

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended June 30, 2014

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FINANCIAL SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 31, 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 management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Reagan County Independent School District's basic financial statements. 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 basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

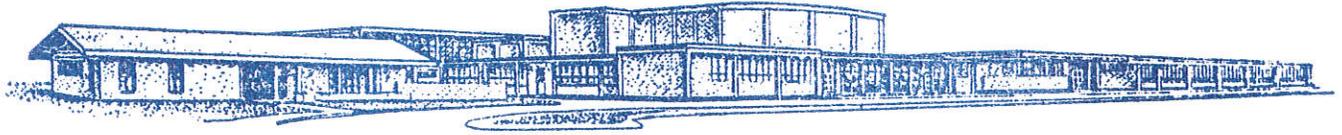
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, 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* in considering the Reagan County Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

September 23, 2014

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities at the end of the current year by \$29,404,594 (net position). Of this amount, \$7,038,864 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$3,193,944 or 12.2%. This amount consists of a \$2,973,915 increase attributable to current year operations, which includes an oil and gas lease bonus of \$1,195,560, and a \$220,029 increase attributable to prior period adjustments described in Note IV., I. to the financial statements. The District's statement of activities shows total revenues of \$34,547,432 and total expenses of \$31,573,517.

The total fund balance of the General Fund is \$9,845,798 which is an increase of \$2,018,162 or 25.8% 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 position presents information on all of the District's assets/deferred outflows of resources and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position 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 and the Capital Projects Fund, both 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

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2014	2013
Current and Other Assets	\$ 31,333,236	\$ 22,369,575
Capital Assets	31,937,324	31,670,582
Total Assets	\$ 63,270,560	\$ 54,040,157
Deferred Outflows of Resources	\$ 36,359	\$ 39,156
Long-Term Liabilities Outstanding	\$ 26,985,216	\$ 14,486,187
Other Liabilities	6,917,109	13,382,476
Total Liabilities	\$ 33,902,325	\$ 27,868,663
Net Position		
Net Investment in Capital Assets	\$ 21,843,231	\$ 18,407,278
Restricted	522,499	699,518
Unrestricted	7,038,864	7,103,854
Total Net Position	\$ 29,404,594	\$ 26,210,650

A large portion of the District's net position (\$21,843,231) reflects the District's investment in capital assets, 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 position (\$522,499) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,038,864) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by \$2,973,915 and \$2,916,499 for the fiscal years ended June 30, 2014 and 2013, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended June 30,	
	2014	2013
Revenues		
Program Revenues		
Charges for Services	\$ 386,934	\$ 431,308
Operating Grants and Contributions	1,317,028	1,183,103
General Revenues		
Maintenance and Operations Taxes	27,362,841	27,051,895
Debt Service Taxes	2,489,459	2,450,841
State Aid - Formula Grants	1,600,742	708,845
Investment Earnings	33,974	35,973
Miscellaneous Local and Intermediate	160,894	263,090
	<u>\$ 33,351,872</u>	<u>\$ 32,125,055</u>
Expenses		
Instruction and Instructional-Related Services	\$ 6,719,739	\$ 6,280,522
Instructional and School Leadership	931,149	815,848
Support Services - Student (Pupil)	2,061,341	1,919,875
Administrative Support Services	544,719	554,822
Support Services - Nonstudent Based	2,005,721	1,566,157
Ancillary Services	7,297	9,086
Debt Service	682,574	487,615
Intergovernmental Charges	18,620,977	17,574,631
	<u>\$ 31,573,517</u>	<u>\$ 29,208,556</u>
Change in Net Position Before Special Item	\$ 1,778,355	\$ 2,916,499
Special Item - Oil and Gas Lease Bonus	<u>1,195,560</u>	<u>0</u>
Change in Net Position	\$ 2,973,915	\$ 2,916,499
Net Position - Beginning	26,210,650	23,885,649
Prior Period Adjustments	<u>220,029</u>	<u>(591,498)</u>
Net Position - Ending	<u>\$ 29,404,594</u>	<u>\$ 26,210,650</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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 \$24,038,264, an increase of \$15,377,088 or 177.5% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$9,845,798. Of this balance \$92,532 is committed for future construction, and \$25,860 is nonspendable prepaid expenditures.

