                          |
| State programs                        | 494,641                  | -            | -                 | 494,641                  |
| Committed                             |                          |              |                   |                          |
| Construction                          | -                        | -            | 421,422           | 421,422                  |
| Assigned                              |                          |              |                   |                          |
| Gifted and talented services          | 98,988                   | -            | -                 | 98,988                   |
| Career and technology services        | 2,383,534                | -            | -                 | 2,383,534                |
| Special education services            | 398,080                  | -            | -                 | 398,080                  |
| State compensatory education services | 1,909,985                | -            | -                 | 1,909,985                |
| Bilingual education services          | 249,857                  | -            | -                 | 249,857                  |
| High school allotment                 | 10,343                   | -            | -                 | 10,343                   |
| Unassigned                            | <u>11,325,930</u>        | <u>-</u>     | <u>-</u>          | <u>11,325,930</u>        |
|                                       | <u>\$17,272,035</u>      | <u>\$ -</u>  | <u>\$ 421,422</u> | <u>\$17,693,457</u>      |



**REQUIRED SUPPLEMENTARY  
INFORMATION**

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

| Data Control Codes              | Budgeted Amounts                                          |               | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |              |
|---------------------------------|-----------------------------------------------------------|---------------|-----------------------------|---------------------------------------------------|--------------|
|                                 | Original                                                  | Final         |                             |                                                   |              |
| REVENUES:                       |                                                           |               |                             |                                                   |              |
| 5700                            | Total Local and Intermediate Sources                      | \$ 10,362,500 | \$ 10,374,500               | \$ 10,566,045                                     | \$ 191,545   |
| 5800                            | State Program Revenues                                    | 72,984,304    | 72,349,157                  | 72,678,209                                        | 329,052      |
| 5900                            | Federal Program Revenues                                  | 9,064,123     | 9,064,123                   | 8,459,693                                         | (604,430)    |
| 5020                            | Total Revenues                                            | 92,410,927    | 91,787,780                  | 91,703,947                                        | (83,833)     |
| EXPENDITURES:                   |                                                           |               |                             |                                                   |              |
| Current:                        |                                                           |               |                             |                                                   |              |
| 0011                            | Instruction                                               | 46,732,272    | 44,022,299                  | 42,005,580                                        | 2,016,719    |
| 0012                            | Instructional Resources and Media Services                | 1,447,328     | 1,470,070                   | 1,347,658                                         | 122,412      |
| 0013                            | Curriculum and Instructional Staff Development            | 428,900       | 613,781                     | 504,625                                           | 109,156      |
| 0021                            | Instructional Leadership                                  | 2,249,984     | 2,275,248                   | 1,937,654                                         | 337,594      |
| 0023                            | School Leadership                                         | 5,283,385     | 5,514,798                   | 5,167,195                                         | 347,603      |
| 0031                            | Guidance, Counseling and Evaluation Services              | 2,589,056     | 2,655,235                   | 2,578,388                                         | 76,847       |
| 0032                            | Social Work Services                                      | 395,346       | 412,906                     | 393,288                                           | 19,618       |
| 0033                            | Health Services                                           | 961,810       | 927,067                     | 858,105                                           | 68,962       |
| 0034                            | Student (Pupil) Transportation                            | 1,099,664     | 1,189,649                   | 923,503                                           | 266,146      |
| 0035                            | Food Services                                             | 7,306,123     | 7,553,795                   | 7,254,172                                         | 299,623      |
| 0036                            | Extracurricular Activities                                | 2,565,046     | 2,752,303                   | 2,604,903                                         | 147,400      |
| 0041                            | General Administration                                    | 3,126,111     | 3,230,104                   | 2,865,139                                         | 364,965      |
| 0051                            | Facilities Maintenance and Operations                     | 14,857,937    | 14,780,835                  | 12,741,732                                        | 2,039,103    |
| 0052                            | Security and Monitoring Services                          | 1,670,844     | 1,756,163                   | 1,581,897                                         | 174,266      |
| 0053                            | Data Processing Services                                  | 156,000       | 298,010                     | 274,874                                           | 23,136       |
| 0061                            | Community Services                                        | 145,167       | 227,399                     | 188,275                                           | 39,124       |
| Debt Service:                   |                                                           |               |                             |                                                   |              |
| 0071                            | Principal on Long Term Debt                               | 437,182       | 437,182                     | 437,182                                           | -            |
| 0072                            | Interest on Long Term Debt                                | 136,707       | 140,997                     | 107,972                                           | 33,025       |
| Capital Outlay:                 |                                                           |               |                             |                                                   |              |
| 0081                            | Facilities Acquisition and Construction                   | 450,500       | 251,588                     | 68,222                                            | 183,366      |
| Intergovernmental:              |                                                           |               |                             |                                                   |              |
| 0095                            | Payments to Juvenile Justice Alternative Ed. Prg.         | 50,000        | 58,000                      | 57,655                                            | 345          |
| 0099                            | Other Intergovernmental Charges                           | 120,000       | 120,000                     | 106,438                                           | 13,562       |
| 6030                            | Total Expenditures                                        | 92,209,362    | 90,687,429                  | 84,004,457                                        | 6,682,972    |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | 201,565       | 1,100,351                   | 7,699,490                                         | 6,599,139    |
| OTHER FINANCING SOURCES (USES): |                                                           |               |                             |                                                   |              |
| 7912                            | Sale of Real and Personal Property                        | -             | -                           | 21,856                                            | 21,856       |
| 7949                            | Other Resources                                           | -             | -                           | 12,119                                            | 12,119       |
| 8911                            | Transfers Out (Use)                                       | -             | (5,649,140)                 | (5,295,638)                                       | 353,502      |
| 7080                            | Total Other Financing Sources (Uses)                      | -             | (5,649,140)                 | (5,261,663)                                       | 387,477      |
| 1200                            | Net Change in Fund Balances                               | 201,565       | (4,548,789)                 | 2,437,827                                         | 6,986,616    |
| 0100                            | Fund Balance - September 1 (Beginning)                    | 14,834,209    | 14,834,209                  | 14,834,209                                        | -            |
| 3000                            | Fund Balance - August 31 (Ending)                         | \$ 15,035,774 | \$ 10,285,420               | \$ 17,272,036                                     | \$ 6,986,616 |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*YEAR ENDED AUGUST 31, 2012*

