

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Annual Financial Report

Year Ended June 30, 2009

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CERTIFICATE OF THE BOARD

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT REAGAN 192-901

Name of School District County 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 June 30, 2009, at a meeting of the Board of Trustees of such School District

(Check One)

on the day of , 20 .

<*Signature on File with TEA*> <*Signature on File with TEA*>

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

A Limited Liability Partnership

Jerry L. Tinkler, CPA (325) 944-3571 Members of
 Michael E. Oliphant, CPA FAX: (325) 942-1093 American Institute of CPAs
 Calvin Featherston, CPA www.eckertandcompany.com Texas Society of CPAs
 Wayne Barr, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees

Reagan County Independent School District

1111 Twelfth Street

Big Lake, TX 76932-3599

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reagan County Independent School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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 Reagan County Independent School District as of June 30, 2009, 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 26, 2009, on our consideration of the Reagan County 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 34 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of the administration regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

2201 Sherwood Way, Suite 302 • P.O. Box 5821 • San Angelo, TX 76902

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Board of Trustees

Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reagan County Independent School District's basic financial statements. The required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Reagan County Independent School District. The required TEA schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The fund balance and cash flow calculation worksheet which is marked "Unaudited," has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on this schedule.

<Signature on File with TEA>

October 26, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

Our discussion and analysis of the Reagan County Independent School District's financial performance provides an overview of the

District's financial activities for the year ended June 30, 2009. 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 \$17,949,452 (net assets). Of this amount, \$8,256,563

(unrestricted net assets) may be used to meet the District's ongoing obligations.

The District's total net assets increased by \$2,253,247. This amount consists of a \$2,236,807 increase attributable to current year

operations and a \$16,440 increase attributable to prior period adjustments described in Note IV., I. to the financial statements. The

District's statement of activities shows total revenues of \$22,768,615 and total expenses of \$20,531,808.

The total unreserved fund balance of the General Fund was \$8,116,260 which was an increase of \$589,827 compared to the prior year.

The District's total debt decreased by \$1,777,427 as a net result of current year principal payments of \$1,849,463 and a new capital

lease of \$72,036 for computer acquisitions.

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.

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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, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis

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

| | | |
|---|---------------|---------------|
| Current and Other Assets | \$ 14,448,234 | \$ 21,174,018 |
| Capital Assets | 25,139,066 | 17,101,569 |
| Total Assets | \$ 39,587,300 | \$ 38,275,587 |
| Long-Term Liabilities Outstanding | \$ 14,540,962 | \$ 16,404,994 |
| Other Liabilities | 7,096,886 | 6,174,388 |
| Total Liabilities | \$ 21,637,848 | \$ 22,579,382 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | \$ 9,276,071 | \$ 7,636,428 |
| Restricted | 416,818 | 341,117 |
| Unrestricted | 8,256,563 | 7,718,660 |
| Total Net Assets | \$ 17,949,452 | \$ 15,696,205 |

NET ASSETS

Governmental Activities

June 30,

2009 2008

A large portion of the District's net assets (\$9,276,071) 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 (\$416,818) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,256,563) may be used to meet the District's ongoing obligations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net assets by \$2,236,807 and \$3,200,051 for the fiscal years ended June 30, 2009 and 2008, respectively. Key elements of these increases are as follows:

Revenues

Program Revenues

Charges for Services \$ 295,324 \$ 307,661

Operating Grants and Contributions 1,388,477 1,106,293

General Revenues

Maintenance and Operations Taxes 15,092,247 11,930,342

Debt Service Taxes 2,689,899 3,108,721

State Aid - Formula Grants 2,665,829 3,061,457

Grants and Contributions Not Restricted to Specific Programs 4,323 26,881

Investment Earnings 284,704 1,062,390

Other 347,812 77,786

Total Revenues \$ 22,768,615 \$ 20,681,531

Expenses

Instruction and Instructional-Related Services \$ 5,982,179 \$ 5,556,445

Instructional and School Leadership 648,353 695,698

Support Services - Student (Pupil) 1,784,142 1,609,370

Administrative Support Services 617,827 601,559

Support Services - Nonstudent Based 1,469,394 1,454,479

Ancillary Services 15,026 15,419

Debt Service 834,946 865,673

Intergovernmental Charges 9,179,941 6,682,837

Total Expenses \$ 20,531,808 \$ 17,481,480

Increase (Decrease) in Net Assets \$ 2,236,807 \$ 3,200,051

Net Assets - Beginning 15,696,205 12,339,797

Prior Period Adjustments 16,440 156,357

Net Assets - Ending \$ 17,949,452 \$ 15,696,205

CHANGES IN NET ASSETS

Governmental Activities

Year Ended June 30,

2009 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis - Continued

The above "Changes in Net Assets" reflects the following:

- The total cost of all governmental activities this year was \$20,531,808.

- Some costs, \$295,324, were recovered through charges for services from those who directly benefited from the programs.
- Other costs, \$1,388,477, were recovered through operating grants and contributions.
- The total net cost of all governmental activities this year (total cost less program revenues) was \$18,848,007.
- The amount paid by taxpayers for these activities through property taxes was \$17,782,146.
- The amount funded by net state revenues for these activities was \$2,670,152.
- The amount funded by investment earnings and miscellaneous local revenues was \$632,516.

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 unreserved 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 \$9,394,713, a decrease of \$7,570,917 in comparison with the prior year. Of this total amount \$8,143,638 constitutes unreserved fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various restricted purposes.

General Fund Budget

The original budget for the General Fund was \$18,312,153, and the final amended budget was \$18,895,528 which represents a \$583,375 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by a decrease in Instruction (\$271,500) and increases in Extracurricular Activities (\$172,500), Plant Maintenance and Operations (\$158,158), and Contracted Instructional Services Between Schools (\$382,706).

