SAN BENITO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2013

TRUSTEES

Yliana Gonzalez - President

Julian Huerta - Vice-President

June Aguilera - Secretary

Hector G. Leal

Anna Cruz

Oscar Medrano

Fatima Huerta

INTERIM SUPERINTENDENT

Dr. Ismael Cantú

BUSINESS MANAGER

Emma McCall

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2013

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

San Benito Consolidated Independent School District	Cameron	031-912
Name of School District	County	Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and ____ approved -- ____ disapproved for the year ended August 31, 2013 at a

(Check one)

meeting of the board of school trustees of such school district on the ___ day of _____, 2014.

_____	_____
Signature of Board Secretary	Signature of Board President

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FINANCIAL SECTION

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

Members - Division of Firms,
American Institute of CPAs

402 East Tyler
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San Benito Consolidated Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District, as of August 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note B to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 17–24 and 64-65 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Benito Consolidated Independent School District's basic financial statements. The introductory section and the accompanying financial information listed as *Other Supplementary Information - Texas Education Agency Required Schedules* in the table of contents are presented in accordance with requirements of the Texas Education Agency for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

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The Texas Education Agency Required Schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Education Agency Required Schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2014, on our consideration of the San Benito Consolidated Independent School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Benito Consolidated Independent School District's internal control over financial reporting and compliance.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
February 4, 2014

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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, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

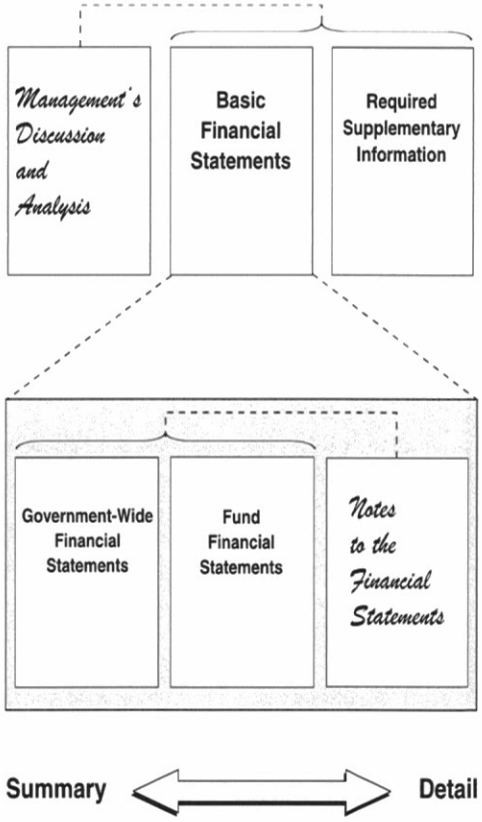
- The District's total combined net position for governmental activities was $45,223,684 at August 31, 2013. This is a decrease of $3,075,471 from the prior year.
- The net position of the District's business-type activities totaled $45,377 at August 31, 2013. This is a decrease of $10,398.
- During the year, the District's expenses were $3,075,471 more than the $115,551,778 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of $18,015,460.

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.

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position is 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 position and a statement of changes in fiduciary net position. 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) Statement 54 – "Fund Balance Reporting and Governmental Fund Type Definitions" provides for a hierarchy of five possible classifications is as follows.

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. 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 has 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 position for governmental activities was $45,223,684 at August 31, 2013. (See Table A-1).

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

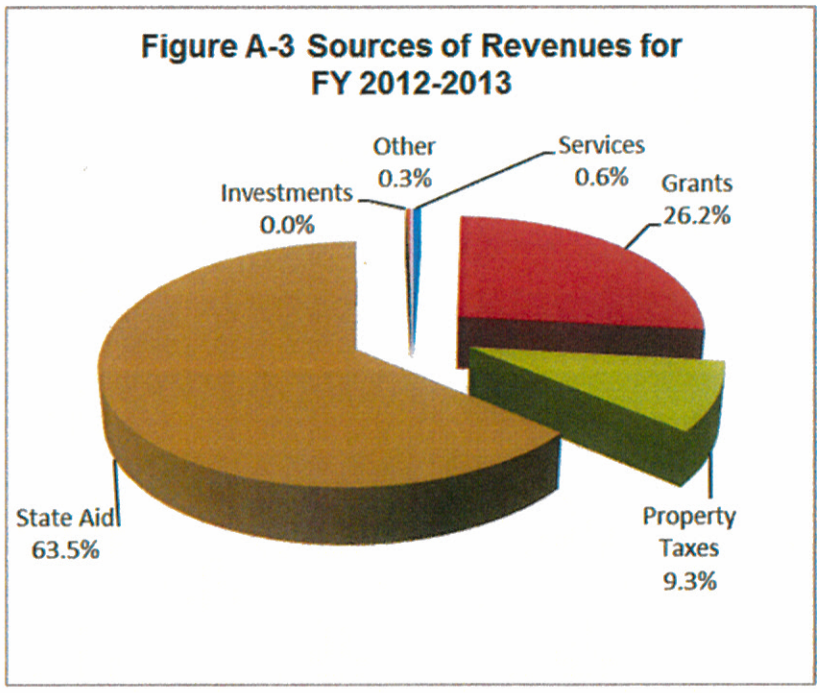
	Governmental Activities	
		Restated *
	2013	2012
Current and other assets	$37,857	$ 34,214
Capital assets	122,750	128,890
Total Assets	160,607	163,104
Deferred outflow of resources	2,636	2,815
Long-term liabilities outstanding	99,906	101,260
Other liabilities	18,113	16,360
Total Liabilities	118,019	117,620
Net Position:		
Net investment in capital assets	31,435	27,554
Restricted	760	907
Unrestricted	13,029	19,838
Total Net Position	$ 45,224	$ 48,299

* As a result of implementing GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities, the District has restated the beginning net position in the government-wide Statement of Activities, effectively decreasing the net position as of September 1, 2012 by $1,227,901 from $49,527,056 to $48,299,155. The decrease results from no longer deferring and amortizing bond issuance costs.

Approximately 1.7% of the District's net position is subject to external restrictions on how they may be used. The $13,028,928 of unrestricted net position 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 position. The same situation is true for the prior year.

Figure A-3 Sources of Revenues for FY 2012-2013



Changes in net position. The District's total revenues from governmental activities total $ 115,551,778. Approximately 9% of the District's revenue comes from taxes. (See Figure A-3.) 63.5% comes from state aid – formula grants and operating grants, while 26.2% 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 2012-13 school year.

The total cost of all programs and services for governmental activities was $118,627,249.

Governmental Activities

- Property tax rates remained at 1.3049. Property values increased by about 1.5%.
- Property tax collections rate for the current year was 91.7%, collections including delinquent taxes was 100.6%.
- Average daily attendance increased decreased by 45 students from the prior year.
- For eight consecutive years the District has received a Superior rating for the Financial Integrity Reporting System of Texas (FIRST).