**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 31<sup>st</sup> 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 SUPPLEMENTARY  
SCHEDULES**

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012

| Last 10 Years Ended<br>August 31 | (1)         | (2)          | (3)                                                    |
|----------------------------------|-------------|--------------|--------------------------------------------------------|
|                                  | Tax Rates   |              | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|                                  | Maintenance | Debt Service |                                                        |
| 2003 and prior years             | Various     | Various      | \$ Various                                             |
| 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                             | 1.170000    | 0.134900     | 828,448,406                                            |
| 2012 (School year under audit)   | 1.170000    | 0.134900     | 838,322,189                                            |
| 1000 TOTALS                      |             |              |                                                        |

| (10)<br>Beginning<br>Balance<br>9/1/2011 |                  | (20)<br>Current<br>Year's<br>Total Levy |                   | (31)<br>Maintenance<br>Collections |                  | (32)<br>Debt Service<br>Collections |                  | (40)<br>Entire<br>Year's<br>Adjustments |                  | (50)<br>Ending<br>Balance<br>8/31/2012 |                  |
|------------------------------------------|------------------|-----------------------------------------|-------------------|------------------------------------|------------------|-------------------------------------|------------------|-----------------------------------------|------------------|----------------------------------------|------------------|
| \$                                       | 503,168          | \$                                      | -                 | \$                                 | 7,247            | \$                                  | 1,115            | \$                                      | (46,940)         | \$                                     | 447,866          |
|                                          | 67,112           |                                         | -                 |                                    | 3,802            |                                     | 404              |                                         | (1,161)          |                                        | 61,745           |
|                                          | 142,845          |                                         | -                 |                                    | 5,038            |                                     | 509              |                                         | (1,113)          |                                        | 136,185          |
|                                          | 118,507          |                                         | -                 |                                    | 10,853           |                                     | 1,082            |                                         | (1,056)          |                                        | 105,516          |
|                                          | 146,496          |                                         | -                 |                                    | 21,519           |                                     | 2,347            |                                         | (995)            |                                        | 121,635          |
|                                          | 206,398          |                                         | -                 |                                    | 33,157           |                                     | 6,376            |                                         | (252)            |                                        | 166,613          |
|                                          | 333,198          |                                         | -                 |                                    | 76,142           |                                     | 19,394           |                                         | 1,048            |                                        | 238,710          |
|                                          | 531,708          |                                         | -                 |                                    | 155,982          |                                     | 17,985           |                                         | (5,665)          |                                        | 352,076          |
|                                          | 1,062,607        |                                         | -                 |                                    | 434,120          |                                     | 50,054           |                                         | (76,226)         |                                        | 502,207          |
|                                          | -                |                                         | 10,656,585        |                                    | 8,720,220        |                                     | 1,005,432        |                                         | (47,055)         |                                        | 883,878          |
| <u>\$</u>                                | <u>3,112,039</u> | <u>\$</u>                               | <u>10,656,585</u> | <u>\$</u>                          | <u>9,468,080</u> | <u>\$</u>                           | <u>1,104,698</u> | <u>\$</u>                               | <u>(179,415)</u> | <u>\$</u>                              | <u>3,016,431</u> |