Capital Assets and Debt

Capital Assets - The District's investment in capital assets, net of depreciation, for its governmental type activities as of June 30, 2009 and 2008, was \$25,139,066 and \$17,101,569, respectively. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

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MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Capital Assets and Debt - Continued

Major additions during the current year included building additions and improvements.

| | | |
|----------------------------|---------------|---------------|
| Land | \$ 126,808 | \$ 126,808 |
| Buildings and Improvements | 8,749,045 | 3,131,722 |
| Furniture and Equipment | 1,231,240 | 1,342,947 |
| Construction in Progress | 15,031,973 | 12,500,092 |
| Totals | \$ 25,139,066 | \$ 17,101,569 |

CAPITAL ASSETS NET OF DEPRECIATION

Governmental Activities

June 30,
2009 2008

Long-Term Debt - As of June 30, 2009 and 2008, the District had total long-term debt outstanding of \$16,457,567 and \$18,234,994, respectively.

General Obligation Bonds \$ 16,404,994 \$ 18,234,994
Capital Leases 52,573 0
Totals \$ 16,457,567 \$ 18,234,994

LONG-TERM DEBT OUTSTANDING

Governmental Activities

August 31,
2009 2008

The District's total long-term debt decreased by \$1,777,427 during the current year. Long-term debt increased due to a capital lease of \$72,036 for the acquisition of computers and decreased due to scheduled principal payments of \$1,849,463.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Economic Factors and Next Year's Budget

The District has adopted a budget for the General Fund in the amount of \$20,857,928 for the fiscal year 2010, which is an increase of \$1,962,400 from the fiscal year 2009.

The District's assessed valuation for property taxes is \$1,493,435,762 for the fiscal year 2010, which is a decrease of \$169,026,036 from the fiscal year 2009.

The District's maintenance tax rate for property taxes is \$.97 for the fiscal year 2010, which is an increase of \$.044 from the fiscal year 2009.

The District's property tax levy for the General Fund is \$14,486,327 for the fiscal year 2010, which is a decrease of \$908,066 from the fiscal year 2009.

The District's current student enrollment is 773 for the fiscal year 2010, which is a decrease of 34 from the fiscal year 2009.

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: Marshall A. Harrison, Superintendent, Reagan County Independent School District, 1111 Twelfth Street, Big Lake, TX 76932-3599.

Basic Financial Statements

EXHIBIT A-1

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

Control

Data

Codes

Governmental

Activities

Primary Government

ASSETS

1110 Cash and Temporary Investments \$ 13,695,055

1220 Property Taxes Receivable (Delinquent) 506,371

1230 Allowance for Uncollectible Taxes (113,267)

1240 Due from Other Governments 349,620

1290 Other Receivables, Net 878

1410 Deferred Expenses 9,577

Capital Assets:

1510 Land 126,808

1520 Buildings, Net 8,749,045
1530 Furniture and Equipment, Net 1,231,240
1580 Construction in Progress 15,031,973
1000 Total Assets 39,587,300

LIABILITIES

2110 Accounts Payable 59,827
2140 Interest Payable 519,865
2150 Payroll Deductions and Withholdings 102,614
2160 Accrued Wages Payable 759,242
2180 Due to Other Governments 3,564,747
2300 Deferred Revenues 173,986

Noncurrent Liabilities

2501 Due Within One Year 1,916,605
2502 Due in More Than One Year 14,540,962
2000 Total Liabilities 21,637,848

NET ASSETS

3200 Invested in Capital Assets, Net of Related Debt 9,276,071
3850 Restricted for Debt Service 416,818
3900 Unrestricted Net Assets 8,256,563
3000 Total Net Assets \$ 17,949,452

11

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT EXHIBIT B-1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

Net (Expense)

Revenue and

Changes in Net

Data Program Revenues Assets

Control

Codes

1 3 4 6

Operating

Grants and

Contributions

Charges for

Expenses Services

Governmental

Activities

Primary Gov.

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction \$ 5,725,548 \$ 44,014 \$ 959,449 \$ (4,722,085)
12 Instructional Resources and Media Services 213,864 - 10,002 (203,862)
13 Curriculum and Instructional Staff Development 42,767 - 19,050 (23,717)
21 Instructional Leadership 145,738 - 14,044 (131,694)
23 School Leadership 502,615 - 20,207 (482,408)
31 Guidance, Counseling, and Evaluation Services 252,336 - 53,247 (199,089)
33 Health Services 43,545 - 2,380 (41,165)
34 Student (Pupil) Transportation 210,889 - 6,098 (204,791)
35 Food Services 384,720 107,845 235,411 (41,464)
36 Extracurricular Activities 892,652 31,426 21,188 (840,038)
41 General Administration 617,827 - 12,071 (605,756)
51 Plant Maintenance and Operations 1,355,458 112,039 32,207 (1,211,212)
52 Security and Monitoring Services 790 - - (790)
53 Data Processing Services 113,146 - 3,125 (110,021)
61 Community Services 15,026 - - (15,026)
72 Debt Service - Interest on Long-Term Debt 834,646 - - (834,646)

73 Debt Service - Bond Issuance Cost and Fees 300 - - (300)
91 Contracted Instructional Services Between Schools 9,179,941 - - (9,179,941)
[TP] TOTAL PRIMARY GOVERNMENT: \$ 20,531,808 \$ 295,324 \$ 1,388,477 (18,848,007)

Data

Control

Codes General Revenues:

Taxes:

MT Property Taxes, Levied for General Purposes 15,092,247

DT Property Taxes, Levied for Debt Service 2,689,899

SF State Aid - Formula Grants 2,665,829

GC Grants and Contributions not Restricted 4,323

IE Investment Earnings 284,704

MI Miscellaneous Local and Intermediate Revenue 347,812

TR Total General Revenues 21,084,814

Net Assets--Beginning

Change in Net Assets

Net Assets--Ending

Prior Period Adjustment

CN

NB

NE

PA

2,236,807

15,696,205

16,440

\$ 17,949,452

12

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

Control

Data

Codes General

Fund Fund

Debt Service

50

Projects

Capital

10 60

ASSETS

1110 Cash and Temporary Investments \$ 12,563,750 \$ 805,408 \$ 208,373

1220 Property Taxes - Delinquent 439,325 67,046 -

1230 Allowance for Uncollectible Taxes (Credit) (104,806) (8,461) -

1240 Due from Other Governments 93,711 7,364 -

1260 Due from Other Funds 330 - 244,928

1290 Other Receivables 878 - -

1410 Deferred Expenditures 9,577 - -

1000 Total Assets \$ 13,002,765 \$ 871,357 \$ 453,301

LIABILITIES AND FUND BALANCES

Liabilities:

2110 Accounts Payable \$ 42,347 \$ - \$ 14,668

2150 Payroll Deductions and Withholdings Payable 87,947 - -

2160 Accrued Wages Payable 682,958 - -

2170 Due to Other Funds - 330 -

2180 Due to Other Governments 3,564,747 - -

2300 Deferred Revenues 508,506 58,585 -

2000 Total Liabilities 4,886,505 58,915 14,668

Fund Balances:

Reserved For:

3420 Retirement of Long-Term Debt - 812,442 -

3470 Capital Acquisition Program - - 438,633

Unreserved Designated For:

3510 Construction 3,090,998 - -

3590 Other Purposes - - -

Unreserved and Undesignated:

3600 Reported in the General Fund 5,025,262 - -

3000 Total Fund Balances 8,116,260 812,442 438,633

4000 Total Liabilities and Fund Balances \$ 13,002,765 \$ 871,357 \$ 453,301

13

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

EXHIBIT C-1

Other

Funds Funds

Governmental

Total

\$ 117,524 \$ 13,695,055

- 506,371

- (113,267)

248,545 349,620

- 245,258

- 878

- 9,577

\$ 366,069 \$ 14,693,492

\$ 2,812 \$ 59,827

14,667 102,614

76,284 759,242

244,928 245,258

- 3,564,747

- 567,091

338,691 5,298,779

- 812,442

- 438,633

- 3,090,998

27,378 27,378

- 5,025,262

27,378 9,394,713

\$ 366,069 \$ 14,693,492

14

EXHIBIT C-2

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

JUNE 30, 2009

Total Fund Balances - Governmental Funds \$ 9,394,713

1 Capital assets used in governmental activities are not financial resources and, therefore, (1,526,766)

are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$26,435,506, and the accumulated depreciation was \$9,333,937. 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.

2 Current year capital outlays and long-term debt principal payments are expenditures in 10,385,967

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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.

3 The 2009 depreciation expense increases accumulated depreciation. The net effect of (625,531)

the current year's depreciation is to decrease net assets.

4 Various other reclassifications and eliminations are necessary to convert from the 321,069

modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of a capital lease as an increase in capital leases payable, 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.

19 Net Assets of Governmental Activities \$ 17,949,452

15

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

Control

Data

Codes Fund

General

10

Fund

Debt Service

50

Projects

Capital

60

REVENUES:

5700 Total Local and Intermediate Sources \$ 15,647,118 \$ 2,687,717 \$ 110,780

5800 State Program Revenues 3,015,037 - -

5900 Federal Program Revenues 5,471 - -

5020 Total Revenues 18,667,626 2,687,717 110,780

EXPENDITURES:

Current:

0011 Instruction 4,467,461 - 140,908

0012 Instructional Resources and Media Services 198,019 - -

0013 Curriculum and Instructional Staff Development 23,554 - -

0021 Instructional Leadership 125,548 - -

0023 School Leadership 460,801 - -

0031 Guidance, Counseling, and Evaluation Services 193,908 - -

0033 Health Services 39,836 - -

0034 Student (Pupil) Transportation 201,621 - -

0035 Food Services - - -

0036 Extracurricular Activities 850,161 - 15,032

0041 General Administration 590,123 - -

0051 Facilities Maintenance and Operations 1,459,659 - -

0052 Security and Monitoring Services 790 - -

0053 Data Processing Services 108,270 - -
 0061 Community Services 15,026 - -
 Debt Service:
 0071 Debt Service - Principal on Long-Term Debt 19,463 1,830,000 -
 0072 Debt Service - Interest on Long-Term Debt - 740,950 -
 0073 Debt Service - Bond Issuance Cost and Fees - 300 -
 Capital Outlay:
 0081 Facilities Acquisition and Construction 204,922 - 8,247,457
 Intergovernmental:
 0091 Contracted Instructional Services Between Schools 9,179,941 - -
 6030 Total Expenditures 18,139,103 2,571,250 8,403,397
 1100 Excess (Deficiency) of Revenues Over (Under)
 Expenditures
 528,523 116,467 (8,292,617)
 OTHER FINANCING SOURCES (USES):
 7913 Capital Leases 72,036 - -
 7915 Transfers In - - -
 8911 Transfers Out (Use) (60,000) - -
 7080 Total Other Financing Sources (Uses) 12,036 - -
 1200 Net Change in Fund Balances 540,559 116,467 (8,292,617)
 0100 Fund Balance - July 1 (Beginning) 7,526,433 695,975 8,731,250
 1300 Increase (Decrease) in Fund Balance 49,268 - -
 3000 Fund Balance - June 30 (Ending) \$ 8,116,260 \$ 812,442 \$ 438,633
 16

