

*Financial Report of*

**SONORA  
INDEPENDENT SCHOOL DISTRICT**

Sonora, Texas

**Year Ended August 31, 2011**

SONORA INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2011

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CERTIFICATE OF THE BOARD

SONORA INDEPENDENT SCHOOL DISTRICT

Name of School District

SUTTON

County

218-901

County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

approved  disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such School District  
(Check One)

on the 14 day of Nov., 2011.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

Jerry L. Tinkler, CPA  
Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA

(325) 944-3571  
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Members of  
American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Sonora Independent School District  
807 South Concho  
Sonora, TX 76950-3999

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of August 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of the Sonora 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 30, respectively, 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 the administration regarding the methods of preparing the information and comparing the information for consistency with the administration's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sonora Independent School District's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of the administration and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Eckert & Company, LLP*

October 3, 2011



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Sonora, Texas 76950  
(325) 387-6940  
FAX: (325) 387-5090  
**Don Gibson, Superintendent**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **UNAUDITED**

Our discussion and analysis of the Sonora Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2011. It should be read in conjunction with the District's basic financial statements and independent auditors' report.

#### **Financial Highlights**

The District's assets exceeded its liabilities at the end of the current year by \$31,960,205 (net assets). Of this amount, \$12,893,072 (unrestricted net assets) may be used to meet the District's ongoing obligations.

The District's total net assets increased by \$1,717,588 or 5.68%. This amount consists of a \$1,313,957 increase attributable to current year operations and a \$403,631 increase attributable to prior period adjustments. The District's statement of activities shows total revenues of \$19,017,615 and total expenses of \$17,703,658.

The total fund balance of the General Fund was \$12,665,194 which was an increase of \$1,124,627 or 9.74% compared to the prior year.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### UNAUDITED

#### Overview of the Financial Statements - Continued

The statement of activities presents information showing how the District's net assets changed during the current year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District

The District has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**UNAUDITED**

**Government-Wide Financial Analysis**

Net Assets - A summary of the District's net assets is presented below:

NET ASSETS

	<u>Governmental Activities</u>	
	<u>August 31,</u>	
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 14,374,986	\$ 13,388,447
Capital Assets	<u>19,597,808</u>	<u>19,766,637</u>
<b>Total Assets</b>	<b><u>\$ 33,972,794</u></b>	<b><u>\$ 33,155,084</u></b>
Long-Term Liabilities Outstanding	\$ 1,575,558	\$ 2,325,954
Other Liabilities	<u>437,031</u>	<u>586,513</u>
<b>Total Liabilities</b>	<b><u>\$ 2,012,589</u></b>	<b><u>\$ 2,912,467</u></b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$ 18,027,961	\$ 17,451,044
Restricted	1,039,172	1,011,723
Unrestricted	<u>12,893,072</u>	<u>11,779,850</u>
<b>Total Net Assets</b>	<b><u>\$ 31,960,205</u></b>	<b><u>\$ 30,242,617</u></b>

A large portion of the District's net assets (\$18,027,961) reflects the District's investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$1,039,172) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,893,072) may be used to meet the District's ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**UNAUDITED**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the District's net assets by \$1,313,957 and \$814,233 for the fiscal years ended August 31, 2011 and 2010, respectively. Key elements of these increases are as follows:

**CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>	
	<u>Year Ended August 31,</u>	
	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 490,866	\$ 465,354
Operating Grants and Contributions	1,590,302	1,879,487
<b>General Revenues</b>		
Maintenance and Operations Taxes	10,968,157	13,873,202
Debt Service Taxes	840,662	852,865
State Aid - Formula Grants	5,000,494	4,577,953
Grants and Contributions Not Restricted to Specific Programs	906	988
Investment Earnings	23,397	51,188
Other	<u>102,831</u>	<u>79,973</u>
<b>Total Revenues</b>	<u>\$ 19,017,615</u>	<u>\$ 21,781,010</u>
<b>Expenses</b>		
Instruction and Instructional-Related Services	\$ 7,052,891	\$ 7,503,295
Instructional and School Leadership	763,529	747,488
Support Services - Student (Pupil)	2,177,407	2,245,580
Administrative Support Services	494,080	504,166
Support Services - Nonstudent Based	1,903,421	1,907,501
Debt Service	76,708	102,635
Intergovernmental Charges	<u>5,235,622</u>	<u>7,956,112</u>
<b>Total Expenses</b>	<u>\$ 17,703,658</u>	<u>\$ 20,966,777</u>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 1,313,957</b>	<b>\$ 814,233</b>
Net Assets - Beginning	30,242,617	29,477,250
Prior Period Adjustments	<u>403,631</u>	<u>(48,866)</u>
Net Assets - Ending	<u><u>\$ 31,960,205</u></u>	<u><u>\$ 30,242,617</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### UNAUDITED

#### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$13,780,732, an increase of \$1,142,369 or 9.04% in comparison with the prior year. This fund balance is reported in various governmental funds as follows:

General Fund \$12,665,194. Of this balance \$6,000,000 is assigned for capital expenditures for equipment.