Special Revenue Funds \$49,107. Of this balance \$37,705 is restricted for use in the Food Service Fund, and \$11,402 is committed for campus activities.

Debt Service Fund \$772,184. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$13,371,175. This balance is committed for future construction and renovation of facilities.

General Fund Budget

The original budget for the General Fund was \$29,245,787, and the final amended budget was \$31,201,833 which represents a \$1,956,046 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by increases in Instruction (\$129,167), School Leadership (\$110,000), Facilities Maintenance and Operations (\$485,000), Data Processing Services (\$200,000), Facilities Acquisition and Construction (\$835,648), and Other Intergovernmental Charges (\$115,000) and decreases in Student (Pupil) Transportation (\$150,000) and Contracted Instructional Services Between Schools (\$100,000).

The District has adopted a budget for the General Fund in the amount of \$30,595,057 for the fiscal year 2015, which is a decrease of \$606,776 from the fiscal year 2014.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended June 30, 2014.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended June 30, 2014.

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: Steve Long, 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 POSITION
JUNE 30, 2014

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Temporary Investments	\$ 29,929,507
1220 Property Taxes - Delinquent	942,547
1230 Allowance for Uncollectible Taxes	(211,670)
1240 Due from Other Governments	644,498
1290 Other Receivables, Net	2,494
1410 Prepayments	25,860
Capital Assets:	
1510 Land	173,565
1520 Buildings, Net	30,020,791
1530 Furniture and Equipment, Net	1,134,367
1580 Construction in Progress	608,601
1000 Total Assets	63,270,560
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	36,359
1700 Total Deferred Outflows of Resources	36,359
LIABILITIES	
2110 Accounts Payable	44,698
2140 Interest Payable	353,013
2150 Payroll Deductions and Withholdings	129,119
2160 Accrued Wages Payable	758,278
2180 Due to Other Governments	5,330,077
2300 Unearned Revenue	301,924
Noncurrent Liabilities	
2501 Due Within One Year	1,415,000
2502 Due in More Than One Year	25,570,216
2000 Total Liabilities	33,902,325
NET POSITION	
3200 Net Investment in Capital Assets	21,843,231
3820 Restricted for Federal and State Programs	37,705
3850 Restricted for Debt Service	484,794
3900 Unrestricted	7,038,864
3000 Total Net Position	\$ 29,404,594

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, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Expenses	3	4	6	Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	Position
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,357,246	\$ 61,855	\$ 763,253	\$ (5,532,138)
12 Instructional Resources and Media Services	195,929	-	8,889	(187,040)
13 Curriculum and Instructional Staff Development	166,564	-	10,391	(156,173)
21 Instructional Leadership	219,933	-	51,951	(167,982)
23 School Leadership	711,216	-	31,789	(679,427)
31 Guidance, Counseling, and Evaluation Services	279,281	-	12,909	(266,372)
33 Health Services	57,612	-	2,712	(54,900)
34 Student (Pupil) Transportation	278,393	-	5,352	(273,041)
35 Food Services	621,201	150,087	336,490	(134,624)
36 Extracurricular Activities	824,854	32,542	38,485	(753,827)
41 General Administration	544,719	-	12,968	(531,751)
51 Facilities Maintenance and Operations	1,809,423	142,450	33,637	(1,633,336)
52 Security and Monitoring Services	12,005	-	-	(12,005)
53 Data Processing Services	184,293	-	2,319	(181,974)
61 Community Services	7,297	-	5,883	(1,414)
72 Debt Service - Interest on Long-Term Debt	553,237	-	-	(553,237)
73 Debt Service - Bond Issuance Cost and Fees	129,337	-	-	(129,337)
91 Contracted Instructional Services Between Schools	18,402,256	-	-	(18,402,256)
99 Other Intergovernmental Charges	218,721	-	-	(218,721)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 31,573,517	\$ 386,934	\$ 1,317,028	(29,869,555)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			27,362,841
DT	Property Taxes, Levied for Debt Service			2,489,459
SF	State Aid - Formula Grants			1,600,742
IE	Investment Earnings			33,974
MI	Miscellaneous Local and Intermediate Revenue			160,894
SI	Special Item - Oil and Gas Lease Bonus			1,195,560
TR	Total General Revenues and Special Items			<u>32,843,470</u>
CN	Change in Net Position			2,973,915
NB	Net Position - Beginning			26,210,650
PA	Prior Period Adjustment			220,029
NE	Net Position--Ending			<u>\$ 29,404,594</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, 2014