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

EXHIBIT C-3

Other

Funds Funds

Governmental

Total

\$ 128,607 \$ 18,574,222
 124,482 3,139,519
 913,639 919,110
 1,166,728 22,632,851
 745,283 5,353,652
 - 198,019
 18,510 42,064
 8,622 134,170
 - 460,801
 40,248 234,156
 - 39,836
 - 201,621
 384,720 384,720
 13,939 879,132
 - 590,123
 - 1,459,659
 - 790
 - 108,270
 - 15,026
 - 1,849,463
 - 740,950
 - 300
 - 8,452,379
 - 9,179,941
 1,211,322 30,325,072
 (44,594) (7,692,221)
 - 72,036
 60,000 60,000
 - (60,000)
 60,000 72,036

15,406 (7,620,185)
11,972 16,965,630
- 49,268
\$ 27,378 \$ 9,394,713

17

EXHIBIT C-4

REAGAN COUNTY 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 JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds \$ (7,620,185)

Current year capital outlays and long-term debt principal payments are expenditures in 10,418,795

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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.

Depreciation is not recognized as an expense in governmental funds since it does not (625,531)

require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.

Various other reclassifications and eliminations are necessary to convert from the 63,728

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, eliminating interfund transactions, reclassifying the proceeds of capital leases, 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.

Change in Net Assets of Governmental Activities \$ 2,236,807

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

EXHIBIT D-1

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

Agency

Fund

ASSETS

Cash and Temporary Investments \$ 29,543

Total Assets \$ 29,543

LIABILITIES

Due to Student Groups \$ 29,543

Total Liabilities \$ 29,543

19

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

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reagan County 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 Reagan County 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

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

the current period. Expenditures generally are recorded when a liability is incurred, as under accrual 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in

the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the

Governmental Accounting Standards Board.

The government reports the following major governmental funds:

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.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on longterm

general obligation debt of governmental funds.

The Capital Projects Funds account for proceeds from sales of bonds and other revenues to be used for authorized

construction.

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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

Assets Years

Buildings and Improvements 10-40

Vehicles 7-10

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 any applicable bond premium or discount.

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

On retirement or death of employees, the District pays any accrued state personal leave in a lump sum cash payment to such

employee or his/her estate subject to certain requirements.

A liability for these amounts is reported in governmental funds only if they have matured as a result of

employee
resignations and retirements.

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Fund Equity

Fund equity is presented in the fund financial statements as follows:

The unreserved, undesignated fund balances for governmental fund types represent the amount available for

budgeting future operations.

The reserved fund balances represent amounts which are not available for appropriation or which have been legally

separated for a specific purpose.

The designated fund balances represent tentative plans of the Board of Trustees for the future use of financial

resources.

K. 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.

L. 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 June 20 of the preceding

fiscal year for the subsequent fiscal year beginning July 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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued
June 30, 2009

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

A. Budget - Continued

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 and the Capital

Projects 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.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in the following function:

General Fund

Facilities Acquisition and Construction \$ 13,922

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 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.

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS – Continued

A. Deposits and Investments - Continued

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 June 30, 2009, all of the District's investments are in external investment pools or certificates of deposit with its depository bank. The certificates of deposit are completely covered by pledged securities as described in the preceding paragraph.

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

June 30, 2009, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

The carrying amount of the District's cash and temporary investments at June 30, 2009, approximates fair value and

consisted of the following:

Cash in Bank \$ 8,123,990

Lone Star Investment Pool 308,443

TexPool 4,042,350

TexSTAR 1,245,706

TexasTERM Local Government Investment Pool 4,109

Total Cash and Temporary Investments \$ 13,724,598

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:

General Fund \$ 51,126 \$ 0 \$ 42,585 \$ 93,711

Special Revenue Funds 86 248,459 0 248,545

Debt Service Fund 0 0 7,364 7,364

Totals \$ 51,212 \$ 248,459 \$ 49,949 \$ 349,620

Other Total

State

Entitlements

Federal

Grants

25

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued
June 30, 2009

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:

Purpose

General Fund

Major Debt Service Fund \$ 330 \$ 0 Reallocation of Tax Receipts

Major Capital Projects Fund

Nonmajor Governmental Funds 244,928 0 Reimbursement for Expenditures

Major Debt Service Fund

General Fund 0 330 Reallocation of Tax Receipts

Nonmajor Governmental Funds

Major Capital Projects Fund 0 244,928 Reimbursement for Expenditures

Totals \$ 245,258 \$ 245,258

Due From Due To

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

2. Interfund transfers consist of the following:

Purpose

Nonmajor Governmental Funds \$ 60,000 To Cover Fund Deficit

Transfers From Transfers To Amount

General Fund

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

Governmental Activities

Capital Assets

Land \$ 126,808 \$ 0 \$ 0 \$ 126,808

Buildings and Improvements 11,286,279 5,997,615 0 17,283,894

Furniture and Equipment 2,522,327 133,532 0 2,655,859

Construction in Progress 12,500,092 8,277,041 5,745,160 15,031,973

Total Capital Assets \$ 26,435,506 \$ 14,408,188 \$ 5,745,160 \$ 35,098,534

Less Accumulated Depreciation

Buildings and Improvements \$ (8,154,557) \$ (380,292) \$ 0 \$ (8,534,849)

Furniture and Equipment (1,179,380) (245,239) 0 (1,424,619)

Total Accumulated Depreciation \$ (9,333,937) \$ (625,531) \$ 0 \$ (9,959,468)

Governmental Activities Capital Assets, Net \$ 17,101,569 \$ 13,782,657 \$ 5,745,160 \$ 25,139,066

Deletions

Ending

Balance

Beginning

Balance Additions

Depreciation expense was charged to governmental activities functions as follows:

Instruction \$ 387,684

Instructional Resources and Media Services 15,845

Curriculum and Instructional Staff Development 703

Instructional Leadership 11,568

School Leadership 41,814

Guidance, Counseling, and Evaluation Services 18,180

Health Services 3,709

Student (Pupil) Transportation 9,268

Cocurricular/Extracurricular Activities 45,838

General Administration 27,704
Plant Maintenance and Operations 58,342
Data Processing Services 4,876
Total \$ 625,531

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Revenues

Deferred revenues at year end consisted of the following:

Net Delinquent Taxes Receivable \$ 334,520 \$ 58,585 \$ 393,105

State Grants 173,986 0 173,986

Totals \$ 508,506 \$ 58,585 \$ 567,091

Debt

Service

Total

General

Fund Fund

F. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of June 30,

2009, as follows:

\$ 4,748

4,748

Total Minimum Rentals \$ 9,496

2011

Year Ending

June 30,

2010

Rental expenditures during the year ended June 30, 2009, were \$13,009.

G. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

General Obligation Bonds \$ 18,234,994 \$ 0 \$ 1,830,000 \$ 16,404,994 \$ 1,900,000

Capital Lease 0 72,036 19,463 52,573 16,605

Totals \$ 18,234,994 \$ 72,036 \$ 1,849,463 \$ 16,457,567 \$ 1,916,605

One Year

Due Within

Balance

Beginning Ending

Balance Additions Reductions

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Long-Term Debt - Continued

The District's outstanding bond issue is as follows:

Reagan County Independent School District Unlimited Tax School Building Bonds, Series 2007. Issued for school building construction and improvements in the original amount of \$19,994,994. The issue consisted of \$19,815,000 of current interest bonds and \$179,994 of premium capital appreciation bonds. Due in variable installments through February 15, 2027, with interest rates of 4% to 4.375%. \$ 16,404,994

The District's outstanding capital lease payable is as follows:

Capital lease to finance the acquisition of computers as authorized by Texas Education Code, Section 271. This lease agreement qualifies as a capital lease for accounting

purposes and is payable from the General Fund with an interest rate of 5.44%. \$ 52,573

The combined annual debt service requirements are as follows:

Year Ending

June 30,

2010 \$ 1,900,000 \$ 667,750 \$ 16,605 \$ 2,858 \$ 2,587,213

2011 179,994 1,066,756 17,508 1,956 1,266,214

2012 655,000 591,750 18,460 1,005 1,266,215

2013 680,000 565,550 0 0 1,245,550

2014 705,000 538,350 0 0 1,243,350

2015-2019 3,985,000 2,244,550 0 0 6,229,550

2020-2024 4,860,000 1,368,037 0 0 6,228,037

2025-2027 3,440,000 300,919 0 0 3,740,919

Totals \$ 16,404,994 \$ 7,343,662 \$ 52,573 \$ 5,819 \$ 23,807,048

General Obligation Bonds

Principal Interest Principal Interest Total

Capital Lease

Part of the issue includes \$179,994 of Premium Capital Appreciation Bonds. These bonds are not subject to redemption at

the option of the issuer prior to their February 15, 2011, maturity. Accreted premium and interest totaling \$655,000 is

payable at maturity. The interest rate is 3.92%. Premium and interest is accreted annually per the following schedule and is

reported as part of accrued interest payable on the statement of net assets.

Year Ending

June 30,

2007 \$ 6,335 \$ 26,493 \$ 32,828

2008 21,889 91,537 146,254

2009 23,418 97,932 267,604

2010 24,345 101,809 393,758

2011 15,679 65,569 475,006

Accreted

Value Accretion

Interest Accumulated

Accretion

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Outstanding Encumbrances

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

I. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

Property Taxes \$ 15,024,038 \$ 2,676,953 \$ 0 \$ 0 \$ 17,700,991

Tuition and Fees 1,650 0 0 0 1,650

Other Local Sources 590,004 10,764 110,780 5,473 717,021

Cocurricular, Enterprising Services,
or Activities 31,426 0 0 123,134 154,560

Totals \$ 15,647,118 \$ 2,687,717 \$ 110,780 \$ 128,607 \$ 18,574,222

Fund Fund

Projects

Fund Funds Total

Other

Capital

General

Debt

Service

J. General Fund Federal Source Revenues

CFDA

Program or Source Number

E Rate-School and Library Program 32.000 \$ 5,471

Amount

IV. OTHER INFORMATION

A. Pension Plan Obligations

Plan Description - The Reagan County 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.trs.state.tx.us, under the TRS Publications heading.

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

IV. OTHER INFORMATION - Continued

A. Pension Plan Obligations - Continued

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

of 6.4% for fiscal years 2009, 2008, and 2007 and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6%

for fiscal year 2007. In certain instances the District is required to make all or a portion of the state's 6.58% contribution for

fiscal years 2009 and 2008 and 6% for fiscal year 2007. State contributions to TRS made on behalf of the

Reagan County Independent School District's employees for the years ended June 30, 2009, 2008, and 2007, were \$337,226, \$365,647, and \$307,538, respectively. The District paid additional state contributions for the years ended June 30, 2009, 2008, and 2007, in the amount of \$92,169, \$56,587, and \$63,638, respectively, on the portion of the employees' salaries that exceeded the statutory minimum or that were paid from federal or private 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 \$13,130, \$14,314, and \$11,342 for the years ended June 30, 2009, 2008, and 2007, respectively. The total on-behalf payments made by the State of Texas and the federal government amounted to \$350,356, \$379,961, and \$318,880 for the years ended June 30, 2009, 2008, and 2007, respectively.