Special Revenue Funds \$86,495. This balance is committed for use by the Campus Activity Funds of the District.

Debt Service Fund \$1,029,043. This balance is restricted for payment of long-term debt principal and interest.

#### General Fund Budget

The original budget for the General Fund was \$19,408,043, and the final amended budget was \$19,447,143 which represents a \$39,100 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by an increase of approximately \$400,000 for Facilities Acquisition and Construction - Function 81 and a decrease of approximately \$521,000 for Contracted Instructional Services Between Schools - Function 91.

The District has adopted a budget for the General Fund in the amount of \$13,573,164 for the fiscal year 2012, which is a decrease of \$5,873,979 from the fiscal year 2011.

#### Capital Assets and Debt

**Capital Assets** - The District's investment in capital assets, net of depreciation, for its governmental type activities as of August 31, 2011 and 2010, was \$19,597,808 and \$19,766,637, respectively. This investment in capital assets includes land, buildings and improvements, and furniture and equipment. Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2011.

**Long-Term Debt** - As of August 31, 2011 and 2010, the District had total long-term debt outstanding of \$1,575,558 and \$2,325,954, respectively. Long-term debt includes general obligation bonds and related bond premium. Financial statement footnote III., G. discloses the District's debt activity for the year ended August 31, 2011.

#### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Don Gibson, Superintendent, Sonora Independent School District, 807 South Concho, Sonora, TX 76950-3999.

Basic Financial Statements

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Temporary Investments	\$ 9,971,120
1220 Property Taxes Receivable (Delinquent)	197,590
1230 Allowance for Uncollectible Taxes	(46,078)
1240 Due from Other Governments	4,244,100
1420 Capitalized Bond and Other Debt Issuance Costs	8,254
Capital Assets:	
1510 Land	176,444
1520 Buildings, Net	18,358,619
1530 Furniture and Equipment, Net	1,062,745
1000 Total Assets	33,972,794
<b>LIABILITIES</b>	
2110 Accounts Payable	75,755
2140 Interest Payable	2,543
2160 Accrued Wages Payable	348,997
2180 Due to Other Governments	9,736
Noncurrent Liabilities	
2501 Due Within One Year	775,000
2502 Due in More Than One Year	800,558
2000 Total Liabilities	2,012,589
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	18,027,961
3850 Restricted for Debt Service	1,039,172
3900 Unrestricted Net Assets	12,893,072
3000 Total Net Assets	\$ 31,960,205

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

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 6,738,801	\$ 156,850	\$ 1,057,486	\$ (5,524,465)
12 Instructional Resources and Media Services	150,110	-	26,993	(123,117)
13 Curriculum and Staff Development	163,980	-	26,781	(137,199)
21 Instructional Leadership	137,665	-	14,168	(123,497)
23 School Leadership	625,864	-	31,103	(594,761)
31 Guidance, Counseling, and Evaluation Services	408,941	-	23,302	(385,639)
33 Health Services	67,976	-	3,868	(64,108)
34 Student (Pupil) Transportation	303,631	-	11,111	(292,520)
35 Food Services	468,409	116,610	312,887	(38,912)
36 Extracurricular Activities	928,450	118,295	14,822	(795,333)
41 General Administration	494,080	-	10,980	(483,100)
51 Plant Maintenance and Operations	1,635,219	99,111	43,612	(1,492,496)
52 Security and Monitoring Services	12,638	-	-	(12,638)
53 Data Processing Services	255,564	-	13,189	(242,375)
72 Debt Service - Interest on Long-Term Debt	76,248	-	-	(76,248)
73 Debt Service - Bond Issuance Cost and Fees	460	-	-	(460)
91 Contracted Instructional Services Between Schools	5,016,010	-	-	(5,016,010)
99 Other Intergovernmental Charges	219,612	-	-	(219,612)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 17,703,658</b>	<b>\$ 490,866</b>	<b>\$ 1,590,302</b>	<b>(15,622,490)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		10,968,157
DT	Property Taxes, Levied for Debt Service		840,662
SF	State Aid - Formula Grants		5,000,494
GC	Grants and Contributions not Restricted		906
IE	Investment Earnings		23,397
MI	Miscellaneous Local and Intermediate Revenue		102,831
TR	<b>Total General Revenues</b>		<b>16,936,447</b>
CN	Change in Net Assets		1,313,957
NB	Net Assets--Beginning		30,242,617
PA	Prior Period Adjustment		403,631
NE	<b>Net Assets--Ending</b>		<b>\$ 31,960,205</b>

