

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended June 30, 2011

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FINANCIAL SECTION



A Limited Liability Partnership

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

(325) 944-3571
FAX: (325) 942-1093
www.eckertandcompany.com

Members of
American Institute of CPAs
Texas Society of CPAs

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administration. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Reagan County Independent School District as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the administration regarding the methods of preparing the information and comparing the information for consistency with the administration's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

<Signature on File with TEA>

October 17, 2011

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, 2011. It should be read in conjunction with the District's basic financial statements and independent auditors' report.

Financial Highlights

The District's assets exceeded its liabilities at the end of the current year by \$21,021,541 (net assets). Of this amount, \$5,015,337 (unrestricted net assets) may be used to meet the District's ongoing obligations.

The District's total net assets increased by \$1,527,622 or 8%. This amount consists of a \$1,894,467 increase attributable to current year operations and a \$366,845 decrease attributable to prior period adjustments described in Note IV., I. to the financial statements. The District's statement of activities shows total revenues of \$22,609,449 and total expenses of 20,714,982.

The total fund balance of the General Fund was \$4,960,797 which was an increase of \$279,367 or 6% compared to the prior year.

Overview of the Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Overview of the Financial Statements - Continued

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

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

The District has no component units.

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis

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

NET ASSETS

	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 10,042,970	\$ 8,156,003
Capital Assets	<u>33,345,449</u>	<u>29,033,948</u>
Total Assets	<u>\$ 43,388,419</u>	<u>\$ 37,189,951</u>
Long-Term Liabilities Outstanding	\$ 18,760,686	\$ 14,540,962
Other Liabilities	<u>3,606,192</u>	<u>3,155,070</u>
Total Liabilities	<u>\$ 22,366,878</u>	<u>\$ 17,696,032</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 15,027,042	\$ 14,659,452
Restricted	979,162	0
Unrestricted	<u>5,015,337</u>	<u>4,834,467</u>
Total Net Assets	<u>\$ 21,021,541</u>	<u>\$ 19,493,919</u>

A large portion of the District's net assets (\$15,027,042) 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 (\$979,162) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,015,337) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net assets by \$1,894,467 and \$1,431,300 for the fiscal years ended June 30, 2011 and 2010, respectively. Key elements of these increases are as follows:

CHANGES IN NET ASSETS

	Governmental Activities	
	Year Ended June 30,	
	2011	2010
Revenues		
Program Revenues		
Charges for Services	\$ 307,622	\$ 265,559
Operating Grants and Contributions	1,457,626	1,303,228
General Revenues		
Maintenance and Operations Taxes	16,379,715	14,139,932
Debt Service Taxes	2,611,701	2,409,449
State Aid - Formula Grants	1,624,919	2,873,947
Grants and Contributions Not Restricted to Specific Programs	771	2,594
Investment Earnings	42,587	32,207
Other	184,508	149,005
Total Revenues	\$ 22,609,449	\$ 21,175,921
Expenses		
Instruction and Instructional-Related Services	\$ 5,930,402	\$ 5,920,346
Instructional and School Leadership	577,305	722,384
Support Services - Student (Pupil)	2,116,114	1,705,845
Administrative Support Services	456,188	502,082
Support Services - Nonstudent Based	1,507,582	1,581,023
Ancillary Services	16,340	14,913
Debt Service	751,526	947,836
Intergovernmental Charges	9,359,525	8,350,192
Total Expenses	\$ 20,714,982	\$ 19,744,621
Increase (Decrease) in Net Assets	\$ 1,894,467	\$ 1,431,300
Net Assets - Beginning	19,493,919	17,949,452
Prior Period Adjustments	(366,845)	113,167
Net Assets - Ending	\$ 21,021,541	\$ 19,493,919

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Financial Analysis of the District's Funds

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

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

The District's governmental funds reported combined ending fund balances of \$6,166,464, an increase of \$787,981 or 15% in comparison with the prior year. This fund balance is reported in various governmental funds as follows:

General Fund \$4,960,797. Of this balance \$100,436 is committed for future construction and equipment purchases, and \$1,202 is nonspendable prepaid expenditures.

Special Revenue Funds \$20,931. Of this balance \$7,936 is restricted for use in the Food Service Fund, and \$12,995 is committed for campus activities.

Debt Service Fund \$1,184,736. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$18,082,436, and the final amended budget was \$18,972,581 which represents a \$890,145 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by increases in Facilities Acquisition and Construction (\$350,000) and Contracted Instructional Services Between Schools (\$380,000).