B. Retiree Health Plan

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

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$57,019, \$57,745, and \$53,920, respectively, the active member

contributions were \$37,063, \$37,534, and \$35,048, respectively, and the District's contributions were \$31,360, \$31,760, and \$29,656, respectively, which equaled the required contributions each year.

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

IV. OTHER INFORMATION - Continued

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 2009, 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.

D. Health Care Coverage

During the year ended June 30, 2009, 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 \$354 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 Casualty Coverage

During the year ended June 30, 2009, the District participated in the Texas Association of Public Schools Property and

Liability Fund's (the Fund's) Property Casualty Program with coverage in general liability, property, 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 Property

Casualty Program. 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 June 30, 2009, 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, 2008, are available at the TAPS' offices.

F. Unemployment Compensation Coverage

During the year ended June 30, 2009, 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 each month 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 Unemployment Compensation pool members.

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, 2008, are available at the TASB's offices.

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements - Continued

June 30, 2009

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance

During the year ended June 30, 2009, 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 \$750,000. The Fund uses the services of an independent

actuary to determine reserve adequacy and fully funds those reserves. As of June 30, 2009, the Fund carries a discounted

reserve of \$5,759,000 for future development on reported claims and claims that have been incurred but not yet reported.

For the year ended June 30, 2009, 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, 2008, 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. Adjustments to Fund Balance/Net Assets

Adjustment to Fund Balance

The fund balance in the General Fund was increased by \$49,268 to remove a liability for a refund of state payments that was determined not to be required.

Adjustment to Invested in Capital Assets, Net of Related Debt

Accrued interest was decreased by \$32,828 to correct an error in the prior year's calculation.

Required Supplementary Information

EXHIBIT E-1

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Control

Data

Codes

Original Final

(GAAP BASIS)

(Negative)

Positive or

Final Budget

Actual Amounts Variance With

Budgeted Amounts

REVENUES:

5700 Total Local and Intermediate Sources \$ 15,106,748 \$ 15,625,417 \$ 15,647,118 \$ 21,701

5800 State Program Revenues 3,173,662 3,238,368 3,015,037 (223,331)

5900 Federal Program Revenues 31,743 31,743 5,471 (26,272)

5020 Total Revenues 18,312,153 18,895,528 18,667,626 (227,902)

EXPENDITURES:

Current:

0011 Instruction 4,814,512 4,543,012 4,467,461 75,551

0012 Instructional Resources and Media Services 222,520 223,031 198,019 25,012

0013 Curriculum and Instructional Staff Development 176,946 88,946 23,554 65,392

0021 Instructional Leadership 124,986 149,986 125,548 24,438

0023 School Leadership 468,087 483,087 460,801 22,286

0031 Guidance, Counseling, and Evaluation Services 268,269 268,269 193,908 74,361

0033 Health Services 50,477 60,477 39,836 20,641

0034 Student (Pupil) Transportation 245,702 245,702 201,621 44,081

0036 Extracurricular Activities 715,688 888,188 850,161 38,027

0041 General Administration 586,269 660,269 590,123 70,146

0051 Facilities Maintenance and Operations 1,463,494 1,621,652 1,459,659 161,993

0052 Security and Monitoring Services 3,000 3,000 790 2,210

0053 Data Processing Services 123,168 148,168 108,270 39,898

0061 Community Services 19,800 29,800 15,026 14,774

Debt Service:

0071 Debt Service - Principal on Long-Term Debt 1,000 30,000 19,463 10,537

0072 Debt Service - Interest on Long-Term Debt - 1,000 - 1,000

Capital Outlay:

0081 Facilities Acquisition and Construction 171,000 191,000 204,922 (13,922)

Intergovernmental:

0091 Contracted Instructional Services Between Schools 8,797,235 9,179,941 9,179,941 -

6030 Total Expenditures 18,252,153 18,815,528 18,139,103 676,425

1100 Excess (Deficiency) of Revenues Over (Under)

Expenditures

60,000 80,000 528,523 448,523

OTHER FINANCING SOURCES (USES):

7913 Capital Leases - - 72,036 72,036

8911 Transfers Out (Use) (60,000) (80,000) (60,000) 20,000

7080 Total Other Financing Sources (Uses) (60,000) (80,000) 12,036 92,036

1200 Net Change in Fund Balances - - 540,559 540,559

0100 Fund Balance - July 1 (Beginning) 7,526,433 7,526,433 7,526,433 -

1300 Increase (Decrease) in Fund Balance - - 49,268 49,268

3000 Fund Balance - June 30 (Ending) \$ 7,526,433 \$ 7,526,433 \$ 8,116,260 \$ 589,827

34

Required TEA Schedules

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FISCAL YEAR ENDED JUNE 30, 2009

Last 10 Years Tax Rates

Maintenance Debt Service Tax Purposes

Value for School

Assessed/Appraised

(1) (2) (3)

2000 and prior years Various Various \$ Various

2001 1.384500 0.000000 354,357,707

2002 1.460000 0.000000 492,214,887

2003 1.500000 0.000000 441,245,219

2004 1.500000 0.000000 440,049,874

2005 1.500000 0.000000 589,847,945

2006 1.330000 0.170000 791,019,404

2007 1.210000 0.160000 1,141,259,591

2008 0.920000 0.240000 1,315,961,402

2009 (School year under audit) 0.926000 0.165000 1,662,461,798

1000 TOTALS

*Includes \$395,829 of discount for early payment reduced by \$109,598 of other adjustments.