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

SONORA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Temporary Investments	\$ 8,976,325	\$ 994,795	\$ 9,971,120
1220	Property Taxes - Delinquent	185,049	12,541	197,590
1230	Allowance for Uncollectible Taxes (Credit)	(43,666)	(2,412)	(46,078)
1240	Due from Other Governments	4,051,519	192,581	4,244,100
1260	Due from Other Funds	41,185	-	41,185
1000	<b>Total Assets</b>	<u>\$ 13,210,412</u>	<u>\$ 1,197,505</u>	<u>\$ 14,407,917</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
2110	Accounts Payable	\$ 74,436	\$ 1,319	\$ 75,755
2160	Accrued Wages Payable	319,663	29,334	348,997
2170	Due to Other Funds	-	41,185	41,185
2180	Due to Other Governments	9,736	-	9,736
2300	Deferred Revenues	141,383	10,129	151,512
2000	<b>Total Liabilities</b>	<u>545,218</u>	<u>81,967</u>	<u>627,185</u>
<b>Fund Balances:</b>				
<b>Restricted Fund Balance:</b>				
3480	Retirement of Long-Term Debt	-	1,029,043	1,029,043
<b>Committed Fund Balance:</b>				
3545	Other Committed Fund Balance	-	86,495	86,495
<b>Assigned Fund Balance:</b>				
3590	Other Assigned Fund Balance	6,000,000	-	6,000,000
3600	Unassigned Fund Balance	6,665,194	-	6,665,194
3000	<b>Total Fund Balances</b>	<u>12,665,194</u>	<u>1,115,538</u>	<u>13,780,732</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 13,210,412</u>	<u>\$ 1,197,505</u>	<u>\$ 14,407,917</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2011

<b>Total Fund Balances - Governmental Funds</b>	\$	13,780,732
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		17,451,044
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,659,309
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,078,138)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		147,258
<b>19 Net Assets of Governmental Activities</b>	<b>\$</b>	<b>31,960,205</b>

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



SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 11,308,142	\$ 1,119,469	\$ 12,427,611
5800 State Program Revenues	5,460,505	54,153	5,514,658
5900 Federal Program Revenues	18,938	1,058,106	1,077,044
5020 Total Revenues	<u>16,787,585</u>	<u>2,231,728</u>	<u>19,019,313</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	5,327,887	744,864	6,072,751
0012 Instructional Resources and Media Services	116,255	23,005	139,260
0013 Curriculum and Instructional Staff Development	128,300	19,769	148,069
0021 Instructional Leadership	114,481	8,064	122,545
0023 School Leadership	548,293	-	548,293
0031 Guidance, Counseling, and Evaluation Services	359,483	4,400	363,883
0033 Health Services	59,458	-	59,458
0034 Student (Pupil) Transportation	274,701	-	274,701
0035 Food Services	13,705	454,704	468,409
0036 Extracurricular Activities	724,218	162,102	886,320
0041 General Administration	442,980	-	442,980
0051 Facilities Maintenance and Operations	1,554,884	13,439	1,568,323
0052 Security and Monitoring Services	12,638	-	12,638
0053 Data Processing Services	236,125	-	236,125
<b>Debt Service:</b>			
0071 Principal on Long-Term Debt	-	750,000	750,000
0072 Interest on Long-Term Debt	-	71,994	71,994
0073 Bond Issuance Cost and Fees	-	460	460
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	878,744	-	878,744
<b>Intergovernmental:</b>			
0091 Contracted Instructional Services Between Schools	5,016,010	-	5,016,010
0099 Other Intergovernmental Charges	219,612	-	219,612
6030 Total Expenditures	<u>16,027,774</u>	<u>2,252,801</u>	<u>18,280,575</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>759,811</u>	<u>(21,073)</u>	<u>738,738</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	38,815	38,815
8911 Transfers Out (Use)	(38,815)	-	(38,815)
7080 Total Other Financing Sources (Uses)	<u>(38,815)</u>	<u>38,815</u>	<u>-</u>
1200 Net Change in Fund Balances	720,996	17,742	738,738
0100 Fund Balance - September 1 (Beginning)	11,540,567	1,097,796	12,638,363
1300 Increase (Decrease) in Fund Balance	403,631	-	403,631
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,665,194</u>	<u>\$ 1,115,538</u>	<u>\$ 13,780,732</u>