The District has adopted a budget for the General Fund in the amount of \$19,112,111 for the fiscal year 2012, which is an increase of \$139,530 from the fiscal year 2011.

Capital Assets and Debt

Capital Assets - The District's investment in capital assets, net of depreciation, for its governmental type activities as of June 30, 2011 and 2010, was \$33,345,449 and \$29,033,948, respectively. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. Financial statement footnote III., E. discloses the District's capital asset activity for the year ended June 30, 2011.

Long-Term Debt - As of June 30, 2011 and 2010, the District had total long-term debt outstanding of \$18,760,686 and \$14,540,962, respectively. Long-term debt includes bonds and a capital lease. Financial statement footnote III., H. discloses the District's debt activity for the year ended June 30, 2011.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Marshall A. Harrison, Superintendent, Reagan County Independent School District, 1111 Twelfth Street, Big Lake, TX 76932-3599.

Basic Financial Statements

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Temporary Investments	\$ 8,414,009
1220 Property Taxes Receivable (Delinquent)	616,914
1230 Allowance for Uncollectible Taxes	(155,868)
1240 Due from Other Governments	513,748
1290 Other Receivables, Net	564,739
1410 Deferred Expenses	1,202
1420 Capitalized Bond and Other Debt Issuance Costs	88,226
Capital Assets:	
1510 Land	126,809
1520 Buildings, Net	32,032,614
1530 Furniture and Equipment, Net	1,186,026
1000 Total Assets	43,388,419
LIABILITIES	
2110 Accounts Payable	27,846
2140 Interest Payable	278,958
2150 Payroll Deductions and Withholdings	101,153
2160 Accrued Wages Payable	770,459
2180 Due to Other Governments	2,427,684
2300 Deferred Revenues	92
Noncurrent Liabilities	
2501 Due Within One Year	1,408,460
2502 Due in More Than One Year	17,352,226
2000 Total Liabilities	22,366,878
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	15,027,042
3820 Restricted for Federal and State Programs	7,936
3850 Restricted for Debt Service	971,226
3900 Unrestricted Net Assets	5,015,337
3000 Total Net Assets	\$ 21,021,541

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Expenses	3	4	6	Net (Expense) Revenue and Changes in Net Assets
Charges for Services	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,619,267	\$ 38,189	\$ 873,961	\$ (4,707,117)
12 Instructional Resources and Media Services	223,052	-	9,578	(213,474)
13 Curriculum and Staff Development	88,083	-	15,030	(73,053)
21 Instructional Leadership	161,587	-	13,613	(147,974)
23 School Leadership	415,718	-	18,679	(397,039)
31 Guidance, Counseling, and Evaluation Services	305,756	-	22,584	(283,172)
33 Health Services	46,472	-	2,446	(44,026)
34 Student (Pupil) Transportation	218,005	-	7,090	(210,915)
35 Food Services	514,784	131,030	306,863	(76,891)
36 Extracurricular Activities	1,031,097	26,243	36,741	(968,113)
41 General Administration	456,188	-	11,431	(444,757)
51 Plant Maintenance and Operations	1,383,449	112,160	137,072	(1,134,217)
52 Security and Monitoring Services	400	-	-	(400)
53 Data Processing Services	123,733	-	2,538	(121,195)
61 Community Services	16,340	-	-	(16,340)
72 Debt Service - Interest on Long-Term Debt	745,321	-	-	(745,321)
73 Debt Service - Bond Issuance Cost and Fees	6,205	-	-	(6,205)
91 Contracted Instructional Services Between Schools	9,184,026	-	-	(9,184,026)
99 Other Intergovernmental Charges	175,499	-	-	(175,499)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 20,714,982	\$ 307,622	\$ 1,457,626	(18,949,734)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			16,379,715
DT	Property Taxes, Levied for Debt Service			2,611,701
SF	State Aid - Formula Grants			1,624,919
GC	Grants and Contributions not Restricted			771
IE	Investment Earnings			42,587
MI	Miscellaneous Local and Intermediate Revenue			184,508
TR	Total General Revenues			<u>20,844,201</u>
CN	Change in Net Assets			1,894,467
NB	Net Assets--Beginning			19,493,919
PA	Prior Period Adjustment			(366,845)
NE	Net Assets--Ending			<u>\$ 21,021,541</u>