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

	Governmental Activities	
		Restated
	2013	2012
Program Revenues:		
Charges for Services	$ 627	$ 790
Operating Grants and Contributions	25,106	27,360
General Revenues:		
Property Taxes	10,751	10,488
State Aid – Formula	78,634	74,569
Investment Earnings	47	54
Other	387	457
Total Revenues	115,552	113,718
Expenses:		
Instruction	57,991	56,328
Instructional Resources and Media Services	1,542	1,572
Curriculum Dev. And Instructional Staff Dev	3,252	2,365
Instructional Leadership	3,971	3,916
School Leadership	5,875	5,584
Guidance, Counseling and Evaluation Services	4,132	4,218
Social Work Services	663	711
Health Services	1,090	1,077
Student (Pupil) Transportation	2,024	1,273
Food Services	7,994	7,708
Co-Curricular/Extracurricular Activities	2,964	2,895
General Administration	5,707	4,765
Plant Maintenance & Operations	13,810	13,663
Security & Monitoring Services	1,901	1,793
Data Processing Services	204	704
Community Services	462	541
Debt Service	4,868	4,668
Bond Issuance Fees	7	44
Payments to Juvenile Justice Alternative Education	59	58
Other Intergovernmental	111	106
Total Expenses	118,627	113,989
Increase (Decrease) in Net Position	(3,075)	(271)
Beginning Net Position	48,299	48,570
Ending Net Position	$ 45,223	$ 48,299

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 $118,627,249.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2013	2012		2013	2012	
Instruction	57,991	56,328	(3.0%)	47,551	43,125	(10.3%)
School Leadership	5,875	5,584	(5.2%)	5,551	5,287	(5.0%)
Food Services	7,994	7,708	(3.7%)	497	321	(54.8%)
Facilities Maintenance & Operations	13,810	13,663	(1.1%)	13,472	13,330	(1.1%)
Debt Service - Interest	4,868	4,668	(0.1%)	4,868	4,668	(0.1%)

- However, the amount that our taxpayers paid for these activities through property taxes was $10,751,290.
- Some of the cost was paid by those who directly benefited from the programs $626,947 or by grants and contributions $25,105,915.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $115,769,074 an increase of $2.1 million over the preceding year. There was an increase in local revenues of $298,497. Property tax collections increased by $263,478. 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 $81.2 million an increase of $3,874,060 over last year. Federal program revenues were $22.4 million. This is a decrease of $2 million over the prior year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget numerous times. Even with these adjustments, actual expenditures were $5,298,803 below final budget amounts. The most significant positive variance resulted from staffing. Staffing is budgeted for full employment throughout the full year. Budget amounts for vacant positions throughout the year are not eligible for budget revisions. The most significant difference between estimated state revenues and actual state revenues resulted from additional career and technology education (CATE) full time equivalents. The most significant differences between estimated and actual expenditures were realized in function 11 – instruction and function 51 - facilities and maintenance. The positive variances resulted from a reduction of hours and holding budgeted positions vacant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested $212,291,597 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 Activities 2013	2012
Land	$ 8,018	$ 7,946
Buildings and improvements	185,027	184,635
Vehicles & Equipment	19,247	17,884
Construction in Progress	-	-
Totals at historical cost	212,292	210,465
Total accumulated depreciation	89,542	81,575
Net capital assets	$122,750	$128,890

Long Term Debt

At year-end the District had $93,945,000 in bonds outstanding as shown in Table A-5.

Bond Ratinges

The District's bonds presently carry an 'A' Fitch rating. The bonds are additionally secured by the Texas Permanent School Fund, whose bond guarantee program is rated 'AAA' by Fitch.

Table A-5

District's Bonds and Long-Term Liabilities

(In thousands of dollars)

	Governmental Activities 2013	2012
Compensated absences payable	$ 1,005	$ 1,086
Accrued interest payable	1,203	441
Bonds payable	93,945	98,436
Note payable	316	466
Discount/Premium - Bonds	3,437	3,646
Total bonds & notes payable	$99,906	$104,075

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2013-14 budget preparation are up $28 million, or about 3% from $854 million in 2012-2013 to $876 million currently.
- The tax rate remained at 1.3049.
- The District's 2013-14 refined average daily attendance was expected to remain at 10,269.

These indicators were taken into account when adopting the general fund budget for 2013-14. The general fund appropriations for 2013-14 were set at $96 million, an increase of 5.4 percent from the 2012-13 original budget of $91.1 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

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes		1	2	3
			Primary Government	
		Governmental Activities	Business Type Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	$ 28,595,270	$ 45,377	$ 28,640,647
1220	Property Taxes Receivable (Delinquent)	2,757,108	-	2,757,108
1230	Allowance for Uncollectible Taxes	(275,711)	-	(275,711)
1240	Due from Other Governments	5,158,863	-	5,158,863
1260	Internal Balances	(29,752)	-	(29,752)
1267	Due from Fiduciary Funds	209,869	-	209,869
1290	Other Receivables, net	41,451	-	41,451
1300	Inventories	448,415	-	448,415
1410	Prepayments	951,407	-	951,407
1490	Other Current Assets	685	-	685
	Capital Assets:			
1510	Land	8,018,198	-	8,018,198
1520	Buildings, Net	109,746,324	-	109,746,324
1530	Furniture and Equipment, Net	4,985,326	-	4,985,326
1000	Total Assets	160,607,453	45,377	160,652,830
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	2,636,113	-	2,636,113
1700	Total Deferred Outflows of Resources	2,636,113	-	2,636,113
LIABILITIES				
2110	Accounts Payable	2,692,160	-	2,692,160
2150	Payroll Deductions & Withholdings	191,553	-	191,553
2160	Accrued Wages Payable	3,229,558	-	3,229,558
2180	Due to Other Governments	10,380,966	-	10,380,966
2300	Unearned Revenue	1,619,210	-	1,619,210
	Noncurrent Liabilities			
2501	Due Within One Year	5,091,702	-	5,091,702
2502	Due in More Than One Year	94,814,733	-	94,814,733
2000	Total Liabilities	118,019,882	-	118,019,882
NET POSITION				
3200	Net Investment in Capital Assets	31,435,161	-	31,435,161
3820	Restricted for Federal and State Programs	759,595	-	759,595
3900	Unrestricted	13,028,928	45,377	13,074,305
3000	Total Net Position	$ 45,223,684	$ 45,377	$ 45,269,061

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, 2013

Data Control Codes		1	Program Revenues 3	4
		Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:				
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 57,990,987	$ -	$ 10,439,893
12	Instructional Resources and Media Services	1,542,095	-	188,696
13	Curriculum and Staff Development	3,252,308	-	2,455,986
21	Instructional Leadership	3,971,475	-	1,756,441
23	School Leadership	5,874,896	-	323,637
31	Guidance, Counseling and Evaluation Services	4,132,155	-	1,065,356
32	Social Work Services	662,848	-	257,115
33	Health Services	1,089,404	-	164,011
34	Student (Pupil) Transportation	2,024,233	-	130,915
35	Food Services	7,993,884	344,675	7,152,208
36	Extracurricular Activities	2,964,489	141,020	207,844
41	General Administration	5,706,878	132,578	127,387
51	Facilities Maintenance and Operations	13,810,211	8,674	329,519
52	Security and Monitoring Services	1,900,751	-	112,181
53	Data Processing Services	203,534	-	63,309
61	Community Services	461,648	-	331,417
72	Debt Service - Interest on Long Term Debt	4,867,960	-	-
73	Debt Service - Bond Issuance Cost and Fees	6,900	-	-
95	Payments to Juvenile Justice Alternative Ed. Prg.	59,172	-	-
99	Other Intergovernmental Charges	111,421	-	-
	[TG] Total Governmental Activities:	118,627,249	626,947	25,105,915
	BUSINESS-TYPE ACTIVITIES:			
01	Enterprise Funds - Daycare	54,813	37,189	-
02	Enterprise Funds - After School - Paid	18,536	25,762	-
	[TB] Total Business-Type Activities:	73,349	62,951	-
	[TP] TOTAL PRIMARY GOVERNMENT:	$ 118,700,598	$ 689,898	$ 25,105,915