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
GENERAL AND SPECIAL REVENUE FUNDS  
AUGUST 31, 2012

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

| Account Number | Account Name                                  | 1<br>(702)<br>School Board | 2<br>(703)<br>Tax Collections | 3<br>(701)<br>Supt's Office | 4<br>(750)<br>Indirect Cost | 5<br>(720)<br>Direct Cost | 6<br>(other)<br>Miscellaneous | 7<br>Total   |
|----------------|-----------------------------------------------|----------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|-------------------------------|--------------|
| 611X-6146      | PAYROLL COSTS                                 | \$ -                       | \$ 155,276                    | \$ 254,841                  | \$ 1,243,720                | \$ 567,055                | \$ -                          | \$ 2,220,892 |
| 6149           | Leave for Separating Employees in Fn 41 & 53  | -                          | -                             | -                           | 23,220                      | -                         | -                             | 23,220       |
| 6149           | Leave - Separating Employees not in 41 & 53   | -                          | -                             | -                           | -                           | -                         | -                             | -            |
| 6211           | Legal Services                                | 115,825                    | -                             | -                           | -                           | 57,323                    | -                             | 173,148      |
| 6212           | Audit Services                                | -                          | -                             | -                           | 30,600                      | -                         | -                             | 30,600       |
| 6213           | Tax Appraisal/Collection - Appraisal in Fn 99 | -                          | 106,438                       | -                           | -                           | -                         | -                             | 106,438      |
| 621X           | Other Professional Services                   | -                          | -                             | -                           | 198,525                     | -                         | -                             | 198,525      |
| 6220           | Tuition and Transfer Payments                 | -                          | -                             | -                           | -                           | -                         | -                             | -            |
| 6230           | Education Service Centers                     | -                          | -                             | 19,365                      | -                           | -                         | -                             | 19,365       |
| 6240           | Contr. Maint. and Repair                      | -                          | -                             | -                           | -                           | 8,823                     | -                             | 8,823        |
| 6250           | Utilities                                     | -                          | -                             | -                           | -                           | -                         | -                             | -            |
| 6260           | Rentals                                       | -                          | 3,703                         | 4,660                       | 23,440                      | 7,284                     | -                             | 39,087       |
| 6290           | Miscellaneous Contr.                          | 900                        | -                             | -                           | 11,109                      | 35,311                    | -                             | 47,320       |
| 6320           | Textbooks and Reading                         | -                          | -                             | 1,749                       | 325                         | 382                       | -                             | 2,456        |
| 6330           | Testing Materials                             | -                          | -                             | -                           | -                           | -                         | -                             | -            |
| 63XX           | Other Supplies Materials                      | 626                        | 10,909                        | 2,712                       | 58,976                      | 2,840                     | 451,519                       | 527,582      |
| 6410           | Travel, Subsistence, Stipends                 | 21,695                     | -                             | 3,727                       | 3,139                       | 4,478                     | -                             | 33,039       |
| 6420           | Ins. and Bonding Costs                        | 57,119                     | 200                           | -                           | 2,241                       | 1,121                     | -                             | 60,681       |
| 6430           | Election Costs                                | 24,428                     | -                             | -                           | -                           | -                         | -                             | 24,428       |
| 6490           | Miscellaneous Operating                       | 8,552                      | 9,316                         | 6,938                       | 67,990                      | 20,840                    | -                             | 113,636      |
| 6500           | Debt Service                                  | -                          | -                             | -                           | -                           | -                         | -                             | -            |
| 6600           | Capital Outlay                                | -                          | -                             | -                           | -                           | -                         | -                             | -            |
| 6000           | TOTAL                                         | \$ 229,145                 | \$ 285,842                    | \$ 293,992                  | \$ 1,663,285                | \$ 705,457                | \$ 451,519                    | \$ 3,629,240 |