35

EXHIBIT F-1

7/1/2008

Balance

Beginning

Total Levy

Year's

Current

(10) (20) (50)

Ending

Balance

6/30/2009

(40)

Entire

Year's

Adjustments

(31)

Maintenance

Collections

(32)

Debt Service

Collections

\$ 40,172 \$ - \$ 479 \$ - \$ (22) \$ 39,671

2,477 - 204 - (2) 2,271

17,902 - 613 - (2) 17,287

3,943 - 714 - (2) 3,227

7,662 - 1,106 - (2) 6,554
 12,925 - 4,045 - 23 8,903
 20,283 - 3,149 402 (283) 16,449
 71,152 - 15,747 2,082 (6,316) 47,007
 169,857 - 40,397 10,538 (38,243) 80,679
 - 18,137,458 14,910,130 2,656,774 (286,231)* 284,323
 \$ 346,373 \$ 18,137,458 \$ 14,976,584 \$ 2,669,796 \$ (331,080) \$ 506,371

36

EXHIBIT F-2

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

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

Account

Number Board

School

(702)

Collections

Tax

(703)

Office

Supt's

(701)

1 2 3 4

(750)

Indirect

Cost

5

(720)

Direct

Cost

6

(other)

Miscellaneous

7

Total

Account

Name

611X-6146 PAYROLL COSTS \$ - \$ - \$ 164,548 \$ 173,643 \$ - \$ - \$ 338,191

Leave for Separating - - - - -

Employees in Fn 41 & 53

6149

Leave - Separating Employees - - - - -

not in 41 & 53

6149

6211 Legal Services - - 23,849 - - - 23,849

6212 Audit Services - - - 26,181 - - 26,181

Tax Appraisal/Collection - - 166,622 - - - 166,622

Appraisal in Fn 99

6213

621X Other Professional Services 4,457 - 4,100 1,020 - - 9,577

6220 Tuition and Transfer Payments - - - - -

6230 Education Service Centers - - 483 - - - 483

6240 Contr. Maint. and Repair - - - - 50,401 - 50,401

6250 Utilities - - - - -

6260 Rentals - - - - -

6290 Miscellaneous Contr. - - - - -

6320 Textbooks and Reading - - - - -

6330 Testing Materials - - - - -

63XX Other Supplies Materials 5,049 - 1,231 16,907 - - 23,187

6410 Travel, Subsistence, Stipends 10,984 - 9,050 12,239 -- 32,273
6420 Ins. and Bonding Costs - - - 4,849 - - 4,849
6430 Election Costs 4,308 - - - - - 4,308
6490 Miscellaneous Operating 1,625 - 4,132 12,715 - - 18,472
6500 Debt Service - - - - - -
6600 Capital Outlay - - - - - -
6000 TOTAL \$ 26,423 \$ 166,622 \$ 207,393 \$ 247,554 \$ 50,401 \$ - \$ 698,393
Total expenditures/expenses for General and Special Revenue Funds: 19,278,391
LESS: Deductions of Unallowable Costs
Total Capital Outlay (6600) (10) 415,571
Total Debt & Lease(6500)
Plant Maintenance (Function 51, 6100-6400)
Food (Function 35, 6341 and 6499)
Stipends (6413)
Column 4 (above) - Total Indirect Cost
SubTotal:
Net Allowed Direct Cost
Total Cost of Buildings before Depreciation (1520)
Historical Cost of Building over 50 years old
Amount of Federal Money in Building Cost (Net of #16)
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)
(8) NOTE A:
(11) 24,211
(12) 1,297,116
(13) 171,379
(14) -
247,554
2,155,831
17,122,560
(15) 17,283,894
(16) 4,386,910
(17) -
(18) 2,655,858

\$108,270 in Function 53 expenditures are included in this report on administrative costs.

\$
\$
\$
\$
\$
\$\$

(9)
Historical Cost of Furniture & Equipment over 16 years old (19) \$ 70,157
Amount of Federal Money in Furniture & Equipment (Net of #19) (20) \$ -

FISCAL YEAR
CUMULATIVE

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.
37

EXHIBIT F-3
REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED JUNE 30, 2009

UNAUDITED

Total General Fund Balance as of 6/30/09 (Exhibit C-1 object 3000 for the General Fund Only)
1 \$ 8,116,260
Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)
2 \$ -
Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)
3 3,090,998
4 Estimated amount needed to cover fall cash flow deficits in the

General Fund (Net of borrowed funds and funds representing deferred revenues.)

1,906,000

5 Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).

953,000

6

Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9) 5,949,998

11 Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)

2,166,262

The District will use a portion of the fund balance to complete a renovation of facilities, and the balance will be maintained for any unforeseen circumstances.

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

\$

10

7

8

9

Estimate of delayed payments from state sources (58xx) including August payment delays

-

Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.

-

Estimate of delayed payments from federal sources (59xx) - Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)

-

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EXHIBIT F-4

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2009

Control

Data

Codes

Original Final
(GAAP BASIS)

(Negative)

Positive or

Final Budget

Actual Amounts Variance With

Budgeted Amounts

REVENUES:

5700 Total Local and Intermediate Sources \$ 113,000 \$ 113,000 \$ 107,845 \$ (5,155)

5800 State Program Revenues 2,150 2,150 3,394 1,244

5900 Federal Program Revenues 141,025 206,025 227,970 21,945

5020 Total Revenues 256,175 321,175 339,209 18,034

EXPENDITURES:

0035 Food Services 316,175 401,175 381,908 19,267

6030 Total Expenditures 316,175 401,175 381,908 19,267

1100 Excess (Deficiency) of Revenues Over (Under)
Expenditures
(60,000) (80,000) (42,699) 37,301
OTHER FINANCING SOURCES (USES):
7915 Transfers In 60,000 80,000 60,000 (20,000)
7080 Total Other Financing Sources (Uses) 60,000 80,000 60,000 (20,000)
1200 Net Change in Fund Balances - - 17,301 17,301
0100 Fund Balance - July 1 (Beginning) - - -
3000 Fund Balance - June 30 (Ending) \$ - \$ - \$ 17,301 \$ 17,301
39