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

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
	Primary Government	
Governmental Activities	Business-type Activities	Total
$ (47,551,094)	$ -	$ (47,551,094)
(1,353,399)	-	(1,353,399)
(796,322)	-	(796,322)
(2,215,034)	-	(2,215,034)
(5,551,259)	-	(5,551,259)
(3,066,799)	-	(3,066,799)
(405,733)	-	(405,733)
(925,393)	-	(925,393)
(1,893,318)	-	(1,893,318)
(497,001)	-	(497,001)
(2,615,625)	-	(2,615,625)
(5,446,913)	-	(5,446,913)
(13,472,018)	-	(13,472,018)
(1,788,570)	-	(1,788,570)
(140,225)	-	(140,225)
(130,231)	-	(130,231)
(4,867,960)	-	(4,867,960)
(6,900)	-	(6,900)
(59,172)	-	(59,172)
(111,421)	-	(111,421)
(92,894,387)	-	(92,894,387)
-	(17,624)	(17,624)
-	7,226	7,226
-	(10,398)	(10,398)
(92,894,387)	(10,398)	(92,904,785)
9,644,332	-	9,644,332
1,106,958	-	1,106,958
73,440,892	-	73,440,892
5,192,621	-	5,192,621
47,071	-	47,071
387,042	-	387,042
89,818,916	-	89,818,916
(3,075,471)	(10,398)	(3,085,869)
48,299,155	55,775	48,354,930
$ 45,223,684	$ 45,377	$ 45,269,061

EXHIBIT C-1

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 26,779,380	$ 781,781	$ 527,003	$ 28,088,164
1220	Property Taxes - Delinquent	2,423,158	333,950	-	2,757,108
1230	Allowance for Uncollectible Taxes (Credit)	(242,316)	(33,395)	-	(275,711)
1240	Receivables from Other Governments	2,301,746	-	2,857,117	5,158,863
1260	Due from Other Funds	3,538,633	8,437,070	-	11,975,703
1290	Other Receivables	41,451	-	-	41,451
1300	Inventories	448,415	-	-	448,415
1410	Prepayments	951,407	-	-	951,407
1490	Other Current Assets	685	-	-	685
1000	Total Assets	$ 36,242,559	$ 9,519,406	$ 3,384,120	$ 49,146,085
	LIABILITIES				
2110	Accounts Payable	$ 1,300,643	$ 500	$ 120,157	$ 1,421,300
2150	Payroll Deductions and Withholdings Payable	191,553	-	-	191,553
2160	Accrued Wages Payable	2,910,027	-	266,407	3,176,434
2170	Due to Other Funds	8,972,062	-	2,563,508	11,535,570
2180	Due to Other Governments	1,162,615	9,218,351	-	10,380,966
2300	Unearned Revenues	1,510,357	-	108,533	1,618,890
2000	Total Liabilities	16,047,257	9,218,851	3,058,605	28,324,713
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	2,179,842	300,555	-	2,480,397
2600	Total Deferred Inflows of Resources	2,179,842	300,555	-	2,480,397
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	448,415	-	-	448,415
3430	Prepayments	951,407	-	-	951,407
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	525,143	-	-	525,143
	Committed Fund Balance:				
3510	Construction	-	-	325,515	325,515
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	5,274,486	-	-	5,274,486
3600	Unassigned Fund Balance	10,816,009	-	-	10,816,009
3000	Total Fund Balances	18,015,460	-	325,515	18,340,975
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 36,242,559	$ 9,519,406	$ 3,384,120	$ 49,146,085

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 POSITION
AUGUST 31, 2013

	Total Fund Balances - Governmental Funds	$	18,340,975
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance, 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 position. The net effect of this consolidation is to increase (decrease) net position.		864,021
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was $206,844,097 and the accumulated depreciation was $86,036,484. The net effect of including capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.		120,807,613
3	Long-term liabilities, including bonds payable $93,945,000, interest accretion on CAB bonds $1,202,520 and notes payable $316,801 are not due and payable in the current period and therefore are not reported in the funds.		(95,464,321)
4	Payable for compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(1,005,345)
5	Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		2,481,397
6	Gains/losses on defeasance of debt refundings is recognized as deferred outflows or inflows and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter as an increase or (decrease) in net position. Deferred inflows/outflows due to debt refundings are not reported in the funds.		2,636,113
7	Premiums $(3,828,031) and discounts $391,262 resulting from the issuance of bonds are capitalized, net of amortization, on the government-wide statements.		(3,436,769)
19	**Net Position of Governmental Activities**	$	45,223,684

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

EXHIBIT C-3

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 10,836,350	$ 1,190,402	$ 2,894	$ 12,029,646
5800	State Program Revenues	76,748,984	3,620,330	955,881	81,325,195
5900	Federal Program Revenues	9,289,297	-	13,124,936	22,414,233
5020	Total Revenues	96,874,631	4,810,732	14,083,711	115,769,074
	EXPENDITURES:				
	Current:				
0011	Instruction	46,698,028	-	7,908,808	54,606,836
0012	Instructional Resources and Media Services	1,314,879	-	130,933	1,445,812
0013	Curriculum and Instructional Staff Development	574,910	-	2,445,137	3,020,047
0021	Instructional Leadership	2,031,369	-	1,676,040	3,707,409
0023	School Leadership	5,401,378	-	53,799	5,455,177
0031	Guidance, Counseling and Evaluation Services	2,889,988	-	946,954	3,836,942
0032	Social Work Services	376,890	-	240,221	617,111
0033	Health Services	895,707	-	115,867	1,011,574
0034	Student (Pupil) Transportation	1,056,600	-	1,875	1,058,475
0035	Food Services	7,493,785	-	2,739	7,496,524
0036	Extracurricular Activities	2,692,906	-	134,680	2,827,586
0041	General Administration	2,952,653	-	-	2,952,653
0051	Facilities Maintenance and Operations	13,087,975	-	25,677	13,113,652
0052	Security and Monitoring Services	1,699,496	-	68,803	1,768,299
0053	Data Processing Services	188,993	-	-	188,993
0061	Community Services	101,312	-	329,284	430,596
	Debt Service:				
0071	Principal on Long Term Debt	339,880	4,430,000	-	4,769,880
0072	Interest on Long Term Debt	112,948	3,893,900	-	4,006,848
0073	Bond Issuance Cost and Fees	3,800	3,100	-	6,900
	Capital Outlay:				
0081	Facilities Acquisition and Construction	17,095	-	98,802	115,897
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	59,172	-	-	59,172
0099	Other Intergovernmental Charges	111,421	-	-	111,421
6030	Total Expenditures	90,101,185	8,327,000	14,179,619	112,607,804
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	6,773,446	(3,516,268)	(95,908)	3,161,270
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	17,095	-	-	17,095
7915	Transfers In	69,875	3,516,268	-	3,586,143
8911	Transfers Out (Use)	(6,116,991)	-	-	(6,116,991)
7080	Total Other Financing Sources (Uses)	(6,030,021)	3,516,268	-	(2,513,753)
1200	Net Change in Fund Balances	743,425	-	(95,908)	647,517
0100	Fund Balance - September 1 (Beginning)	17,272,035	-	421,423	17,693,458
3000	Fund Balance - August 31 (Ending)	$ 18,015,460	$ -	$ 325,515	$ 18,340,975