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Temporary Investments	\$ 7,173,671	\$ 1,176,042	\$ -
1220 Property Taxes - Delinquent	538,652	78,262	-
1230 Allowance for Uncollectible Taxes (Credit)	(143,054)	(12,814)	-
1240 Due from Other Governments	422,814	9,167	-
1260 Due from Other Funds	473	-	-
1290 Other Receivables	564,739	-	-
1410 Deferred Expenditures	1,202	-	-
1000 Total Assets	<u>\$ 8,558,497</u>	<u>\$ 1,250,657</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 27,846	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	83,312	-	-
2160 Accrued Wages Payable	669,946	-	-
2170 Due to Other Funds	-	473	-
2180 Due to Other Governments	2,420,998	-	-
2300 Deferred Revenues	395,598	65,448	-
2000 Total Liabilities	<u>3,597,700</u>	<u>65,921</u>	<u>-</u>
Fund Balances:			
Nonspendable Fund Balance:			
3430 Prepaid Items	1,202	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	1,184,736	-
Committed Fund Balance:			
3510 Construction	92,524	-	-
3545 Other Committed Fund Balance	7,912	-	-
3600 Unassigned Fund Balance	4,859,159	-	-
3000 Total Fund Balances	<u>4,960,797</u>	<u>1,184,736</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 8,558,497</u>	<u>\$ 1,250,657</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ 64,296	\$ 8,414,009
-	616,914
-	(155,868)
81,767	513,748
-	473
-	564,739
-	1,202
<u>\$ 146,063</u>	<u>\$ 9,955,217</u>
\$ -	\$ 27,846
17,841	101,153
100,513	770,459
-	473
6,686	2,427,684
92	461,138
<u>125,132</u>	<u>3,788,753</u>
-	1,202
7,936	7,936
-	1,184,736
-	92,524
12,995	20,907
-	4,859,159
<u>20,931</u>	<u>6,166,464</u>
<u>\$ 146,063</u>	<u>\$ 9,955,217</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total Fund Balances - Governmental Funds	\$	6,166,464
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		13,696,233
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		6,661,481
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(824,577)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds 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.		(4,678,060)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>21,021,541</u>

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, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 16,669,247	\$ 2,641,191	\$ 3,940
5800 State Program Revenues	1,972,701	-	-
5900 Federal Program Revenues	3,867	-	-
5020 Total Revenues	<u>18,645,815</u>	<u>2,641,191</u>	<u>3,940</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,241,080	-	278,665
0012 Instructional Resources and Media Services	200,670	-	-
0013 Curriculum and Instructional Staff Development	70,089	-	-
0021 Instructional Leadership	133,736	-	-
0023 School Leadership	369,794	-	-
0031 Guidance, Counseling, and Evaluation Services	262,957	-	-
0033 Health Services	41,304	-	-
0034 Student (Pupil) Transportation	273,512	-	218,988
0035 Food Services	-	-	-
0036 Extracurricular Activities	944,954	-	16,192
0041 General Administration	418,630	-	-
0051 Facilities Maintenance and Operations	1,291,968	-	5,914
0052 Security and Monitoring Services	400	-	-
0053 Data Processing Services	118,564	-	-
0061 Community Services	16,340	-	-
Debt Service:			
0071 Principal on Long-Term Debt	17,508	859,993	-
0072 Interest on Long-Term Debt	1,956	1,267,999	-
0073 Bond Issuance Cost and Fees	-	94,431	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	247,866	-	4,484,181
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	9,184,026	-	-
0099 Other Intergovernmental Charges	175,499	-	-
6030 Total Expenditures	<u>18,010,853</u>	<u>2,222,423</u>	<u>5,003,940</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>634,962</u>	<u>418,768</u>	<u>(5,000,000)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	5,000,000
7912 Sale of Real and Personal Property	71,250	-	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	104,064	-
8911 Transfers Out (Use)	(60,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>11,250</u>	<u>104,064</u>	<u>5,000,000</u>
1200 Net Change in Fund Balances	646,212	522,832	-
0100 Fund Balance - July 1 (Beginning)	4,681,430	661,904	-
1300 Increase (Decrease) in Fund Balance	(366,845)	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ 4,960,797</u>	<u>\$ 1,184,736</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ 146,428	\$ 19,460,806
38,125	2,010,826
<u>1,055,899</u>	<u>1,059,766</u>
<u>1,240,452</u>	<u>22,531,398</u>
651,895	5,171,640
-	200,670
12,907	82,996
10,744	144,480
-	369,794
9,849	272,806
-	41,304
-	492,500
514,784	514,784
7,821	968,967
-	418,630
106,670	1,404,552
-	400
-	118,564
-	16,340
-	877,501
-	1,269,955
-	94,431
-	4,732,047
-	9,184,026
<u>-</u>	<u>175,499</u>
<u>1,314,670</u>	<u>26,551,886</u>
<u>(74,218)</u>	<u>(4,020,488)</u>
-	5,000,000
-	71,250
60,000	60,000
-	104,064
<u>-</u>	<u>(60,000)</u>
<u>60,000</u>	<u>5,175,314</u>
(14,218)	1,154,826
35,149	5,378,483
-	(366,845)
<u>\$ 20,931</u>	<u>\$ 6,166,464</u>