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Temporary Investments	\$ 15,758,947	\$ 13,371,175	\$ 799,385	\$ 29,929,507
1220 Property Taxes - Delinquent	861,472	-	81,075	942,547
1230 Allowance for Uncollectible Taxes	(196,218)	-	(15,452)	(211,670)
1240 Due from Other Governments	558,288	-	86,210	644,498
1260 Due from Other Funds	2,421	-	-	2,421
1290 Other Receivables	2,494	-	-	2,494
1410 Prepayments	25,860	-	-	25,860
1000 Total Assets	<u>\$ 17,013,264</u>	<u>\$ 13,371,175</u>	<u>\$ 951,218</u>	<u>\$ 31,335,657</u>
LIABILITIES				
2110 Accounts Payable	\$ 44,698	\$ -	\$ -	\$ 44,698
2150 Payroll Deductions and Withholdings Payable	114,898	-	14,220	129,118
2160 Accrued Wages Payable	710,708	-	47,570	758,278
2170 Due to Other Funds	-	-	2,421	2,421
2180 Due to Other Governments	5,330,077	-	-	5,330,077
2300 Unearned Revenue	301,831	-	93	301,924
2000 Total Liabilities	<u>6,502,212</u>	<u>-</u>	<u>64,304</u>	<u>6,566,516</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	665,254	-	65,623	730,877
2600 Total Deferred Inflows of Resources	<u>665,254</u>	<u>-</u>	<u>65,623</u>	<u>730,877</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	25,860	-	-	25,860
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	37,705	37,705
3480 Retirement of Long-Term Debt	-	-	772,184	772,184
Committed Fund Balance:				
3510 Construction	92,532	13,371,175	-	13,463,707
3545 Other Committed Fund Balance	-	-	11,402	11,402
3600 Unassigned Fund Balance	9,727,406	-	-	9,727,406
3000 Total Fund Balances	<u>9,845,798</u>	<u>13,371,175</u>	<u>821,291</u>	<u>24,038,264</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,013,264</u>	<u>\$ 13,371,175</u>	<u>\$ 951,218</u>	<u>\$ 31,335,657</u>