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, 2013

Total Net Change in Fund Balances - Governmental Funds	$	647,517
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, 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 position.		(890,119)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets, $1,347,115, is allocated over their useful lives as depreciation expense which totaled ($7,526,191) at year end. This is the amount of capital assets in excess of depreciation expense in the current period.		(6,588,186)
Property tax revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		(234,391)
Repayment of bond principal of $4,491,045 and notes payable totaling $149,648 is an expenditure in the funds but is not an expense in the statement of activities.		4,640,693
Some expenses reported in the statement of activities do not require the use of current financial resources and are reported as expenditures in governmental funds. The net effect of a decrease in long-term portion of accrued compensated absences $80,940, amortization of bond premium $247,217, discounts ($38,206) and amortization of deferred gain/loss on bond defeasance ($179,080) totaled.		110,871
Interest accretion on long-term debt is included in the change in net position as it accrues, regardless of when payment is made. This is the amount accrued $(850,298), net of accrued interest paid of $88,442.		(761,856)
Change in Net Position of Governmental Activities	$	(3,075,471)

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

EXHIBIT D-1

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2013

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 45,377	$ 507,106
Due from Other Funds	-	1,977,416
Total Current Assets	45,377	2,484,522
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	-	106,956
Depreciation on Buildings	-	(80,343)
Furniture and Equipment	-	5,340,544
Depreciation on Furniture and Equipment	-	(3,425,922)
Total Noncurrent Assets	-	1,941,235
Total Assets	45,377	4,425,757
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	1,270,860
Accrued Wages Payable	-	53,124
Due to Other Funds	-	2,237,432
Unearned Revenues	-	320
Total Liabilities	-	3,561,736
NET POSITION		
Unrestricted Net Position	45,377	864,021
Total Net Position	$ 45,377	$ 864,021

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

EXHIBIT D-2

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	$ 62,951	$ 8,567,728
State Program Revenues	-	1,042,939
Total Operating Revenues	62,951	9,610,667
OPERATING EXPENSES:		
Payroll Costs	26,125	1,967,845
Professional and Contracted Services	46,075	9,923,720
Supplies and Materials	160	642,987
Other Operating Costs	989	491,283
Capital Outlay	-	5,800
Total Operating Expenses	73,349	13,031,635
Income (Loss) Before Transfers	(10,398)	(3,420,968)
Transfer In	-	2,530,849
Change in Net Position	(10,398)	(890,119)
Total Net Position - September 1 (Beginning)	55,775	1,754,140
Total Net Position - August 31 (Ending)	$ 45,377	$ 864,021

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, 2013

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from User Charges or Services	$ 62,951	$ 62,951
Cash Received from Assessments - Other Funds	-	9,610,664
Cash Payments to Employees for Services	(26,125)	(1,697,513)
Cash Payments for Insurance Premiums	-	(442,576)
Cash Payments for Suppliers	(47,224)	(10,847,002)
Net Cash Used for Operating Activities	(10,398)	(3,313,476)
Cash Flows from Non-Capital Financing Activities:		
Transfer In	-	2,530,849
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	-	(479,650)
Net Decrease in Cash and Cash Equivalents	(10,398)	(1,262,277)
Cash and Cash Equivalents at Beginning of Year	55,775	1,769,383
Cash and Cash Equivalents at End of Year	$ 45,377	$ 507,106
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:		
Operating Income (Loss):	$ (10,398)	$ (3,420,968)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation	-	32,708
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	-	30,706
Decrease (increase) in interfunds	-	(250,797)
Increase (decrease) in Accounts Payable	-	270,332
Increase (decrease) in Other Accrued Expenses	-	24,543
Net Cash Used for Operating Activities	$ (10,398)	$ (3,313,476)

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

EXHIBIT E-1

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 10,460	$ 648,741
Due from Other Funds	-	7,147
Total Assets	10,460	$ 655,888
LIABILITIES		
Accounts Payable	-	$ 72,316
Due to Other Funds	-	215,430
Due to Student Groups	-	368,142
Unearned Revenues	10,460	-
Total Liabilities	10,460	$ 655,888

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

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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.

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 position 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.

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.

In addition, 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In addition, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds: The District accounts for resources restricted 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.

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.

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 funds:

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.

The Proprietary Fund Types and the Fiduciary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into restricted net position (held in trust) and unrestricted net position. The agency funds record only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental fund financial statements 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, 2012. 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.

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, 2013. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2013, 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:

Assets Class	Estimated Useful Lives
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 are deferred charges and amortized over the term of the related debt.

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

11. *Use of Estimates*

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

12. *Compensated Absences*

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

13. ***Accounting System***

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

14. ***Data Control Codes***

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a State-wide database for policy development and funding plans.

15. ***Fund 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.

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 31st and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

17. ***Deferred Outflows and Inflows of Resources***

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District has an accounting loss on refunding bonds which is a deferred resource outflow and also has unavailable revenues from property taxes which are deferred resource inflows under this standard.

NOTE C - DEPOSITS AND INVESTMENTS

Investment Accounting Policy

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies; the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

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

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

NOTE C - DEPOSITS AND INVESTMENTS – Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and to the extent reasonable possible, stabilize at a $1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings account included in temporary investments) was $5,396,121 and the bank balance was $5,966,841. In addition to these cash and cash equivalents, the District maintains $23,868,293 in a government investment pool. This District's cash deposits at August 31, 2013 and during the year ended August 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name except for two days as follows. On March 20, 2013, the deposits were undercollateralized by $3,456,849 and on August 22, 2013, the deposits were undercollateralized by $3,470,199. Undercollateralization resulted from large payments from TEA which are then transferred to investment pools the next day.

The District's cash deposits at August 31, 2013 are maintained primarily at BBVA Compass Bank, Harlingen, Texas. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank except as disclosed above. The deposits were collateralized in accordance with Texas Law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District. Deposits were properly secured at all times.

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

a. Depository: BBVA Compass Bank
b. The market value of securities pledged as of the date of the highest combined balance on deposit was $15,212,161.
c. The highest combined balances of cash, savings and time deposit accounts amounted to $13,645,426 and occurred during the month of January 2013.
d. Total amount of FDIC coverage at the time of largest combined balance was $250,000.

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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

Description	CUSIP	Amount	Maturity	Days
Lone Star Investments	N/A	$18,193,927	N/A	Daily
MBIA Asset Management	N/A	5,674,366	N/A	Daily
		$23,868,293		

Credit Risk

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

Description	Minimum Legal Rating	Amount	Rating	Percentage
Lone Star Investments	AAA	$18,193,927	AAA	76%
MBIA Asset Management	AAA	5,674,366	AAA	24%
		$23,868,293		

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 Star 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.

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 2012 tax rate was $1.17 for maintenance and $.1349 for debt service per $100 assessed valuation. The 2012 assessed valuation was $850,768,778. 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, 2013 outstanding taxes in the general fund and debt service fund was $2,423,158 and $333,950 with a corresponding allowance for doubtful accounts of $242,316 and $33,395.