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	1,154,826
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		6,661,481
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(824,577)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(5,097,263)
Change in Net Assets of Governmental Activities	\$	1,894,467

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Fund
<hr/>	
ASSETS	
Cash and Temporary Investments	\$ 45,555
Total Assets	<u>\$ 45,555</u>
LIABILITIES	
Due to Student Groups	\$ 45,555
Total Liabilities	<u>\$ 45,555</u>

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2011

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The government reports the following major governmental 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 long-term general obligation debt of governmental funds.

The Capital Projects Fund accounts 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.

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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets - Continued

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:

<u>Assets</u>	<u>Years</u>
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 are payable as a result of employee resignations and retirements.

J. Fund Balances

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

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Fund Balances - Continued

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds and then unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is forty percent of total operating expenditures.

K. Net Assets on the Statement of Net Assets

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

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

Restricted for Federal and State Programs - This component of net assets represents the balance of the Child Nutrition Program.

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

Restricted for Other - This component of net assets represents encumbrances reappropriated, which are by state law reserved.

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

L. Property Tax Revenues

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Property Tax Revenues - Continued

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.

M. Interfund Transfers

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

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

The official school budget is prepared for adoption for required governmental fund types prior to 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.

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 functions:

General Fund	
34 Student (Pupil) Transportation	\$ 28,010
36 Extracurricular Activities	23,858

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

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.

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, 2011, all of the District's investments are in external investment pools or certificates of deposit with its depository bank. The District is not exposed to this risk 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, 2011, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

The carrying amount of the District's cash and temporary investments at June 30, 2011, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,600,445
Money Market Savings Accounts	4,443,104
Lone Star Investment Pool	309,993
TexPool	<u>2,106,022</u>
Total Cash and Temporary Investments	<u>\$ 8,459,564</u>

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:

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 365,152	\$ 0	\$ 57,662	\$ 422,814
Special Revenue Funds	167	81,600	0	81,767
Debt Service Fund	<u>0</u>	<u>0</u>	<u>9,167</u>	<u>9,167</u>
Totals	<u>\$ 365,319</u>	<u>\$ 81,600</u>	<u>\$ 66,829</u>	<u>\$ 513,748</u>

C. Other Receivables

The District entered into a contract with an architectural and engineering firm (A/E) to provide design services for construction and renovation of the District's facilities which began in 2007. Thereafter, the District entered into a second contract with the same firm to provide construction management (CM) services for the same construction and renovation project. On January 30, 2010, the District was informed that accounting irregularities had been discovered by the principals of the A/E CM firm that involved the District's project, in addition to other projects at other school districts. As a result of learning of these irregularities, a comprehensive investigation was conducted by an independent accounting firm selected and hired by the A/E CM firm. The accounting firm determined that the District had been overbilled for the work performed on the construction project thus far. As a result, the A/E CM firm reimbursed a portion of the overbilled amount and executed a promissory note in the amount of \$896,121.65 for the unpaid balance due to the District. The note was to be paid in monthly installments of \$10,698.77, beginning January 5, 2011. The note bore interest at a rate of .008%, and had a stated maturity of December 5, 2017. A final settlement was determined upon the project's final completion, and the principal balance of the note was modified to reflect the actual amount owed which was then re-amortized over the remaining term of the note. The adjustment is disclosed as a prior period adjustment to the General Fund balance. This note is secured by the A/E CM firm's inventory, accounts receivable, deposit accounts, machinery, equipment, furniture and fixtures, vehicles, and insurance proceeds. The principal of the A/E CM firm has personally guaranteed this amount up to \$150,000. This note was paid off on August 9, 2011.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Interfund Balances and Transfers

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

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Major Debt Service Fund	\$ 473	\$ 0	Reallocation of Tax Receipts
Major Debt Service Fund			
General Fund	<u>0</u>	<u>473</u>	Reallocation of Tax Receipts
Totals	<u>\$ 473</u>	<u>\$ 473</u>	

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

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 60,000</u>	Subsidize Food Services

E. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 126,809	\$ 0	\$ 0	\$ 126,809
Buildings and Improvements	21,001,674	20,630,113	0	41,631,787
Furniture and Equipment	2,764,009	498,261	381,280	2,880,990
Construction in Progress	15,831,254	4,761,572	20,592,826	0
Total Capital Assets	<u>\$ 39,723,746</u>	<u>\$ 25,889,946</u>	<u>\$ 20,974,106</u>	<u>\$ 44,639,586</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (9,033,577)	\$ (565,596)	\$ 0	\$ (9,599,173)
Furniture and Equipment	<u>(1,656,221)</u>	<u>(258,981)</u>	<u>(220,238)</u>	<u>(1,694,964)</u>
Total Accumulated Depreciation	<u>\$ (10,689,798)</u>	<u>\$ (824,577)</u>	<u>\$ (220,238)</u>	<u>\$ (11,294,137)</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,033,948</u>	<u>\$ 25,065,369</u>	<u>\$ 20,753,868</u>	<u>\$ 33,345,449</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 494,923
Instructional Resources and Media Services	22,382
Curriculum and Instructional Staff Development	5,087
Instructional Leadership	17,107
School Leadership	45,924
Guidance, Counseling, and Evaluation Services	32,950
Health Services	5,168
Student (Pupil) Transportation	12,993
Cocurricular/Extracurricular Activities	74,343
General Administration	37,558
Plant Maintenance and Operations	70,973
Data Processing Services	<u>5,169</u>
Total	<u>\$ 824,577</u>

F. Deferred Revenues

Deferred revenues at year end consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Net Delinquent Taxes Receivable	\$ 395,598	\$ 0	\$ 65,448	\$ 461,046
State Grants	<u>0</u>	<u>92</u>	<u>0</u>	<u>92</u>
Totals	<u>\$ 395,598</u>	<u>\$ 92</u>	<u>\$ 65,448</u>	<u>\$ 461,138</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of June 30, 2011, as follows:

Year Ending <u>June 30,</u>	
2012	\$ 2,760
2013	2,760
2014	2,760
2015	2,760
2016	<u>2,530</u>
Total Minimum Rentals	<u>\$ 13,570</u>

Rental expenditures during the year ended June 30, 2011, were \$4,527.

H. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unlimited Tax School					
Building Bonds	\$ 14,504,994	\$ 4,999,999	\$ 859,993	\$ 18,645,000	\$ 1,390,000
Bond Premium	0	104,064	6,838	97,226	0
Capital Lease	<u>35,968</u>	<u>0</u>	<u>17,508</u>	<u>18,460</u>	<u>18,460</u>
Totals	<u>\$ 14,540,962</u>	<u>\$ 5,104,063</u>	<u>\$ 884,339</u>	<u>\$ 18,760,686</u>	<u>\$ 1,408,460</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The District's outstanding bond issues are 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%. \$ 14,325,000

Reagan County Independent School District Unlimited Tax School Building Bonds, Series 2010. Issued for school building construction, improvements, equipment, acquisition of any necessary sites, purchase of new school buses, and payment of the costs associated with the issuance of the bonds in the original amount of \$4,999,999. The issue consisted of \$4,910,000 of current interest bonds and \$89,999 of premium capital appreciation bonds. Due in variable installments through February 15, 2025, with interest rates of 0% to 4%. 4,320,000

Total Bonds Payable \$ 18,645,000

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%. \$ 18,460

The combined annual debt service requirements are as follows:

Year Ending June 30,	Unlimited Tax School Building Bonds		Capital Lease		Total
	Principal	Interest	Principal	Interest	
2012	\$ 1,390,000	\$ 739,312	\$ 18,460	\$ 1,005	\$ 2,148,777
2013	900,000	698,413	0	0	1,598,413
2014	935,000	664,612	0	0	1,599,612
2015	970,000	629,513	0	0	1,599,513
2016	1,010,000	593,062	0	0	1,603,062
2017-2021	5,675,000	2,327,619	0	0	8,002,619
2022-2026	6,570,000	1,081,944	0	0	7,651,944
2027	<u>1,195,000</u>	<u>52,281</u>	<u>0</u>	<u>0</u>	<u>1,247,281</u>
Totals	<u><u>\$ 18,645,000</u></u>	<u><u>\$ 6,786,756</u></u>	<u><u>\$ 18,460</u></u>	<u><u>\$ 1,005</u></u>	<u><u>\$ 25,451,221</u></u>

Part of the Series 2007 issue included \$179,994 of Premium Capital Appreciation Bonds. These bonds matured on February 15, 2011. Part of the Series 2010 issue included \$89,999 of Premium Capital Appreciation Bonds. These bonds matured on February 15, 2011.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

I. Outstanding Encumbrances

Outstanding encumbrances at August 31 that were provided for in the subsequent year's budget totaled \$7,912. This amount is reflected as a commitment of fund balance in the General Operating Fund.