Total expenditures/expenses for General and Special Revenue Funds:

(9) \$ 101,333,404

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600) (10) \$ 1,111,838

Total Debt & Lease(6500) (11) 545,154

Plant Maintenance (Function 51, 6100-6400) (12) 12,725,602

Food (Function 35, 6341 and 6499) (13) 3,434,862

Stipends (6413) (14) 425

Column 4 (above) - Total Indirect Cost 1,663,285

SubTotal:

19,481,165

Net Allowed Direct Cost

\$ 81,852,239

CUMULATIVE

Total Cost of Buildings before Depreciation (1520) (15) \$ 184,635,437

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) \$ 17,883,461

Historical Cost of Furniture & Equipment over 16 years old (19) \$ -

Amount of Federal Money in Furniture & Equipment (Net of #19) (20) \$ -

(8) NOTE A: \$197,337 in Function 53 expenditures are included in this report on administrative costs.

\$106,438 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

| Data<br>Control<br>Codes        |                                                           | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---------------------------------|-----------------------------------------------------------|------------------|--------------|--------------------------------|------------------------------------------------------------|
|                                 |                                                           | Original         | Final        |                                |                                                            |
| REVENUES:                       |                                                           |                  |              |                                |                                                            |
| 5700                            | Total Local and Intermediate Sources                      | \$ 1,150,500     | \$ 1,150,500 | \$ 1,142,808                   | \$ (7,692)                                                 |
| 5800                            | State Program Revenues                                    | 3,881,598        | 3,881,598    | 3,881,598                      | -                                                          |
| 5020                            | Total Revenues                                            | 5,032,098        | 5,032,098    | 5,024,406                      | (7,692)                                                    |
| EXPENDITURES:                   |                                                           |                  |              |                                |                                                            |
| Debt Service:                   |                                                           |                  |              |                                |                                                            |
| 0071                            | Principal on Long Term Debt                               | 4,087,948        | 4,087,948    | 4,087,948                      | -                                                          |
| 0072                            | Interest on Long Term Debt                                | 3,728,800        | 4,136,222    | 4,136,222                      | -                                                          |
| 0073                            | Bond Issuance Cost and Fees                               | 475,279          | 475,279      | 475,279                        | -                                                          |
| 6030                            | Total Expenditures                                        | 8,292,027        | 8,699,449    | 8,699,449                      | -                                                          |
| 1100                            | Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,259,929)      | (3,667,351)  | (3,675,043)                    | (7,692)                                                    |
| OTHER FINANCING SOURCES (USES): |                                                           |                  |              |                                |                                                            |
| 7911                            | Capital Related Debt Issued (Regular Bonds)               | -                | -            | 28,825,000                     | 28,825,000                                                 |
| 7915                            | Transfers In                                              | -                | -            | 3,203,114                      | 3,203,114                                                  |
| 7916                            | Premium or Discount on Issuance of Bonds                  | -                | -            | 3,327,183                      | 3,327,183                                                  |
| 8949                            | Other (Uses)                                              | -                | 3,195,422    | (31,680,254)                   | (34,875,676)                                               |
| 7080                            | Total Other Financing Sources (Uses)                      | -                | 3,195,422    | 3,675,043                      | 479,621                                                    |
| 1200                            | Net Change in Fund Balances                               | (3,259,929)      | (471,929)    | -                              | 471,929                                                    |
| 0100                            | Fund Balance - September 1 (Beginning)                    | -                | -            | -                              | -                                                          |
| 3000                            | Fund Balance - August 31 (Ending)                         | \$ (3,259,929)   | \$ (471,929) | \$ -                           | \$ 471,929                                                 |



## **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, 2012, which collectively comprise San Benito Consolidated Independent School District's basic financial statements and have issued our report thereon dated January 28, 2013. 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**

Management of San Benito Consolidated Independent School District is responsible for establishing and maintaining effective internal controls 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 previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 12-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



## 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 12-2.

We noted certain other matters that we reported to management of San Benito Consolidated Independent School District in a separate letter dated January 28, 2013.