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES

	Due From	Due To
Governmental Funds:		
General Fund:		
Texas Education Agency:		
Child Nutrition Program	$ 220,778	$ -
Foundation Funds	2,080,968	1,162,615
	2,301,746	1,162,615
Other Governmental Funds:		
Texas Education Agency:		
Vocational Education – Basic Grant	4,737	-
ESEA, Title I, Part A – Improving Basic Programs	988,284	-
ESEA, Title I, SIP Academy Grant	291,439	-
ESEA, Title II, Part C – Education of Migratory Children	333,513	-
ESEA, Title II, Part A – Teacher and Principal Training	196,990	-
ESEA, Title III, Part A – English Language Acquisition	58,250	-
ESEA, Title IV, Part A – Safe and Drug-Free Schools	107,655	-
ESEA, Title IV, Part B – 21st Century Community Learning	87,408	-
IDEA-B Formula	607,603	-
IDEA-B Preschool	7,002	-
Gear Up/Region One ESC	133,973	-
Student Success Initiative	13,132	-
State Textbook	19,340	-
Summer School LEP	7,791	-
Instructional Facilities Allotment	-	9,218,351
	2,857,117	9,218,351
Total governmental funds	$ 5,158,863	$10,380,966

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2013, were as follows:

	Property Taxes	Other Governments	Other Receivables	Due from Other Funds	Total Receivables
Governmental Activities:					
General Fund	$2,180,842	$2,301,746	$ 41,451	$ 3,538,633	$ 8,062,672
Debt Service	300,555	-	-	8,437,070	8,737,625
Nonmajor Governmental Funds	-	2,857,117	-	-	2,857,117
Total receivables	$2,481,397	$5,158,863	$ 41,451	$11,975,703	$19,657,414

Payables at August 31, 2013, were as follows:

	Accounts Payable	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Total Payables
Governmental Activities:					
General Fund	$1,300,643	$3,101,580	$ 8,972,062	$ 1,162,615	$14,536,900
Debt Service	500	-	-	9,218,351	9,218,851
Nonmajor Governmental Funds	120,157	266,407	2,563,508	-	2,950,072
Total payables	$1,421,300	$3,367,987	$11,535,570	$10,380,966	$26,705,823

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2013, was as follows:

	Balance Sept. 1, 2012	Increase	Decrease	Transfers/ Reclassifications	Balance Aug. 31, 2013
Governmental activities					
Capital assets not being depreciated					
Land	$ 7,945,934	$ 72,264	$ -	$ -	$ 8,018,198
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	7,945,934	72,264	-	-	8,018,198
Capital assets being depreciated					
Building and improvements	184,635,437	745,116	-	(354,008)	185,026,545
Equipment	10,436,260	576,596	-	-	11,012,856
Vehicles	7,447,201	432,789	-	354,008	8,233,998
Total capital assets being depreciated	202,518,898	1,754,501	-	-	204,273,399
Less accumulated depreciation for:					
Building and improvements	68,599,319	6,680,902	-	-	75,280,221
Equipment	7,214,877	908,475	-	-	8,123,352
Vehicles	5,760,543	377,633	-	-	6,138,176
Total accumulated depreciation	81,574,739	7,967,010	-	-	89,541,749
Total capital assets being depreciated, net	120,944,159	(6,212,509)	-	-	114,731,650
Governmental activities capital assets, net	$128,890,093	$(6,140,245)	$ -	$ -	$122,749,848

NOTE G – CAPITAL ASSETS - Continued

Depreciation was charged to the following functions:

Government Activities:	
11 – Instruction	$4,201,307
12 – Instructional Resources and Media Services	111,235
13 – Curriculum and Instructional Staff	232,358
21 – Instructional Leadership	286,326
23 – School Leadership	419,710
31 – Guidance, Counseling and Evaluation Services	295,202
32 – Social Work Services	47,475
33 – Health Services	77,830
34 – Student (Pupil) Transportation	81,439
35 – Food Services	576,764
36 – Cocurricular/Extracurricular Activities	217,547
41 – General Administration	227,171
51 – Plant Maintenance and Operations	1,008,934
52 – Security and Monitoring Services	136,045
53 – Data Processing Services	14,540
61 – Community Services	33,127
	$7,967,010

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, 2013 are as follows:

Governmental Activities	Beginning Balance Sept. 1, 2012	Increase	Decrease	Balance Aug. 31, 2013	Due Within One Year
Bonds payable					
General Obligation Bonds:					
Unlimited Tax School Building Bonds – Series 2004	$ 2,665,000	$ -	$ (860,000)	$ 1,805,000	$ 885,000
Unlimited Tax School Building Bonds – Series 2005 - B	23,560,000	-	(2,375,000)	21,185,000	2,495,000
Unlimited Tax School Building Bonds – Series 2005 - A	800,000	-	-	800,000	-
Unlimited Tax School Building Refunding CAB Bonds - Series 2005 - B	661,045	-	(96,045)	565,000	95,000
Unlimited Tax School Building Bonds – Series 2008	35,010,000	-	(760,000)	34,250,000	785,000
Unlimited Tax School Building Bonds – Series 2010	3,505,000	-	-	3,505,000	-
Unlimited Tax School Building CAB Bonds – Series 2010	20,000	-	(5,000)	15,000	5,000
Unlimited Tax School Refunding Bonds, Series 2011	7,880,000	-	(95,000)	7,785,000	100,000
Unlimited Tax School Refunding CAB Bonds, Series 2011	440,000	-	-	440,000	-
Unlimited Tax School Refunding Bonds, Series 2012	19,855,000	-	-	19,855,000	-
Unlimited Tax School Refunding CAB Bonds, Series 2012	375,000	-	(110,000)	265,000	160,000
Lease Revenue Bonds – Series 2006	3,665,000	-	(190,000)	3,475,000	200,000
Total bonds payable	98,436,045	-	(4,491,045)	93,945,000	4,725,000

NOTE H - LONG-TERM OBLIGATIONS – Continued

Governmental Activities	Beginning Balance Sept. 1, 2012	Increase	Decrease	Balance Aug. 31, 2013	Due Within One Year
Accrued Interest Unlimited Tax School Building and Refunding CAB Bonds	$ 440,664	$ 850,298	$ (88,442)	$ 1,202,520	$ 135,000
Discount on issuance, Bonds – Series 2005	(59,797)	-	4,600	(55,197)	-
Discount on issuance, Bonds – Series 2012	(369,671)	-	33,606	(336,065)	-
Premium on issuance, Bonds – Series 2008	367,961	-	(14,152)	353,809	-
Premium on issuance, Bonds – Series 2010	183,655	-	(26,237)	157,418	-
Premium on issuance, Bonds – Series 2011	1,093,004	-	(91,084)	1,001,920	-
Premium on issuance, Bonds – Series 2012	2,430,628	-	(115,744)	2,314,884	-
Note payable	466,449	-	(149,648)	316,801	154,702
Compensated absences	1,086,285	78,000	(158,940)	1,005,345	77,000
Total governmental activities	$104,075,223	$ 928,298	$ 5,097,086	$99,906,435	$5,091,702

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, 2013 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. $1,805,000

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. 1,365,000

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.	$21,185,000
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.	3,475,000
On September 25, 2008, the District received Unlimited Tax School Building Bonds, Series 2008 proceeds totaling $37,000,000 to renovate certain campuses, more specifically the chill water system at the High School and other campuses as necessary; to add new wings to Veterans Academy to convert campus to a 9th and 10th grade campus. The bonds include $17,945,000 in Serial Bonds, $18,515,000 term current interest bonds and $540,000 Premium Capital Appreciation Bonds (CAB). Interest rates vary from 3.00% to 4.625% on the serial bonds 5% on the term current interest bonds and 2.11% to 2.63% on the CAB bonds. Interest on the term current interest bonds and interest on the CAB Bonds is to accrete from the date of initial delivery. Interest on the serial bonds will mature and are payable annually on February 15th beginning in the year 2011. The bond matures on February 15, 2028.	34,250,000
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.	3,520,000
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.	8,225,000

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. $20,120,000

$93,945,000

Debt service requirements on long-term debt at August 31, 2013 are as follows:

Year Ending	General Obligation Bonds		Notes Payable		Total
August 31,	Principal	Interest	Principal	Interest	Requirement
2014	$ 4,725,000	$ 5,316,332	$154,702	$ 10,423	$ 10,206,456
2015	4,925,000	4,420,376	162,100	5,333	9,512,809
2016	4,175,000	3,533,000	-	-	7,708,000
2017	4,300,000	3,363,742	-	-	7,663,742
2018	4,790,000	3,195,903	-	-	7,985,903
2019-2023	21,005,000	13,373,953	-	-	34,378,953
2024-2028	19,450,000	8,479,282	-	-	27,929,282
2029-2033	17,980,000	4,909,538	-	-	22,889,538
2034-2038	12,595,000	1,391,488	-	-	13,986,488
	$93,945,000	$47,983,613	$316,801	$ 15,756	$142,261,170

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, 2013.