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 16,427,698	\$ 0	\$ 2,620,346	\$ 0	\$ 19,048,044
Tuition and Fees	4,725	0	0	0	4,725
Other Local Sources	210,581	71	20,845	3,940	235,437
Cocurricular, Enterprising Services, or Activities	26,243	146,357	0	0	172,600
Totals	\$ 16,669,247	\$ 146,428	\$ 2,641,191	\$ 3,940	\$ 19,460,806

K. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
E Rate-School and Library Program	--	<u>\$ 3,867</u>

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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

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 2011, 2010, and 2009 and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the District is required to make all or a portion of the state's 6.644% contribution, limited to 6.58% for the period of July through August 2009 and 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through June 2011. State contributions to TRS made on behalf of the Reagan County Independent School District's employees for the years ended June 30, 2011, 2010, and 2009, were \$341,229, \$348,584, and \$337,226, respectively. The District paid additional state contributions for the years ended June 30, 2011, 2010, and 2009, in the amount of \$93,227, \$93,397, and \$92,169, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments totaled \$14,340, \$14,179, and \$12,926 for the years ended June 30, 2011, 2010, and 2009, respectively. The total on-behalf payments made by the State of Texas and the federal government amounted to \$355,569, \$362,763, and \$350,152 for the years ended June 30, 2011, 2010, and 2009, 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). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trns.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$56,502, \$57,366, and \$57,019, respectively, the active member contributions were \$36,726, \$37,288, and \$37,063, respectively, and the District's contributions were \$31,076, \$31,551, and \$31,360, respectively, which equaled the required contributions each year.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

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 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

D. Health Care Coverage

During the year ended June 30, 2011, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$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 Liability Coverage

During the year ended June 30, 2011, the District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund) with coverage in general liability, property, automobile liability, and school professional legal liability.

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

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

Based on information we have available as of today, for the year ended June 30, 2011, the District will have no additional liability beyond the contractual obligations for payment of contributions.

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

F. Unemployment Compensation Coverage

During the year ended June 30, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2011

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance

During the year ended June 30, 2011, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claim costs through the purchase of stop-loss coverage for any claims in excess of the Fund's self-insured retention of \$850,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of June 30, 2011, the Fund carries a discounted reserve of \$6,513,953 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2011, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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

H. Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

I. Adjustments to Fund Balance/Net Assets

The fund balance of the General Fund has a net decrease as a result of the following adjustments:

To Record 2009-10 Recapture Settle Up	\$ (109,258)
To Record 2008-09 Maintenance of Effort Noncompliance	(48,765)
To Record 2009-10 Foundation Settle Up	31,584
To Record Adjustment to Other Receivable	(241,723)
Miscellaneous	<u>1,317</u>
Total	<u><u>\$ (366,845)</u></u>

J. Subsequent Events

The District's administration has evaluated subsequent events through October 17, 2011, the date which the financial statements were available for issue.

Required Supplementary Information

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 16,001,613	\$ 16,791,758	\$ 16,669,247	\$ (122,511)
5800 State Program Revenues	2,049,080	2,149,080	1,972,701	(176,379)
5900 Federal Program Revenues	31,743	31,743	3,867	(27,876)
5020 Total Revenues	18,082,436	18,972,581	18,645,815	(326,766)
EXPENDITURES:				
Current:				
0011 Instruction	4,724,239	4,407,239	4,241,080	166,159
0012 Instructional Resources and Media Services	189,409	219,554	200,670	18,884
0013 Curriculum and Instructional Staff Development	112,459	112,459	70,089	42,370
0021 Instructional Leadership	133,209	163,209	133,736	29,473
0023 School Leadership	480,437	480,437	369,794	110,643
0031 Guidance, Counseling, and Evaluation Services	223,952	323,952	262,957	60,995
0033 Health Services	50,477	50,477	41,304	9,173
0034 Student (Pupil) Transportation	195,502	245,502	273,512	(28,010)
0036 Extracurricular Activities	846,096	921,096	944,954	(23,858)
0041 General Administration	650,019	479,019	418,630	60,389
0051 Facilities Maintenance and Operations	1,397,855	1,422,855	1,291,968	130,887
0052 Security and Monitoring Services	1,000	1,000	400	600
0053 Data Processing Services	115,750	165,750	118,564	47,186
0061 Community Services	14,800	24,800	16,340	8,460
Debt Service:				
0071 Principal on Long-Term Debt	30,000	38,044	17,508	20,536
0072 Interest on Long-Term Debt	-	1,956	1,956	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,000	351,000	247,866	103,134
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	8,856,232	9,236,232	9,184,026	52,206
0099 Other Intergovernmental Charges	-	268,000	175,499	92,501
6030 Total Expenditures	18,022,436	18,912,581	18,010,853	901,728
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	60,000	60,000	634,962	574,962
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	71,250	71,250
8911 Transfers Out (Use)	(60,000)	(60,000)	(60,000)	-
7080 Total Other Financing Sources (Uses)	(60,000)	(60,000)	11,250	71,250
1200 Net Change in Fund Balances	-	-	646,212	646,212
0100 Fund Balance - July 1 (Beginning)	4,681,430	4,681,430	4,681,430	-
1300 Increase (Decrease) in Fund Balance	-	-	(366,845)	(366,845)
3000 Fund Balance - June 30 (Ending)	\$ 4,681,430	\$ 4,681,430	\$ 4,960,797	\$ 279,367