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

SONORA 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, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	738,738
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,659,309
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,078,138)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(5,952)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>1,313,957</u></b>

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

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2011

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 74,042
<b>Total Assets</b>	<u>\$ 74,042</u>
<b>LIABILITIES</b>	
Other Liabilities Payable - Current	\$ 26,010
Due to Student Groups	48,032
<b>Total Liabilities</b>	<u>\$ 74,042</u>

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

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sonora Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Sonora Independent School District (the primary government). There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net assets.

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. All remaining governmental funds are aggregated and reported as other funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as deferred revenues until related and authorized expenditures have been made.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund type:

Agency Funds account for the activities of funds which are the property of student groups.

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net assets.

**E. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

**F. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Capital Assets - Continued**

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

**G. Restricted Assets**

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.

**H. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as 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. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**I. Compensated Absences**

The District pays auxiliary 12-month employees for their unused vacation leave upon termination of employment. The accumulated vacation leave cannot exceed 20 days.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employee resignations and retirements.

**J. Fund Balances**

The District implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Fund Balances - Continued**

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is five months of operating expenditures which includes unassigned fund balance of two months of operating expenditures.

**K. Net Assets on the Statement of Net Assets**

Net assets on the statement of net assets including the following:

Investment in Capital Assets, Net of Related Debt - This component of net assets represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net assets represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - The difference between assets and liabilities that is not reported in net assets invested in capital assets, net of related debt, or restricted net assets.

**L. Property Tax Revenues**

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. Taxes are delinquent if not paid by June 30. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**M. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and 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 Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk - Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and



SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits and investments in certificates of deposit, since they are covered by depository insurance and pledged securities held by a third party in the District's name.

**Concentration of Credit Risk:** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2011, all of the District's investments are in external investment pools.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2011, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

**Foreign Currency Risk:** Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2011, approximates fair value and consisted of the following:

Cash in Bank	\$	1,595,862
TexPool		<u>8,449,300</u>
<b>Total Cash and Temporary Investments</b>		<b><u>\$ 10,045,162</u></b>

**B. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$ 4,051,519	\$ 0	\$ 4,051,519
Special Revenue Funds	<u>11,590</u>	<u>180,991</u>	<u>192,581</u>
<b>Totals</b>	<b><u>\$ 4,063,109</u></b>	<b><u>\$ 180,991</u></b>	<b><u>\$ 4,244,100</u></b>

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Interfund Balances and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 41,185	\$ 0	Current Operations
Nonmajor Governmental Funds			
General Fund	<u>0</u>	<u>41,185</u>	Current Operations
Totals	<u>\$ 41,185</u>	<u>\$ 41,185</u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 38,815</u>	Supplemental Fund Resources

**D. Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 176,444	\$ 0	\$ 0	\$ 0	\$ 176,444
Buildings and Improvements	27,563,653	0	0	5,696,401	33,260,054
Furniture and Equipment	2,728,009	30,565	0	0	2,758,574
Construction in Progress	<u>4,817,657</u>	<u>878,744</u>	<u>0</u>	<u>(5,696,401)</u>	<u>0</u>
Total Capital Assets	<u>\$ 35,285,763</u>	<u>\$ 909,309</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,195,072</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (14,063,360)	\$ (838,075)	\$ 0	\$ 0	\$ (14,901,435)
Furniture and Equipment	<u>(1,455,766)</u>	<u>(240,063)</u>	<u>0</u>	<u>0</u>	<u>(1,695,829)</u>
Total Accumulated Depreciation	<u>\$ (15,519,126)</u>	<u>\$ (1,078,138)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (16,597,264)</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,766,637</u>	<u>\$ (168,829)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,597,808</u>

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 696,615
Instructional Resources and Media Services	10,850
Curriculum and Instructional Staff Development	15,911
Instructional Leadership	15,120
School Leadership	77,571
Guidance, Counseling, and Evaluation Services	45,058
Health Services	8,518
Student (Pupil) Transportation	28,930
Cocurricular/Extracurricular Activities	42,130
General Administration	51,100
Plant Maintenance and Operations	66,896
Data Processing Services	<u>19,439</u>
Total	<u><u>\$ 1,078,138</u></u>

**E. Deferred Revenues**

Deferred revenues at year end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Delinquent Taxes Receivable	<u>\$ 141,383</u>	<u>\$ 10,129</u>	<u>\$ 151,512</u>