Defeased Bonds

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, 2013, the following outstanding bonds are considered defeased:

Series	Ending Balance
2000	$16,320,000
2004	30,630,000
	$46,950,000

NOTE H - LONG-TERM OBLIGATIONS – Continued

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, 2013 was $316,801.

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.

NOTE J - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Internal Service Funds
Property taxes	$ 9,842,825	$1,142,855	$ -	$10,985,680	$ -
Food sales	344,675	-	-	344,675	-
Investment income	39,064	5,114	2,894	47,072	9,454
Penalty and interest income	319,641	42,433	-	362,074	-
Co-curricular student activities	141,020	-	-	141,020	-
Interfund services	-	-	-	-	5,821,384
Other	149,125	-	-	149,125	2,736,890
	$10,836,350	$1,190,402	$ 2,894	$12,029,646	$8,567,728

NOTE K – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but no yet earned.

At the government-wide financial statements, deferred outflows include deferred charges on refunding of the bonds.

Unavailable revenues in the general fund and the debt service fund at August 31, 2013 were $2,179,842 and $300,555, respectively.

At the government-wide financial statements, the District reports cumulative deferred charges on refundings as a Deferred Outflows of Resources in the amount of $2,636,113 which is net of cumulative amortization of $392,915.

NOTE L - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of August 31, 2013, for state grants unearned revenue reported in the governmental funds totaled $1,618,890.

Unearned revenues for state and private grants represent revenues received in excess of expenditures incurred for those programs for which the project period has not yet ended.

NOTE M - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2013 were:

Due from	Due to	
General Fund	Debt Service Fund	$ 8,422,113
General Fund	Funds within the general fund	781,798
Trust and Agency Funds	General Fund	193,327
Trust and Agency Funds	Debt Service Fund	14,957
Nonmajor Funds	General Fund	2,563,508
Due from other funds		11,975,703

Reconcilement to due to other funds:

Internal Service Funds	General Fund	(2,237,432)
Trust and Agency Funds	General Fund	(165,160)
Trust and Agency Funds	Debt Service Fund	(14,957)
General Fund	Internal Service Funds	1,977,416
Due to other funds		$11,535,570

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.

NOTE M - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

Interfund transfers out during the year ended August 31, 2013 were as follows:

Transfers Out	Transfers In	
General Fund	Debt Service Fund	$3,516,268
General Fund	Internal Service Funds	2,530,848
General Fund	Funds Within the General Fund	69,875
		$6,116,991

NOTE N - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Other Governmental Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General fund such revenues for the year ended August 31, 2013, from various federal sources as follows:

Programs or Source	CFDA Number	Amount
School Breakfast Program	10.553	$1,970,960
National School Lunch Program	10.555	4,621,053
USDA – Donated Commodities – non-cash assistance	10.555	396,001
Summer Feeding Program	10.559	116,274
Indirect Costs Earned on Federal Programs		
ESEA, Title IV, Part A – Safe and Drug-Free Schools	84.186A	4,405
ESEA, Title I, Part A – Improving Basic Programs	84.010A	80,049
ESEA, Title II, Part C – Education of Migratory Children	84.011	15,943
IDEA – B Formula	84.027	25,222
IDEA – B Preschool	84.173	533
Career and Technical – Basic Grant	84.048	3,432
ESEA, Title II, Part A – Teacher and Principal Training	84.367A	7,699
ESEA, Title III, Part A – English Language Acquisition	84.365A	1,594
ESEA, Title I, SIP Academy Grant	84.377A	15,165
Payments in lieu of taxes		44,075
SHARS		1,366,036
Medicaid administrative claim		30,419
JROTC		78,586
E-rate		511,851
Total general fund revenue		$9,289,297

NOTE O – 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:

Fund Name	Amount	Remarks
None noted	None noted	No remarks necessary

NOTE P – 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, 2013 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, 2013 are expected to be liquidated within the following reporting period.

NOTE Q - DEFINED BENEFIT PENSION PLAN

Plan Description. The 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. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. 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 downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1–800–223–8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements , if as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2013–2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution including federally funded personnel, new hires and amounts above statutory minimum.

Contribution Rates and Contribution Amounts						
	Member			State on-behalf	District	Covered
Fiscal Year	Rate	Amount	Rate	Amount	Amount	Payroll
2013	6.400%	$4,018,982	6.400%	$3,261,965	$356,452	$62,796,595
2012	6.400%	4,045,815	6.000%	3,451,139	335,629	63,215,835
2011	6.400%	4,143,688	6.644%	3,300,457	456,607	64,745,165

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.

NOTE R - RETIREE HEALTH CARE 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 Teacher Retirement System of Texas. TRS Care 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 option 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 under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

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. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013–2011.

	Contribution Rates and Contribution Amounts						
	Member		State on-behalf		District		Covered
Fiscal Year	Rate	Amount	Rate	Amount	Rate	Amount	Payroll
2013	0.65%	$ 408,182	0.500%	$ 41,387	0.55%	$ 345,419	$62,796,595
2012	0.65%	410,907	1.000%	86,407	0.55%	347,689	63,215,835
2011	0.65%	420,844	1.000%	96,409	0.55%	356,095	64,745,165

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. Subsidy payments received by TRS-Care on behalf of the District are shown in the table below for fiscal years 2013-2011.

Fiscal Year	Medicare Part D
2013	$183,516
2012	175,653
2011	160,858

Contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the General Fund as both state revenues and payroll expenditures.

NOTE S - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, 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, 2013.

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, 2013	August 31, 2012
Unpaid claims, beginning of year	$ 725,609	$ 607,165
Incurred claims (including IBNR's)	5,744,180	4,939,975
Claim payments	(5,525,135)	(4,821,531)
Unpaid claims, end of fiscal year	$ 944,654	$ 725,609

NOTE T – 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		
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balances				
Nonspendable				
Inventories	$ 448,415	$ -	$ -	$ 448,415
Prepayments	951,407	-	-	951,407
Restricted				
State programs	525,143	-	-	525,143
Committed				
Construction	-	-	325,515	325,515
Assigned				
Gifted and talented services	76,278	-	-	76,278
Career and technology services	2,265,008	-	-	2,265,008
State compensatory education services	2,842,398	-	-	2,842,398
Bilingual education services	90,802	-	-	90,802
Unassigned	10,816,009	-	-	10,816,009
	$18,015,460	$ -	$ 325,515	$18,340,975

NOTE U – RESTATEMENT

As a result of implementing GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities*, the District has restated the beginning net position in the government-wide Statement of Activities, effectively decreasing the net position as of September 1, 2012 by $1,227,901 from $49,527,056 to $48,299,155. The decrease results from no longer deferring and amortizing bond issuance costs.