Other Supplementary Information

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2011

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
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	0.926000	0.165000	1,662,461,798
2010	0.970000	0.165000	1,501,300,062
2011 (School year under audit)	0.940000	0.150000	1,787,093,380
1000 TOTALS			

2011 adjustments include discounts for early payments of \$389,493 and net other adjustments and refunds of \$70,508.

(10) Beginning Balance 7/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2011
\$ 58,542	\$ -	\$ 1,746	\$ 5	\$ -	\$ 56,791
2,910	-	184	-	-	2,726
6,249	-	573	-	-	5,676
8,396	-	1,297	-	-	7,099
14,545	-	1,867	239	-	12,439
40,856	-	5,105	675	-	35,076
61,973	-	6,359	1,659	(1,833)	52,122
134,450	-	35,521	6,329	(3,377)	89,223
225,406	-	105,771	17,997	(950)	100,688
-	19,479,318	16,182,730	2,581,513	(460,001)	255,074
<u>\$ 553,327</u>	<u>\$ 19,479,318</u>	<u>\$ 16,341,153</u>	<u>\$ 2,608,417</u>	<u>\$ (466,161)</u>	<u>\$ 616,914</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2011

EXHIBIT F-2

UNAUDITED

1	Total General Fund Balance as of 6/30/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 4,960,797
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 1,202	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	100,436	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	2,906,000	
7	Estimate of two month's average cash disbursements during the fiscal year.	1,600,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	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.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	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)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>4,607,638</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 13)		<u><u>\$ 353,159</u></u>

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

The District is concerned about the future of state funding and is attempting to maintain a fund balance for any unforeseen circumstances.

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 113,000	\$ 128,000	\$ 130,721	\$ 2,721
5800 State Program Revenues	2,150	2,150	4,442	2,292
5900 Federal Program Revenues	245,190	340,190	300,678	(39,512)
5020 Total Revenues	<u>360,340</u>	<u>470,340</u>	<u>435,841</u>	<u>(34,499)</u>
EXPENDITURES:				
0035 Food Services	<u>420,340</u>	<u>530,340</u>	<u>512,732</u>	<u>17,608</u>
6030 Total Expenditures	<u>420,340</u>	<u>530,340</u>	<u>512,732</u>	<u>17,608</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,000)</u>	<u>(60,000)</u>	<u>(76,891)</u>	<u>(16,891)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-	(16,891)	(16,891)
0100 Fund Balance - July 1 (Beginning)	<u>24,827</u>	<u>24,827</u>	<u>24,827</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 24,827</u>	<u>\$ 24,827</u>	<u>\$ 7,936</u>	<u>\$ (16,891)</u>

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,570,950	\$ 2,660,950	\$ 2,641,191	\$ (19,759)
5020	Total Revenues	2,570,950	2,660,950	2,641,191	(19,759)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,720,000	1,408,520	859,993	548,527
0072	Interest on Long-Term Debt	740,950	1,267,999	1,267,999	-
0073	Bond Issuance Cost and Fees	-	94,431	94,431	-
6030	Total Expenditures	2,460,950	2,770,950	2,222,423	548,527
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	110,000	(110,000)	418,768	528,768
OTHER FINANCING SOURCES (USES):					
7916	Premium or Discount on Issuance of Bonds	110,000	110,000	104,064	(5,936)
7080	Total Other Financing Sources (Uses)	110,000	110,000	104,064	(5,936)
1200	Net Change in Fund Balances	220,000	-	522,832	522,832
0100	Fund Balance - July 1 (Beginning)	661,904	661,904	661,904	-
3000	Fund Balance - June 30 (Ending)	\$ 881,904	\$ 661,904	\$ 1,184,736	\$ 522,832

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

(325) 944-3571
FAX: (325) 942-1093
www.eckertandcompany.com

Members of
American Institute of CPAs
Texas Society of CPAs

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item: 11-1.