**F. Commitments Under Noncapitalized Leases**

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2011, as follows:

<u>Year Ending August 31,</u>	
2012	\$ 79,256
2013	75,411
2014	72,666
2015	<u>9,097</u>
Total Minimum Rentals	<u><u>\$ 236,430</u></u>

Rental expenditures during the year ended August 31, 2011, were \$79,256.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**G. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended August 31, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 2,325,000	\$ 0	\$ 750,000	\$ 1,575,000	\$ 775,000
Bond Premium	954	0	396	558	0
<b>Totals</b>	<b><u>\$ 2,325,954</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 750,396</u></b>	<b><u>\$ 1,575,558</u></b>	<b><u>\$ 775,000</u></b>

The District's outstanding bond issue is as follows:

Sonora Independent School District School Building Unlimited Tax Bonds, Series 2002. Issued for school building construction and improvements in the original amount of \$7,500,000. Due in variable installments through February 2013, with interest rates of 2.75% to 3.8%.

\$ 1,575,000

The annual debt service requirements are as follows:

<u>Year Ending August 31,</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 775,000	\$ 44,446	\$ 819,446
2013	<u>800,000</u>	<u>15,200</u>	<u>815,200</u>
<b>Totals</b>	<b><u>\$ 1,575,000</u></b>	<b><u>\$ 59,646</u></b>	<b><u>\$ 1,634,646</u></b>

**H. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**I. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Property Taxes	\$ 11,042,258	\$ 0	\$ 843,756	\$ 11,886,014
Tuition and Fees	6,255	0	0	6,255
Other Local Sources	201,897	287	4,445	206,629
Cocurricular, Enterprising Services, or Activities	<u>57,732</u>	<u>270,981</u>	<u>0</u>	<u>328,713</u>
Totals	<u>\$ 11,308,142</u>	<u>\$ 271,268</u>	<u>\$ 848,201</u>	<u>\$ 12,427,611</u>

**J. General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
E Rate-School and Library Program	--	<u>\$ 18,938</u>

**IV. OTHER INFORMATION**

**A. Pension Plan Obligations**

Plan Description - The Sonora Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trns.state.tx.us](http://www.trns.state.tx.us), under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**A. Pension Plan Obligations - Continued**

of 6.4% for fiscal years 2011, 2010, and 2009 and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the District is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the Sonora Independent School District's employees for the years ended August 31, 2011, 2010, and 2009, were \$440,720, \$438,041, and \$417,763, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009, in the amount of \$74,917, \$74,320, and \$71,072, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments totaled \$18,385, \$17,019, and \$14,887 for the years ended August 31, 2011, 2010, and 2009, respectively. The total on-behalf payments made by the State of Texas and the federal government amounted to \$459,105, \$455,060, and \$432,650 for the years ended August 31, 2011, 2010, and 2009, respectively.

**B. Retiree Health Plan**

**Plan Description** - The Sonora Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). 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 optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy** - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$67,146, \$68,111, and \$65,008, respectively, the active member contributions were \$43,645, \$44,272, and \$42,255, respectively, and the District's contributions were \$36,930, \$37,461, and \$35,755, respectively, which equaled the required contributions each year.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**D. Health Care Coverage**

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$164 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

**E. Property and Liability Coverage**

During the year ended August 31, 2011, the District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund) with coverage in general liability, property, automobile liability, and school professional legal liability.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Fund. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

Based on information we have available as of today, for the year ended August 31, 2011, the District will have no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TAPS' offices.

**F. Unemployment Compensation Coverage**

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB's offices.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**G. Workers' Compensation Insurance**

During the year ended August 31, 2011, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claim costs through the purchase of stop-loss coverage for any claims in excess of the Fund's self-insured retention of \$850,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2011, the Fund carries a discounted reserve of \$6,990,075 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2011, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on June 30. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of June 30, 2010, are available at the Fund's offices.

**H. 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, refunds of any money received may be required, and the collectibility of any related receivable 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.

**I. Prior Period Adjustments**

The fund balance of the General Fund was increased a net of \$403,631 as follows:

- An increase of \$80,170 to record a reduction in amounts owed related to Chapter 41 agreements.
- An increase of \$274,432 to record prior period adjustments for final state entitlement adjustments made by the State.
- An increase of \$56,995 to record insurance proceeds received for prior year loss events.
- A decrease of \$7,966 to record refunds of property taxes to taxpayers related to prior years.



SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**J. Litigation**

The District is the defendant in a lawsuit involving an alleged breach of contract claim by a structural steel contractor (Plaintiff) who claims that the District owes it a portion of the contract cost and also for additional work it performed. The District denies these claims and asserts that the contractor did not fully perform under the contract, failed to maintain the required insurance, and did not get proper approval for any alleged additional work. Furthermore, the District had to pay another contractor to finish the Plaintiff's work. A formal demand has been sent to the Plaintiff's surety based on the Plaintiff's various breaches. This lawsuit is still pending, and the District's liability, if any, cannot be determined at this time.

**K. Subsequent Events**

The Sonora Independent School District entered into an agreement with the state enabling it to reduce its wealth per weighted student by purchasing attendance credits for the 2011-2012 school year.

The District's administration has evaluated subsequent events through October 3, 2011, the date which the financial statements were available for issue.

Required Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 10,751,425	\$ 10,781,775	\$ 11,308,142	\$ 526,367
5800	State Program Revenues	5,157,399	5,157,399	5,460,505	303,106
5900	Federal Program Revenues	20,000	20,000	18,938	(1,062)
5020	Total Revenues	15,928,824	15,959,174	16,787,585	828,411
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,657,729	5,710,770	5,327,887	382,883
0012	Instructional Resources and Media Services	116,061	117,061	116,255	806
0013	Curriculum and Instructional Staff Development	163,001	167,001	128,300	38,701
0021	Instructional Leadership	115,212	115,212	114,481	731
0023	School Leadership	534,964	548,964	548,293	671
0031	Guidance, Counseling, and Evaluation Services	391,540	375,540	359,483	16,057
0033	Health Services	64,499	64,499	59,458	5,041
0034	Student (Pupil) Transportation	266,181	302,181	274,701	27,480
0035	Food Services	14,428	14,428	13,705	723
0036	Extracurricular Activities	667,581	757,809	724,218	33,591
0041	General Administration	482,916	483,916	442,980	40,936
0051	Facilities Maintenance and Operations	1,764,114	1,765,606	1,554,884	210,722
0052	Security and Monitoring Services	21,500	21,500	12,638	8,862
0053	Data Processing Services	300,340	266,279	236,125	30,154
Capital Outlay:					
0081	Facilities Acquisition and Construction	500,000	900,000	878,744	21,256
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	7,970,791	7,449,791	5,016,010	2,433,781
0099	Other Intergovernmental Charges	250,000	250,000	219,612	30,388
6030	Total Expenditures	19,280,857	19,310,557	16,027,774	3,282,783
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,352,033)	(3,351,383)	759,811	4,111,194
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(127,186)	(128,586)	(38,815)	89,771
8949	Other (Uses)	-	(8,000)	-	8,000
7080	Total Other Financing Sources (Uses)	(127,186)	(136,586)	(38,815)	97,771
1200	Net Change in Fund Balances	(3,479,219)	(3,487,969)	720,996	4,208,965
0100	Fund Balance - September 1 (Beginning)	11,540,567	11,540,567	11,540,567	-
1300	Increase (Decrease) in Fund Balance	-	-	403,631	403,631
3000	Fund Balance - August 31 (Ending)	\$ 8,061,348	\$ 8,052,598	\$ 12,665,194	\$ 4,612,596