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.

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 28, 2013



**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, 2012. 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, 2012.

**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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of San Benito Independent School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on San Benito Independent School District's compliance but not to provide an opinion on the effectiveness of San Benito Independent School District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Benito Independent School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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 28, 2013



**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED AUGUST 31, 2012**

**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? | ___X___ yes | _____ no   |
| Noncompliance material to financial statements noted?                                    | _____ yes   | ___X___ no |

*Federal Awards*

|                                                                                                                    |             |            |
|--------------------------------------------------------------------------------------------------------------------|-------------|------------|
| <b>Internal control over major programs:</b>                                                                       |             |            |
| • 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>   |
|------------------------|---------------------------------------------|
| 10.553, 10.555, 10.559 | Child Nutrition Cluster                     |
| 84.367A                | Improving Teacher Quality                   |
| 84.287C                | 21 <sup>st</sup> Century Community Learning |
| 84.377A                | School Improvement Grants                   |
| 84.410A                | Education Jobs                              |

|                                                                          |                           |
|--------------------------------------------------------------------------|---------------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$696,960                 |
| 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, 2012*

**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**

| <b><u>PROGRAM DESCRIPTION</u></b>        | <b><u>DESCRIPTION</u></b>                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Schedule Reference Number: (12-1)</b> | <b>Monthly Account Analysis and Year-end Closing</b>                                                                                                                                                                                                                                                                                                                                                                      |
| Criteria:                                | The District's monthly accounting process should include routine account analysis and assignment of responsibilities for completing a timely year-end close and for timely report preparation.                                                                                                                                                                                                                            |
| Condition Found:                         | Year-end closing procedures were delayed.                                                                                                                                                                                                                                                                                                                                                                                 |
| Questioned Costs/Basis:                  | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                            |
| Context:                                 | Administration has not established a formal monthly accounting process to facilitate routine account analysis and year-end closing.                                                                                                                                                                                                                                                                                       |
| Effect:                                  | The District is unable to maximize its efficiency for year-end closing and routine account analysis.                                                                                                                                                                                                                                                                                                                      |
| Recommendation:                          | We recommend that the District implement formal policy and procedures over its year-end and monthly closing process. Such an approach would detail all the critical steps in the year-end closing as well as account analysis and schedule preparation. We further recommend that a target date be established to complete the year-end closing, this will allow for timely preparation of year-end financial statements. |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**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**

| <b><u>PROGRAM DESCRIPTION</u></b>        | <b><u>DESCRIPTION</u></b>                                                                                                                                                                                                                                                                   |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Schedule Reference Number: (12-2)</b> | <b>Allocated State Program Revenues</b>                                                                                                                                                                                                                                                     |
| Criteria:                                | For programs financed under the Foundation School Program Act, the District must expend at least 52%, 55% or 58% of its allocation as mandated by the Act.                                                                                                                                  |
| Condition Found:                         | The District failed to expend at least 52% of its allocation for State Compensatory Education (Program Code 30), 55% of Gifted and Talented (Program Code 21) and 58% of Career and Technology (Program Code 22) during the 2011-2012 year.                                                 |
| Questioned Costs/Basis:                  | State Compensatory Education (Program Code 30) - \$54,156<br>Gifted and Talented (Program Code 21) - \$600,142<br>Career and Technology (Program Code 22) - \$1,078,205<br><br>Questioned costs represent the amount below the required percentage for which the District failed to expend. |
| Context:                                 | While reviewing the District's compliance with its expenditures of state mandated programs we noted that the District failed to spend the required amount for State Compensatory Education, Gifted and Talented and Career and Technology, as noted above.                                  |
| Effect:                                  | The questioned costs represent the total amount underspent for the program listed.                                                                                                                                                                                                          |
| Recommendation:                          | We recommend the District establish policies and procedures to monitor the spending of state mandated program expenditures.                                                                                                                                                                 |

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
*YEAR ENDED AUGUST 31, 2012*

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**None reported**

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED*  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
*YEAR ENDED AUGUST 31, 2012*

**PROGRAM DESCRIPTION**

**CORRECTIVE ACTION PLAN**

**Schedule Reference Number: (11-1)**

**Collateralization of Deposits**

Corrective Action Plan:

The District's deposits were fully collateralized in the current year.