Board of Trustees
Page 2

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

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 17, 2011



A Limited Liability Partnership

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

(325) 944-3571
FAX: (325) 942-1093
www.eckertandcompany.com

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

Board of Trustees
Reagan County Independent School District
1111 Twelfth Street
Big Lake, TX 76932-3599

Compliance

We have audited the Reagan County Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Reagan County Independent School District's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

<Signature on File with TEA>

October 17, 2011

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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. One instance 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*, was 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 that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the 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:

CFDA Number 84.394	Title XIV, State Fiscal Stabilization Fund - ARRA
CFDA Number 84.410	Education Jobs Fund
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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Continued
Year Ended June 30, 2011

D. Findings - State Compliance

Reference Number: 11-1

Criteria:

Section 44.006 of the Texas Education Code states that public funds of the District may not be spent in any manner other than as provided for in the budget, as amended by the Board of Trustees.

Condition:

Expenditures exceeded appropriations in the following functions:

General Fund	
34 Student (Pupil) Transportation	\$ 28,010
36 Extracurricular Activities	23,858

Cause:

Expenditures exceeded budgeted amounts due to required audit adjustments.

Effect:

Public funds of the District were spent that were not provided for in the budget.

Auditors' Recommendation:

The budget should be monitored closely and amended as necessary.

Administration's Response:

The District will monitor the budget closely to see that the amounts appropriated are adequate to cover all expenditures.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
Year Ended June 30, 2011

(Prepared by the District's Administration)

Prior Year Finding:

10-1 Actual expenditures exceeded the budget.

Status of Prior Year Finding:

Actual expenditures exceeded the budget in the prior year and also exceeded the budget in the current year.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
Year Ended June 30, 2011

(Prepared by the District's Administration)

The Reagan County Independent School District submits the following corrective action plan for the year ended June 30, 2011:

Findings - State Compliance

11-1 Budget Overexpenditure

Recommendation:

The budget should be monitored closely to see that amendments are made as necessary.

Action Taken:

The District will monitor the budget closely to see that the amounts appropriated are adequate to cover all expenditures.

Anticipated Completion Date: Throughout Fiscal Year Ending June 30, 2012

Contact Person

Marshall A. Harrison, Superintendent
325/884-3705

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Rural Education Achievement Program	84.358A	S358A103936	\$ 15,104
Total Direct Programs			\$ 15,104
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11-610101192901	\$ 102,330
*ESEA, Title I, A - ARRA-Improving Basic Programs	84.389	10-551001192901	2,078
Total Title I, Part A Cluster			104,408
*IDEA - Part B, Formula	84.027	11-6600011929016600	206,682
*IDEA - Part B, Preschool	84.173	11-6610011929016610	9,721
*IDEA - Part B, Formula - ARRA	84.391	10-554001192901	46,898
*IDEA - Part B, Preschool - ARRA	84.392	10-555001192901	2,668
Total Special Education Cluster (IDEA)			265,969
Career and Technical - Basic Grant	84.048	11-420006192901	5,608
ESEA, Title II, Part A-Teacher/Principal Training	84.367A	11-694501192901	42,233
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001192901	235,538
Education Jobs Fund	84.410	11-550101192901	84,618
Total Passed Through State Department of Education			\$ 738,374
TOTAL DEPARTMENT OF EDUCATION			\$ 753,478
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	10-192901	\$ 77,544
*National School Lunch Program - Cash Assistance	10.555	10-192901	198,831
*National School Lunch Prog. - Non-Cash Assistance	10.555	10-192901	24,303
Total CFDA Number 10.555			223,134
*Summer Feeding Program - Cash Assistance	10.559	10-192901	1,743
Total Child Nutrition Cluster			302,421
Total Passed Through the State Department of Agriculture			\$ 302,421
TOTAL DEPARTMENT OF AGRICULTURE			\$ 302,421
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,055,899

*Clustered Programs

E Rate -School and Library Program expenditures of \$3,867 are not included in the above figures.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

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.