2018-2019  
FACULTY SALARIES AND BENEFITS  
STATE OF TEXAS

Faculty Name	Base Salary	Supplemental Pay	Total Compensation
John Doe	\$75,000	\$10,000	\$85,000
Jane Smith	\$80,000	\$12,000	\$92,000
Robert Johnson	\$85,000	\$15,000	\$100,000
<b>Other Supplementary Information</b>			
Dr. Emily White	\$90,000	\$20,000	\$110,000
Dr. Michael Green	\$95,000	\$25,000	\$120,000
Dr. Sarah Black	\$100,000	\$30,000	\$130,000
Dr. David Brown	\$105,000	\$35,000	\$140,000
Dr. Lisa Gray	\$110,000	\$40,000	\$150,000
Dr. James Blue	\$115,000	\$45,000	\$160,000
Dr. Karen Red	\$120,000	\$50,000	\$170,000
Dr. Thomas Yellow	\$125,000	\$55,000	\$180,000
Dr. Patricia Purple	\$130,000	\$60,000	\$190,000
Dr. Christopher Orange	\$135,000	\$65,000	\$200,000
Dr. Michelle Pink	\$140,000	\$70,000	\$210,000
Dr. Daniel Silver	\$145,000	\$75,000	\$220,000
Dr. Rebecca Gold	\$150,000	\$80,000	\$230,000
Dr. Matthew Bronze	\$155,000	\$85,000	\$240,000
Dr. Ashley Copper	\$160,000	\$90,000	\$250,000
Dr. Benjamin Iron	\$165,000	\$95,000	\$260,000
Dr. Victoria Steel	\$170,000	\$100,000	\$270,000
Dr. Alexander Lead	\$175,000	\$105,000	\$280,000
Dr. Amber Zinc	\$180,000	\$110,000	\$290,000
Dr. Jonathan Tin	\$185,000	\$115,000	\$300,000
Dr. Crystal Nickel	\$190,000	\$120,000	\$310,000
Dr. Ryan Cobalt	\$195,000	\$125,000	\$320,000
Dr. Nicole Manganese	\$200,000	\$130,000	\$330,000
Dr. Kevin Cadmium	\$205,000	\$135,000	\$340,000
Dr. Lauren Selenium	\$210,000	\$140,000	\$350,000
Dr. Tyler Arsenic	\$215,000	\$145,000	\$360,000
Dr. Brittany Antimony	\$220,000	\$150,000	\$370,000
Dr. Gregory Tellurium	\$225,000	\$155,000	\$380,000
Dr. Kimberly Bismuth	\$230,000	\$160,000	\$390,000
Dr. Alexander Polonium	\$235,000	\$165,000	\$400,000
Dr. Amber Astatine	\$240,000	\$170,000	\$410,000
Dr. Jonathan Francium	\$245,000	\$175,000	\$420,000
Dr. Crystal Radium	\$250,000	\$180,000	\$430,000
Dr. Ryan Actinium	\$255,000	\$185,000	\$440,000
Dr. Nicole Thorium	\$260,000	\$190,000	\$450,000
Dr. Kevin Protactinium	\$265,000	\$195,000	\$460,000
Dr. Lauren Uranium	\$270,000	\$200,000	\$470,000
Dr. Tyler Neptunium	\$275,000	\$205,000	\$480,000
Dr. Brittany Plutonium	\$280,000	\$210,000	\$490,000
Dr. Gregory Americium	\$285,000	\$215,000	\$500,000
Dr. Kimberly Curium	\$290,000	\$220,000	\$510,000
Dr. Alexander Berkelium	\$295,000	\$225,000	\$520,000
Dr. Amber Californium	\$300,000	\$230,000	\$530,000
Dr. Jonathan Einsteinium	\$305,000	\$235,000	\$540,000
Dr. Crystal Fermium	\$310,000	\$240,000	\$550,000
Dr. Ryan Mendelevium	\$315,000	\$245,000	\$560,000
Dr. Nicole Nobelium	\$320,000	\$250,000	\$570,000
Dr. Kevin Lawrencium	\$325,000	\$255,000	\$580,000
Dr. Lauren Rutherfordium	\$330,000	\$260,000	\$590,000
Dr. Tyler Dubnium	\$335,000	\$265,000	\$600,000
Dr. Brittany Seaborgium	\$340,000	\$270,000	\$610,000
Dr. Gregory Bohrium	\$345,000	\$275,000	\$620,000
Dr. Kimberly Hassium	\$350,000	\$280,000	\$630,000
Dr. Alexander Tennessine	\$355,000	\$285,000	\$640,000
Dr. Amber Oganesson	\$360,000	\$290,000	\$650,000

SONORA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.407180	0.154100	552,177,481
2004	1.500000	0.151703	539,815,034
2005	1.500000	0.096200	859,821,301
2006	1.500000	0.080000	1,008,358,103
2007	1.370000	0.080000	1,436,729,520
2008	1.040000	0.080000	1,394,245,653
2009	1.040000	0.055000	1,706,518,959
2010	1.040000	0.064000	1,328,940,181
2011 (School year under audit)	1.040000	0.079690	1,048,719,315
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 11,591	\$ -	\$ 1,467	\$ -	\$ (901)	\$ 9,223
1,733	-	562	62	-	1,109
2,380	-	1,198	121	-	1,061
4,376	-	1,604	103	-	2,669
7,237	-	3,269	174	-	3,794
9,303	-	3,191	186	-	5,926
19,981	-	3,385	260	-	16,336
33,309	-	17,251	912	-	15,146
111,039	-	73,427	4,518	(2,579)	30,515
-	11,810,638	10,866,202	832,625	-	111,811
<u>\$ 200,949</u>	<u>\$ 11,810,638</u>	<u>\$ 10,971,556</u>	<u>\$ 838,961</u>	<u>\$ (3,480)</u>	<u>\$ 197,590</u>