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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, 2013

EXHIBIT G-1

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 10,433,500	$ 10,433,500	$ 10,833,466	$ 399,966
5800	State Program Revenues	75,299,230	75,411,601	76,748,984	1,337,383
5900	Federal Program Revenues	9,184,793	9,072,422	9,289,297	216,875
5020	Total Revenues	94,917,523	94,917,523	96,871,747	1,954,224
	EXPENDITURES:				
	Current:				
0011	Instruction	47,063,573	48,488,801	46,698,025	1,790,776
0012	Instructional Resources and Media Services	1,433,475	1,423,904	1,314,879	109,025
0013	Curriculum and Instructional Staff Development	425,847	688,747	574,910	113,837
0021	Instructional Leadership	2,064,944	2,215,002	2,031,369	183,633
0023	School Leadership	5,353,838	5,622,743	5,401,378	221,365
0031	Guidance, Counseling and Evaluation Services	2,627,865	2,990,949	2,889,988	100,961
0032	Social Work Services	371,932	454,855	376,890	77,965
0033	Health Services	926,656	932,510	895,707	36,803
0034	Student (Pupil) Transportation	1,253,542	1,336,021	1,056,600	279,421
0035	Food Services	7,682,256	7,781,256	7,493,785	287,471
0036	Extracurricular Activities	2,431,621	2,815,093	2,692,906	122,187
0041	General Administration	3,051,367	3,109,556	2,952,653	156,903
0051	Facilities Maintenance and Operations	13,963,253	14,566,549	13,087,975	1,478,574
0052	Security and Monitoring Services	1,575,705	1,749,139	1,699,496	49,643
0053	Data Processing Services	153,000	420,203	188,993	231,210
0061	Community Services	94,866	113,007	101,312	11,695
	Debt Service:				
0071	Principal on Long Term Debt	339,975	339,975	339,880	95
0072	Interest on Long Term Debt	113,080	113,080	112,948	132
0073	Bond Issuance Cost and Fees	9,800	10,000	3,800	6,200
	Capital Outlay:				
0081	Facilities Acquisition and Construction	16,500	33,595	17,095	16,500
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	75,000	75,000	59,172	15,828
0099	Other Intergovernmental Charges	120,000	120,000	111,421	8,579
6030	Total Expenditures	91,148,095	95,399,985	90,101,182	5,298,803
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,769,428	(482,462)	6,770,565	7,253,027
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	17,095	17,095
7915	Transfers In	-	250,000	69,875	(180,125)
8911	Transfers Out (Use)	(5,668,800)	(6,268,800)	(6,116,991)	151,809
7080	Total Other Financing Sources (Uses)	(5,668,800)	(6,018,800)	(6,030,021)	(11,221)
1200	Net Change in Fund Balances	(1,899,372)	(6,501,262)	740,544	7,241,806
0100	Fund Balance - September 1 (Beginning)	17,272,035	17,272,035	17,272,035	-
3000	Fund Balance - August 31 (Ending)	$ 15,372,663	$ 10,770,773	$ 18,012,579	$ 7,241,806

A. *Budgets*

The official school original budget was prepared for adoption for required Governmental Fund Types by August 20. The budget was formally adopted by the Board of School Trustees at a duly advertised public meeting prior to the expenditures of funds. The Board also approved amendments throughout the year and the final amended budget by August 31. Expenditures may not legally exceed budgeted appropriations at the function level. Annual budgets were adopted for the General Fund and the Debt Service Fund on a basis consistent with generally accepted accounting principles. The Debt Service Fund budget comparison schedule is presented in the Other Supplementary Information section of the financial statements.

B. *Encumbrances*

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget.

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T.E.A. REQUIRED SUPPLEMENTARY SCHEDULES

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2004	and prior years	$ 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		1.170000	0.134900	838,322,189
2013	(School year under audit)	1.170000	0.134900	850,768,778
1000	TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
$ 509,611	$ -	$ 14,245	$ 2,167	$ 2,431	$ 495,630
136,185	-	4,675	472	(35,833)	95,205
105,516	-	6,373	635	3,080	101,588
121,635	-	13,459	1,468	(704)	106,004
166,613	-	19,663	3,781	(36,316)	106,853
238,710	-	44,963	11,453	(36,382)	145,912
352,076	-	113,239	13,056	(35,020)	190,761
502,207	-	222,901	25,700	1,103	254,709
883,878	-	424,653	48,962	(19,357)	390,906
-	10,915,212	8,978,054	1,035,161	(32,456)	869,541
$ 3,016,431	$ 10,915,212	$ 9,842,225	$ 1,142,855	$ (189,454)	$ 2,757,109

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2013

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	$ -	$ 158,881	$ 304,764	$ 1,533,562	$ 215,369	$ -	$ 2,212,576
6149	Leave for Separating Employees in Fn 41 & 53	-	-	16	51,930	-	-	51,946
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	164,043	-	-	-	20,208	-	184,251
6212	Audit Services	-	-	-	34,000	-	-	34,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	111,421	-	-	-	-	111,421
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	36,771	-	-	36,771
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	17,432	-	3,000	-	20,432
6240	Contr. Maint. and Repair	-	-	-	-	6,652	-	6,652
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	3,701	5,275	25,937	4,255	-	39,168
6290	Miscellaneous Contr.	6,200	-	-	31,339	-	-	37,539
6320	Textbooks and Reading	-	-	1,815	873	-	-	2,688
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,744	11,916	3,003	74,669	17,575	-	111,907
6410	Travel, Subsistence, Stipends	35,617	617	5,219	4,009	1,411	-	46,873
6420	Ins. and Bonding Costs	52,486	200	-	4,026	-	-	56,712
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	20,427	4,891	5,895	124,937	82	-	156,232
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	3,799	3,799
6000	TOTAL	$ 283,517	$ 291,627	$ 343,419	$ 1,922,053	$ 268,552	$ 3,799	$ 3,112,967

Total expenditures/expenses for General and Special Revenue Funds:			(9)	$ 104,196,155
LESS: Deductions of Unallowable Costs				
FISCAL YEAR				
Total Capital Outlay (6600)	(10)	$ 934,952		
Total Debt & Lease(6500)	(11)	456,629		
Plant Maintenance (Function 51, 6100-6400)	(12)	12,801,250		
Food (Function 35, 6341 and 6499)	(13)	3,640,764		
Stipends (6413)	(14)	4,575		
Column 4 (above) - Total Indirect Cost		1,922,053		
SubTotal:				19,760,223
Net Allowed Direct Cost				$ 84,435,932
CUMULATIVE				
Total Cost of Buildings before Depreciation (1520)			(15)	$ 185,026,545
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)	$ 19,252,654
Historical Cost of Furniture & Equipment over 16 years old			(19)	$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)			(20)	$ -

(8) NOTE A: $48,893 in Function 53 expenditures are included in this report on administrative costs.
$111,421 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

EXHIBIT J-3

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, 2013

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,151,500	$ 1,151,500	$ 1,190,402	$ 38,902
5800	State Program Revenues	3,774,920	3,774,920	3,620,330	(154,590)
5020	Total Revenues	4,926,420	4,926,420	4,810,732	(115,688)
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	4,430,000	4,430,000	4,430,000	-
0072	Interest on Long Term Debt	3,893,900	3,893,900	3,893,900	-
0073	Bond Issuance Cost and Fees	7,500	7,500	3,100	4,400
6030	Total Expenditures	8,331,400	8,331,400	8,327,000	4,400
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,404,980)	(3,404,980)	(3,516,268)	(111,288)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	3,404,980	3,404,980	3,516,268	111,288
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

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FEDERAL AWARDS SECTION

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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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise San Benito Consolidated Independent School District's basic financial statements, and have issued our report thereon dated February 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Benito Consolidated Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of San Benito Consolidated Independent School District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses as item 13-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Benito Consolidated Independent School District's financial statements are free from 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 13-2.

In addition, we noted certain other matters that we reported to management of the San Benito Consolidated Independent School District in a separate letter dated February 4, 2014.