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$	24,038,264
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 position.		17,055,813
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 District issued new debt in the amount of \$13,530,000. The net effect of including the capital outlays, debt principal payments, and new debt issued is to increase (decrease) net position.		(11,103,761)
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,316,598)
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 unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		730,876
19 Net Position of Governmental Activities	<u>\$</u>	<u>29,404,594</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, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 27,542,966	\$ 6,346	\$ 2,661,664	\$ 30,210,976
5800 State Program Revenues	1,966,929	-	120,246	2,087,175
5900 Federal Program Revenues	61,840	-	742,016	803,856
5020 Total Revenues	<u>29,571,735</u>	<u>6,346</u>	<u>3,523,926</u>	<u>33,102,007</u>
EXPENDITURES:				
Current:				
0011 Instruction	4,781,915	329,230	485,596	5,596,741
0012 Instructional Resources and Media Services	169,177	-	-	169,177
0013 Curriculum and Instructional Staff Development	141,185	-	6,056	147,241
0021 Instructional Leadership	144,175	-	44,762	188,937
0023 School Leadership	607,592	-	-	607,592
0031 Guidance, Counseling, and Evaluation Services	239,606	-	-	239,606
0033 Health Services	49,611	-	-	49,611
0034 Student (Pupil) Transportation	262,587	103,472	-	366,059
0035 Food Services	2,037	-	572,220	574,257
0036 Extracurricular Activities	726,894	28,238	24,068	779,200
0041 General Administration	488,544	-	-	488,544
0051 Facilities Maintenance and Operations	1,804,209	-	-	1,804,209
0052 Security and Monitoring Services	12,005	75,545	-	87,550
0053 Data Processing Services	177,411	-	-	177,411
0061 Community Services	1,297	-	6,000	7,297
Debt Service:				
0071 Principal on Long-Term Debt	-	-	2,035,000	2,035,000
0072 Interest on Long-Term Debt	-	-	458,933	458,933
0073 Bond Issuance Cost and Fees	-	125,000	1,540	126,540
Capital Outlay:				
0081 Facilities Acquisition and Construction	641,940	598,686	-	1,240,626
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	18,402,256	-	-	18,402,256
0099 Other Intergovernmental Charges	218,721	-	-	218,721
6030 Total Expenditures	<u>28,871,162</u>	<u>1,260,171</u>	<u>3,634,175</u>	<u>33,765,508</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>700,573</u>	<u>(1,253,825)</u>	<u>(110,249)</u>	<u>(663,501)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	13,530,000	-	13,530,000
7915 Transfers In	-	-	98,000	98,000
7916 Premium or Discount on Issuance of Bonds	-	1,095,000	-	1,095,000
8911 Transfers Out (Use)	(98,000)	-	-	(98,000)
7080 Total Other Financing Sources (Uses)	<u>(98,000)</u>	<u>14,625,000</u>	<u>98,000</u>	<u>14,625,000</u>
SPECIAL ITEMS:				
7918 Special Item - Oil and Gas Lease Bonus	1,195,560	-	-	1,195,560
1200 Net Change in Fund Balances	1,798,133	13,371,175	(12,249)	15,157,059
0100 Fund Balance - July 1 (Beginning)	7,827,636	-	833,540	8,661,176
1300 Increase (Decrease) in Fund Balance	220,029	-	-	220,029
3000 Fund Balance - June 30 (Ending)	<u>\$ 9,845,798</u>	<u>\$ 13,371,175</u>	<u>\$ 821,291</u>	<u>\$ 24,038,264</u>

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

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	15,157,059
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 capital outlays and debt principal payments is to increase (decrease) net position.		(11,103,761)
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 position.		(1,316,598)
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 unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		237,215
Change in Net Position of Governmental Activities	\$	2,973,915

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Fund
<hr/>	
ASSETS	
Cash and Temporary Investments	\$ 44,433
Total Assets	<u>\$ 44,433</u>
LIABILITIES	
Due to Student Groups	\$ 44,433
Total Liabilities	<u>\$ 44,433</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, 2014

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 position 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 position.

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, 2014

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 unearned revenue 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 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 position.

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 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 one year. 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, 2014

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.

Capital assets are 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. 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 position. Bond premiums and discounts 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, 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.

H. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

I. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

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

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

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

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities that is not reported as Net Investment in Capital Assets, Restricted for Federal and State Programs, or Restricted for Debt Service.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Fund Balances

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.

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 or 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. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

L. Interfund Transfers

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

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 Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk - Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and 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 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, 2014, all of the District's investments are in external investment pools.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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, 2014, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

The carrying amount of the District's cash and temporary investments at June 30, 2014, approximates fair value and consisted of the following:

Cash in Bank and Money Market Accounts	\$ 3,432,229
Lone Star Investment Pool	<u>26,541,711</u>
Total Cash and Temporary Investments	<u><u>\$ 29,973,940</u></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	\$ 65,340	\$ 0	\$ 492,948	\$ 558,288
Special Revenue Funds	0	41,936	0	41,936
Debt Service Fund	<u>0</u>	<u>0</u>	<u>44,274</u>	<u>44,274</u>
Totals	<u><u>\$ 65,340</u></u>	<u><u>\$ 41,936</u></u>	<u><u>\$ 537,222</u></u>	<u><u>\$ 644,498</u></u>