**Schedule Reference Number: (11-2)**

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

Corrective Action Plan:

None noted in the current year

**Schedule Reference Number: (11-3)**

**Campus Improvement Plan**

Corrective Action Plan:

All campus improvement plans were obtained in the current year.

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED*  
**CORRECTIVE ACTION PLAN**  
*YEAR ENDED AUGUST 31, 2012*

**PROGRAM DESCRIPTION**

**Schedule Reference Number: (12-1)**

Corrective Action Plan:

**CORRECTIVE ACTION PLAN**

**Monthly Account Analysis and Year-end Closing**

The Business Office experienced the absence of several key employees during the year including two accountants and one clerk. The Business Office will establish a checklist for reconciling accounts and for year-end closing procedures.

**Schedule Reference Number: (12-2)**

Corrective Action Plan:

**Allocated State Program Revenues**

The District will continue to monitor the state mandated expenditures and expend program funds as required.

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Contact Person:

Emma McCall  
Business Manager

Implementation Time Frame:

Ongoing

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

| (1)<br>FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | (2)<br>Federal<br>CFDA<br>Number | (3)<br>Pass-Through<br>Entity Identifying<br>Number | (4)<br>Federal<br>Expenditures |
|------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------|--------------------------------|
| <b>U.S. DEPARTMENT OF DEFENSE</b>                                            |                                  |                                                     |                                |
| <u>Direct Programs</u>                                                       |                                  |                                                     |                                |
|                                                                              | 12.113                           |                                                     | \$ 55,985                      |
| Total Direct Programs                                                        |                                  |                                                     | \$ 55,985                      |
| <b>TOTAL DEPARTMENT OF DEFENSE</b>                                           |                                  |                                                     | \$ 55,985                      |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                          |                                  |                                                     |                                |
| <u>Direct Programs</u>                                                       |                                  |                                                     |                                |
| Impact Aid - P.L. 81.874 (Note A)                                            |                                  |                                                     | \$ 13,608                      |
| Total Direct Programs                                                        |                                  |                                                     | \$ 13,608                      |
| <u>Passed Through State Department of Education</u>                          |                                  |                                                     |                                |
| *ESEA, Title I, Part A - Improving Basic Programs                            | 84.010A                          | 12610103031912                                      | \$ 5,771,793                   |
| *ESEA, Title I, Part A - Improving Basic Programs                            | 84.010A                          | 13610103031912                                      | 84,285                         |
| Total CFDA Number 84.010A                                                    |                                  |                                                     | 5,856,078                      |
| Total Title I, Part A Cluster                                                |                                  |                                                     | 5,856,078                      |
| ESEA, Title I, Part C - Migratory Children                                   | 84.011                           | 12615001031912                                      | 1,234,542                      |
| ESEA, Title I, Part C - Migratory Children                                   | 84.011                           | 13615001031912                                      | 26,033                         |
| Total CFDA Number 84.011                                                     |                                  |                                                     | 1,260,575                      |
| *IDEA - Part B, Formula                                                      | 84.027                           | 126600010319126600                                  | 2,239,984                      |
| *IDEA - Part B, Formula                                                      | 84.027                           | 136600010319126600                                  | 59,161                         |
| Total CFDA Number 84.027                                                     |                                  |                                                     | 2,299,145                      |
| *IDEA - Part B, Preschool                                                    | 84.173                           | 126610010319126610                                  | 25,160                         |
| *IDEA - Part B, Preschool                                                    | 84.173                           | 136610010319126610                                  | 1,086                          |
| Total CFDA Number 84.173                                                     |                                  |                                                     | 26,246                         |
| Total Special Education Cluster (IDEA)                                       |                                  |                                                     | 2,325,391                      |
| Career and Technical - Basic Grant                                           | 84.048                           | 12420006031912                                      | 218,375                        |
| Career and Technical - Basic Grant                                           | 84.048                           | 13420006031912                                      | 3,259                          |
| Total CFDA Number 84.048                                                     |                                  |                                                     | 221,634                        |
| ESEA Title IV, Pt. A - Safe and Drug-Free Schools                            | 84.186A                          | 12691001031912                                      | 152,908                        |
| Title IV, Pt B-21st Cent. Community Learning Cent.                           | 84.287                           | 126950137110052                                     | 1,003,971                      |
| Title IV, Pt B-21st Cent. Community Learning Cent.                           | 84.287                           | 136950137110052                                     | 54,130                         |
| Total CFDA Number 84.287                                                     |                                  |                                                     | 1,058,101                      |
| GEAR UP                                                                      | 84.334S                          | P334A050083-B                                       | 183,571                        |
| GEAR UP                                                                      | 84.334S                          | P334A050083-B                                       | 16,560                         |
| Total CFDA Number 84.334S                                                    |                                  |                                                     | 200,131                        |
| Title III, Part A - English Language Acquisition                             | 84.365A                          | 12671001031912                                      | 305,734                        |
| Title III, Part A - English Language Acquisition                             | 84.365A                          | 13671001031912                                      | 2,621                          |
| Total CFDA Number 84.365A                                                    |                                  |                                                     | 308,355                        |
| ESEA, Title II, Part A, Teacher/Principal Training                           | 84.367A                          | 12694501031912                                      | 602,529                        |
| ESEA, Title II, Part A, Teacher/Principal Training                           | 84.367A                          | 13694501031912                                      | 24,379                         |
| Total CFDA Number 84.367A                                                    |                                  |                                                     | 626,908                        |
| Title I SIP Academy Grant                                                    | 84.377A                          | 126107047110030                                     | 1,312,646                      |
| Title I SIP Academy Grant                                                    | 84.377A                          | 136107047110030                                     | 19,695                         |