San Benito Consolidated Independent School District's Response to Findings

The District's responses to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
February 4, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
San Benito Consolidated Independent School District

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Benito Consolidated Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of San Benito Consolidated Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Benito Consolidated Independent School District, complied, in all material respects, with the types of 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, 2013.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

San Benito Consolidated Independent School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. San Benito Consolidated Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Benito Consolidated Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Long Chilton, LLP

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
February 4, 2014

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2013

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ yes	X no
• Significant deficiencies identified that are not considered to be material weakness(es)?	____ yes	X no
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X yes	____ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
84.010	ESEA, Title I, Part A – Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$607,789	
Auditee qualified as low-risk auditee?	X yes	____ no

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

A. Material Weakness

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (13-1)	**Monthly Account Analysis and Year-end Closing**
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.

B. Significant Deficiencies in Internal Control

None reported

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

A. Compliance Findings

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (13-2)	**Allocated State Program Revenues**
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 2012-2013 year.
Questioned Costs/Basis:	State Compensatory Education (Program Code 30) - $1,119,567 Gifted and Talented (Program Code 21) - $31,561 Career and Technology (Program Code 22) - $509,204 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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PROGRAM DESCRIPTION	DESCRIPTION
Schedule Reference Number: (13-3)	**Certification of Employees Funded from a Single Fund Source or Cost Objective**
Title I, Part A (84.010)	
Criteria:	The Education Flexibility Partnership Act (Ed-Flex) waiver eliminates the requirement that charges for salaries and wages be supported by semi-annual certification that the employee worked solely on that program covered by the certification. The waiver is allowable as long as the employee's job description clearly states that the employee is assigned 100 percent to the program or single cost objective.
Condition Found:	Semi-annual certifications documentation was not adequately maintained. Certifications were signed in the middle of the certification period, so they do not effectively serve as a certification of the entire period for which services were provided under a Federal award.
Questioned Costs/Basis:	None.
Context:	Semi-annual certifications should be signed after the certification period for each employee which clearly states the program(s) or cost objectives under which the employee works, should be available as documentation to support charges to Federal programs at one central location.
Effect:	The District may not have complied with Education Flexibility Partnership Act (Ed-Flex) documentation requirements. Noncompliance can lead to overcharges to Federal grants.
Recommendation:	The District should ensure that semi-annual certification for each employee which clearly states the program(s) or cost objectives under which the employee works, is maintained in the District's centralized personnel files.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2013

PROGRAM DESCRIPTION	CORRECTIVE ACTION PLAN
Schedule Reference Number: (12-1)	**Monthly Account Analysis and Year End Closing**
Corrective Action Plan:	See current year finding 13-1.
Schedule Reference Number: (12-2)	**Allocated State Program Revenues**
Corrective Action Plan:	See current year finding 13-2.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2013

PROGRAM DESCRIPTION	CORRECTIVE ACTION PLAN
Schedule Reference Number: (13-1)	**Monthly Account Analysis and Year-end Closing**
Corrective Action Plan:	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: (13-2)	**Allocated State Program Revenues**
Corrective Action Plan:	The District will continue to monitor the state mandated expenditures and expend program funds as required. The District is expanding the gifted and talented program for the fiscal year 2013-2014. The District has also implemented a cosmetology program for Career and Technology in fiscal year 2013-2014. State Comp. Ed. Coding will be closely monitored in the subsequent years.
Schedule Reference Number: (13-3)	**Certification of Employees Funded from a Single Fund Source or Cost Objective**
Corrective Action Plan:	The federal programs administrator has revised the semi-annual certification forms to be completed and signed by individuals in each program or cost objectives under which the employee works and that they are maintained in the District's centralized personnel files. This new form has been implemented during the 2013-2014 fiscal year.

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, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Elementary and Secondary School Counseling Program	84.215E	Q215E110356	$ 32,444
Elementary and Secondary School Counseling Program	84.215E	Q215E110356	278,015
Total CFDA Number 84.215E			310,459
Total Direct Programs			$ 310,459
Passed Through Region One ESC			
GEAR-UP	84.334S	P334A050083-B	$ 226,057
GEAR-UP	84.334S	P334A050083-B	10,637
Total CFDA Number 84.334S			236,694
Total Passed Through Region One ESC			$ 236,694
Passed Through State Department of Education			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101031912	$ 61,132
*ESEA, Title I, Part D Subpart 2 Delinquent Prog.	84.010A	12610103031912	11,161
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101031912	5,867,035
*ESEA, Title I, Part D Subpart 2 Delinquent Prog.	84.010A	13610101031912	157,166
*ESEA, Title I, School Improvement	84.010A	13610104031912001	8,972
*ESEA, Title I, School Improvement	84.010A	13610104031912043	2,542
*ESEA, Title I, School Improvement	84.010A	13610104031912112	7,763
*ESEA, Title I, School Improvement	84.010A	13610104031912116	2,542
Total CFDA Number 84.010A			6,118,313
Total Title I, Part A Cluster			6,118,313
ESEA, Title I, Part C - Migratory Children	84.011	12615001031912	128
ESEA, Title I, Part C - Migratory Children	84.011	13615001031912	1,286,717
ESEA, Title I, Part C - Migratory Children	84.011	14615001031912	376
Total CFDA Number 84.011			1,287,221
*IDEA - Part B, Formula	84.027	136600010319126600	2,081,788
*IDEA - Part B, Formula	84.027	146600010319126600	60,290
Total CFDA Number 84.027			2,142,078
*IDEA - Part B, Preschool	84.173	136610010319126610	37,836
Total Special Education Cluster (IDEA)			2,179,914
Career and Technical - Basic Grant	84.048	13420006031912	206,295
Career and Technical - Basic Grant	84.048	14420006031912	4,737
Total CFDA Number 84.048			211,032
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	126950147110052	676,526
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	136950147110052	26,812
Total CFDA Number 84.287			703,338
Title III, Part A - English Language Acquisition	84.365A	13671001031912	204,313
Title III, Part A - English Language Acquisition	84.365A	14671001031912	2,741
Total CFDA Number 84.365A			207,054
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501031912	1,616
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501031912	483,669
Total CFDA Number 84.367A			485,285
Summer School LEP	84.369A	69551302	7,791

EXHIBIT K-1

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Title I SIP Academy Grant	84.377A	126107047110030	1,354,064
Title I SIP Academy Grant	84.377A	136107047110030	23,771
Total CFDA Number 84.377A			1,377,835
Total Passed Through State Department of Education			$ 12,577,783
TOTAL DEPARTMENT OF EDUCATION			$ 13,124,936
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Dept of Human Services			
Medicaid Administrative Claiming Program - MAC	93.778		$ 30,419
Total Passed Through Texas Dept of Human Services			$ 30,419
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 30,419
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program	10.553		$ 1,970,960
*National School Lunch Program - Cash Assistance	10.555		4,621,053
*National School Lunch Prog. - Non-Cash Assistance	10.555		396,001
Total CFDA Number 10.555			5,017,054
*Summer Feeding Program - Cash Assistance	10.559		116,274
Total Child Nutrition Cluster			7,104,288
Total Passed Through the State Department of Agriculture			$ 7,104,288
TOTAL DEPARTMENT OF AGRICULTURE			$ 7,104,288
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 20,259,643

*Clustered Programs

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

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	$22,414,233
Less amounts not considered to be federal awards, excluded on the Schedule of Expenditures of Federal Awards:	
School Health and Related Service Program (SHARS)	(1,366,036)
Payments in lieu of taxes	(44,075)
Indirect costs	(154,042)
JROTC	(78,586)
E-Rate	(511,851)
Total expenditures of federal awards, per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	$20,259,643

EXHIBIT L-1

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	$1,202,520