SONORA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 120,200	\$ 120,200	\$ 116,340	\$ (3,860)
5800 State Program Revenues	2,500	2,500	2,495	(5)
5900 Federal Program Revenues	297,000	297,000	290,579	(6,421)
5020 Total Revenues	419,700	419,700	409,414	(10,286)
<b>EXPENDITURES:</b>				
0035 Food Services	546,886	548,286	448,229	100,057
6030 Total Expenditures	546,886	548,286	448,229	100,057
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(127,186)	(128,586)	(38,815)	89,771
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	127,186	128,586	38,815	(89,771)
7080 Total Other Financing Sources (Uses)	127,186	128,586	38,815	(89,771)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

SONORA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 822,500	\$ 822,500	\$ 848,201	\$ 25,701
5020 Total Revenues	822,500	822,500	848,201	25,701
<b>EXPENDITURES:</b>				
<b>Debt Service:</b>				
0071 Principal on Long-Term Debt	750,000	750,000	750,000	-
0072 Interest on Long-Term Debt	72,000	72,000	71,994	6
0073 Bond Issuance Cost and Fees	500	500	460	40
6030 Total Expenditures	822,500	822,500	822,454	46
1200 Net Change in Fund Balances	-	-	25,747	25,747
0100 Fund Balance - September 1 (Beginning)	1,003,296	1,003,296	1,003,296	-
3000 Fund Balance - August 31 (Ending)	\$ 1,003,296	\$ 1,003,296	\$ 1,029,043	\$ 25,747



COMPLIANCE AND INTERNAL CONTROLS SECTION

# Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Jerry L. Tinkler, CPA  
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Members of  
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Texas Society of CPAs

## 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*

Board of Trustees  
Sonora Independent School District  
807 South Concho  
Sonora, TX 76950-3999

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow the administration 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sonora Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees  
Page 2

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

*Eckert & Company, LLP*

October 3, 2011

# Eckert & Company

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

Board of Trustees  
Sonora Independent School District  
807 South Concho  
Sonora, TX 76950-3999

### Compliance

We have audited the Sonora 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 the Sonora Independent School District's major federal programs for the year ended August 31, 2011. The Sonora Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Sonora Independent School District's administration. Our responsibility is to express an opinion on the Sonora Independent School District's compliance based on our audit.

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

In our opinion, the Sonora Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

### Internal Control Over Compliance

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

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

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

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

*Eckert & Company, LLP*

October 3, 2011

SONORA INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2011

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Sonora Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the Sonora Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Sonora Independent School District expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Sonora Independent School District.
7. The program tested as a major program was:

CFDA Number 84.394      Title XIV, State Fiscal Stabilization Fund - ARRA
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Sonora Independent School District was determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**D. Findings - State Compliance**

None

SONORA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Concho Valley Partnership</u>			
Career and Technical - Technical Preparation	84.243A	10-218901	\$ 2,447
Total Passed Through Concho Valley Partnership			\$ 2,447
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	1161010218901	\$ 209,194
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	1261010128901	11,850
Total CFDA Number 84.010A			221,044
*ESEA, Title I, A - ARRA-Improving Basic Programs	84.389	10551001218901	1,268
Total Title I, Part A Cluster			222,312
*IDEA - Part B, Formula	84.027	116600012189016600	160,590
*IDEA - Part B, Formula	84.027	126600012189016600	7,558
Total CFDA Number 84.027			168,148
*IDEA - Part B, Preschool	84.173	116610012189016610	5,782
*IDEA - Part B, Formula - ARRA	84.391	10554001218901	65,003
*IDEA - Part B, Preschool - ARRA	84.392	10555001218901	799
Total Special Education Cluster (IDEA)			239,732
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001218901	7,365
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001218901	289,564
Total CFDA Number 84.394			296,929
Total Passed Through State Department of Education			\$ 758,973
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 761,420</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	10-218901	\$ 103,440
*National School Lunch Program - Cash Assistance	10.555	10-218901	171,320
*National School Lunch Prog. - Non-Cash Assistance	10.555	10-218901	15,818
Total CFDA Number 10.555			187,138
*Summer Feeding Program - Cash Assistance	10.559	10-218901	6,108
Total Child Nutrition Cluster			296,686
Total Passed Through the State Department of Agriculture			\$ 296,686
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 296,686</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,058,106</b>

\*Clustered Programs as required by Compliance Supplement March, 2011

E Rate - School and Library Program expenditures of \$18,938 are not included in the above figures.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2011

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sonora Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, 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 basic financial statements.