EXHIBIT F-5

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2009

Control

Data

Codes

Original Final

(GAAP BASIS)

(Negative)

Positive or

Final Budget

Actual Amounts Variance With

Budgeted Amounts

REVENUES:

5700 Total Local and Intermediate Sources \$ 2,570,950 \$ 2,571,950 \$ 2,687,717 \$ 115,767

5020 Total Revenues 2,570,950 2,571,950 2,687,717 115,767

EXPENDITURES:

Debt Service:

0071 Debt Service - Principal on Long-Term Debt 2,570,950 1,830,000 1,830,000 -

0072 Debt Service - Interest on Long-Term Debt - 740,950 740,950 -

0073 Debt Service - Bond Issuance Cost and Fees - 1,000 300 700

6030 Total Expenditures 2,570,950 2,571,950 2,571,250 700

1200 Net Change in Fund Balances - - 116,467 116,467

0100 Fund Balance - July 1 (Beginning) 695,975 695,975 695,975 -

3000 Fund Balance - June 30 (Ending) \$ 695,975 \$ 695,975 \$ 812,442 \$ 116,467

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COMPLIANCE AND INTERNAL CONTROLS SECTION

A Limited Liability Partnership

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Wayne Barr, CPA

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

Reagan County Independent School District

1111 Twelfth Street

Big Lake, TX 76932-3599

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund

information of the Reagan County Independent School District as of and for the year ended June 30, 2009, which collectively comprise

the District's basic financial statements and have issued our report thereon dated October 26, 2009. 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 Reagan County 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 Reagan County Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Reagan County Independent School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reagan County 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*.

2201 Sherwood Way, Suite 302 • P.O. Box 5821 • San Angelo, TX 76902

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Board of Trustees

Page 2

We noted one matter that we reported to the administration of the Reagan County Independent School District in a separate letter dated October 26, 2009.

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.

<Signature on File with TEA>

October 26, 2009

A Limited Liability Partnership

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Wayne Barr, CPA

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

Board of Trustees

Reagan County Independent School District

1111 Twelfth Street

Big Lake, TX 76932-3599

Compliance

We have audited the compliance of the Reagan County Independent School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Reagan County 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 Reagan County Independent School District's administration. Our responsibility is to express an opinion on the Reagan County 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 Reagan County 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 Reagan County Independent School District's compliance with those requirements. In our opinion, the Reagan County Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The administration of the Reagan County 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 Reagan County Independent School District's internal control

over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

2201 Sherwood Way, Suite 302 • P.O. Box 5821 • San Angelo, TX 76902

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Board of Trustees

Page 2

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

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

This report is intended solely for the information and use of the 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.

<Signature on File with TEA>

October 26, 2009

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Reagan County 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 Reagan County 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 disclosed during the audit of the major federal award programs are reported in the Report on

Compliance with Requirements Applicable to 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 Reagan County 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 Reagan County Independent School District.

7. The programs tested as major programs included:

Child Nutrition Cluster

CFDA Number 10.559 Summer Feeding Program - Cash Assistance

CFDA Number 10.553 School Breakfast Program

CFDA Number 10.555 National School Lunch Program - Cash Assistance

CFDA Number 10.555 National School Lunch Program - Non-Cash Assistance

8. The threshold for distinguishing Types A and B programs was \$300,000.

9. The Reagan County 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

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EXHIBIT G-1

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

(1)

Federal

Entity Identifying

(4)

Number

CFDA

Expenditures

Federal

Number

(2) (3)

FEDERAL GRANTOR/

PASS-THROUGH GRANTOR/

PROGRAM or CLUSTER TITLE

Pass-Through

FEDERAL COMMUNICATIONS COMMISSION

Direct Programs

E Rate-School and Library Program 32.000 09-192901 \$ 5,471

Total Direct Programs \$ 5,471

TOTAL FEDERAL COMMUNICATIONS COMMISSION \$ 5,471

U.S. DEPARTMENT OF EDUCATION

Direct Programs

Rural Education Achievement Program 84.358A S358A083936 \$ 11,862

Total Direct Programs \$ 11,862

Passed Through State Department of Education

ESEA, Title I, Part A - Improving Basic Programs 84.010A 09-610101192901 \$ 164,942

IDEA - Part B, Formula 84.027 09-6600011929016600 202,329

Career and Technical - Basic Grant 84.048 09-420006192901 7,189
IDEA - Part B, Preschool 84.173 09-6610011929016610 10,091
Title II, Part D-Enhancing Ed. Through Technology 84.318X 09-630001192901 1,517
ESEA, Title II, Part A-Teacher/Principal Training 84.367A 09-694501192901 39,999
ARRA of 2009, Title XIV, State Stabilization Fund 84.394 10557001192901 244,928
Total Passed Through State Department of Education \$ 670,995
TOTAL DEPARTMENT OF EDUCATION \$ 682,857

U.S. DEPARTMENT OF AGRICULTURE

Passed Through State Dept of Health and Human Svcs
Summer Feeding Program - Cash Assistance* 10.559 09-192901 \$ 2,812
Total Passed Through State Dept of Health and Human Svcs \$ 2,812
Passed Through the State Department of Agriculture
School Breakfast Program* 10.553 09-192901 \$ 65,177
National School Lunch Program - Cash Assistance* 10.555 09-192901 146,614
National School Lunch Prog. - Non-Cash Assistance* 10.555 09-192901 16,179
Total CFDA Number 10.555 162,793
Total Passed Through the State Department of Agriculture \$ 227,970
TOTAL DEPARTMENT OF AGRICULTURE \$ 230,782

TOTAL EXPENDITURES OF FEDERAL AWARDS \$ 919,110

*Clustered Programs as required by Compliance Supplement March, 2009

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REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2009

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Reagan County

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.