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012

| (1)<br>FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | (2)<br>Federal<br>CFDA<br>Number | (3)<br>Pass-Through<br>Entity Identifying<br>Number | (4)<br>Federal<br>Expenditures |
|------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------|--------------------------------|
| Total CFDA Number 84.377A                                                    |                                  |                                                     | 1,332,341                      |
| Title XIV, State Fiscal Stabilization Fund - ARRA                            | 84.394                           | 12557001031912                                      | 584,719                        |
| Education Jobs Fund- ARRA                                                    | 84.410                           | 11550101031912                                      | 1,850,262                      |
|                                                                              | 84.389A                          | 10551001031912                                      | 148,101                        |
|                                                                              | 84.391A                          | H391A090008                                         | 236,430                        |
| Total Passed Through State Department of Education                           |                                  |                                                     | \$ 16,161,934                  |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                         |                                  |                                                     | <b>\$ 16,175,542</b>           |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                          |                                  |                                                     |                                |
| <u>Passed Through Texas Dept of Human Services</u>                           |                                  |                                                     |                                |
| Medicaid Administrative Claiming Program - MAC                               | 93.778                           |                                                     | \$ 31,466                      |
| Total Passed Through Texas Dept of Human Services                            |                                  |                                                     | \$ 31,466                      |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                         |                                  |                                                     | <b>\$ 31,466</b>               |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                        |                                  |                                                     |                                |
| <u>Passed Through the State Department of Agriculture</u>                    |                                  |                                                     |                                |
| *School Breakfast Program                                                    | 10.553                           |                                                     | \$ 1,959,804                   |
| *National School Lunch Program - Cash Assistance                             | 10.555                           |                                                     | 4,447,593                      |
| *National School Lunch Prog. - Non-Cash Assistance                           | 10.555                           |                                                     | 433,693                        |
| Total CFDA Number 10.555                                                     |                                  |                                                     | 4,881,286                      |
| *Summer Feeding Program - Cash Assistance                                    | 10.559                           |                                                     | 127,910                        |
| Total Child Nutrition Cluster                                                |                                  |                                                     | 6,969,000                      |
| Total Passed Through the State Department of Agriculture                     |                                  |                                                     | \$ 6,969,000                   |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                       |                                  |                                                     | <b>\$ 6,969,000</b>            |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                  |                                  |                                                     | <b>\$ 23,231,993</b>           |

\*Clustered Programs

**SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
*NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS*  
 YEAR ENDED AUGUST 31, 2012

**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 \$154,297 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                                                                           | \$24,467,331        |
| Less amounts not considered to be federal awards, excluded<br>on the Schedule of Expenditures of Federal Awards: |                     |
| School Health and Related Service Program (SHARS)                                                                | <u>(1,235,338)</u>  |
| Total expenditures of federal awards, per the Schedule of<br>Expenditures of Federal Awards (Exhibit K-1)        | <u>\$23,231,993</u> |

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT  
**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS**  
AS OF AUGUST 31, 2012

| <u>Data<br/>Control<br/>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?      | \$440,664        |