C. Interfund Balances and Transfers

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

	Due From	Due To	Purpose
General Fund			
Nonmajor Governmental Funds	\$ 2,421	\$ 0	Reallocation of Tax Receipts
Nonmajor Governmental Funds			
General Fund	<u>0</u>	<u>2,421</u>	Reallocation of Tax Receipts
Totals	<u><u>\$ 2,421</u></u>	<u><u>\$ 2,421</u></u>	

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers - Continued

1. Continued

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>\$ 98,000</u>	Subsidize Food Services

D. Capital Assets

Capital asset activity for the year ended June 30, 2014, 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	\$ 46,756	\$ 0	\$ 173,565
Buildings and Improvements	42,070,671	684,726	0	42,755,397
Furniture and Equipment	3,066,439	243,257	77,611	3,232,085
Construction in Progress	<u>0</u>	<u>608,601</u>	<u>0</u>	<u>608,601</u>
Total Capital Assets	<u>\$ 45,263,919</u>	<u>\$ 1,583,340</u>	<u>\$ 77,611</u>	<u>\$ 46,769,648</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (11,677,862)	\$ (1,056,744)	\$ 0	\$ (12,734,606)
Furniture and Equipment	<u>(1,915,475)</u>	<u>(259,854)</u>	<u>(77,611)</u>	<u>(2,097,718)</u>
Total Accumulated Depreciation	<u>\$ (13,593,337)</u>	<u>\$ (1,316,598)</u>	<u>\$ (77,611)</u>	<u>\$ (14,832,324)</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,670,582</u>	<u>\$ 266,742</u>	<u>\$ 0</u>	<u>\$ 31,937,324</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$	771,448
Instructional Resources and Media Services		26,752
Curriculum and Instructional Staff Development		19,323
Instructional Leadership		30,996
School Leadership		103,624
Guidance, Counseling, and Evaluation Services		39,675
Health Services		8,001
Student (Pupil) Transportation		15,806
Food Services		46,944
Extracurricular Activities		73,892
General Administration		56,175
Facilities Maintenance and Operations		117,080
Data Processing Services		<u>6,882</u>
Total		<u><u>\$ 1,316,598</u></u>

E. Deferred Outflows and Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as outflows of resources (expense/expenditure) until that time. The District has one type of item that qualifies for reporting in this category, deferred loss on bond refunding, which is amortized over the life of the refunding bonds.

The balance sheet reports a separate section for deferred inflows of resources. This financial statement element represents an acquisition of fund balance that applies to a future period and so will not be recognized as inflows of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund	Special Revenue Funds	Total
State Grants	<u>\$ 301,831</u>	<u>\$ 93</u>	<u>\$ 301,924</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

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, 2014, as follows:

<u>Year Ending</u> <u>June 30,</u>	
2015	\$ 2,760
2016	<u>2,530</u>
Total Minimum Rentals	<u>\$ 5,290</u>

Rental expenditures during the year ended June 30, 2014, were \$5,170.

H. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Unlimited Tax School Building Bonds	\$ 4,465,000	\$ 13,530,000	\$ 2,035,000	\$ 15,960,000	\$ 1,415,000
Unlimited Tax Refunding Bonds	9,520,000	0	0	9,520,000	0
Bond Premium	<u>501,187</u>	<u>1,095,000</u>	<u>90,971</u>	<u>1,505,216</u>	<u>0</u>
Totals	<u>\$ 14,486,187</u>	<u>\$ 14,625,000</u>	<u>\$ 2,125,971</u>	<u>\$ 26,985,216</u>	<u>\$ 1,415,000</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

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%.	\$ 395,000
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%.	2,035,000
Reagan County Independent School District Unlimited Tax Refunding Bonds, Series 2012. Issued to refund the Unlimited Tax School Building Bonds, Series 2010. Issued in the original amount of \$9,520,000. Due in variable installments through February 1, 2027, with interest rates of 2% to 3%.	9,520,000
Reagan County Independent School District Unlimited Tax School Building Bonds, Series 2014. Issued for school buildings construction, acquisition, renovation, and equipment, the purchase of sites for school buildings, the purchase of new school buses, and to pay the costs associated with the issuance of the bonds in the original amount of \$13,530,000. Due in variable installments through February 15, 2029, with interest rates of 2% to 5%.	<u>13,530,000</u>
Total Bonds Payable	<u><u>\$ 25,480,000</u></u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The combined annual debt service requirements are as follows:

Year Ending June 30,	Unlimited Tax School Building Bonds		Unlimited Tax Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2015	\$ 1,415,000	\$ 660,695	\$ 0	\$ 273,750	\$ 2,349,445
2016	1,450,000	617,444	0	273,750	2,341,194
2017	1,160,000	583,544	330,000	273,750	2,347,294
2018	680,000	555,344	855,000	267,150	2,357,494
2019	700,000	536,544	870,000	250,050	2,356,594
2020-2024	3,190,000	2,268,236	4,755,000	843,150	11,056,386
2025-2029	7,365,000	1,334,750	2,710,000	149,400	11,559,150
Totals	<u>\$ 15,960,000</u>	<u>\$ 6,556,557</u>	<u>\$ 9,520,000</u>	<u>\$ 2,331,000</u>	<u>\$ 34,367,557</u>

On February 1, 2012, the District issued \$9,520,000 of Reagan County Independent School District Unlimited Tax Refunding Bonds, Series 2012 with interest rates of 2% to 3%. The net proceeds of the bond issue were used to currently refund \$9,790,000 of Series 2010 bonds. To accomplish the refunding of the Series 2010 bonds \$9,833,117 was deposited with a deposit agent to currently refund the Series 2010 bonds. As a result the bonds are considered to be defeased, and the liability for the bonds has been removed from the government-wide statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$43,117. This amount is being amortized over the life of the new debt. The refunding was undertaken to reduce future debt service payments by \$1,676,935 and resulted in an economic gain of \$1,397,623.

I. Outstanding Encumbrances

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

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	\$ 27,272,656	\$ 0	\$ 2,483,365	\$ 0	\$ 29,756,021
Tuition and Fees	3,750	0	0	0	3,750
Other Local Sources	234,018	690	1,423	6,346	242,477
Cocurricular, Enterprising Services, or Activities	32,542	176,186	0	0	208,728
Totals	<u>\$ 27,542,966</u>	<u>\$ 176,876</u>	<u>\$ 2,484,788</u>	<u>\$ 6,346</u>	<u>\$ 30,210,976</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

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>\$ 61,840</u>

IV. OTHER INFORMATION

A. Pension Plan

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 downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% 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 during the fiscal year; and (2) A state statute prohibits benefit improvements 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.

Contribution rates and contribution amounts for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

<u>Fiscal Year</u>	<u>Member</u>		<u>State On-Behalf</u>		<u>District</u>
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Amount</u>
2014	6.4%	\$ 369,897	6.8%	\$ 364,628	\$ 89,867
2013	6.4%	326,238	6.4%	323,213	76,472
2012	6.4%	340,196	6.0%	318,935	81,835

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

IV. OTHER INFORMATION - Continued

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 downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 37,568	1.0%	\$ 57,797	0.55%	\$ 31,788
2013	0.65%	33,134	0.5%	25,487	0.55%	28,036
2012	0.65%	34,551	1.0%	53,156	0.55%	29,237

The Medicare 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. Medicare Part D payments made on behalf of the District for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Medicare Part D
2014	\$ 15,891
2013	15,121
2012	13,422

C. Health Care Coverage

During the year ended June 30, 2014, 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 \$500 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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

IV. OTHER INFORMATION - Continued

D. 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, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

E. Property and Liability Programs

During the year ended June 30, 2014, the District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund) programs.

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.

For the year ended June 30, 2014, the Fund anticipates that the District has 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in November of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TAPS' offices.

F. Unemployment Compensation Coverage

During the year ended June 30, 2014, 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. For the year ended June 30, 2014, the Fund anticipates that the District has 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 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, 2013, are available on the TASB Risk Management Fund website.

G. Workers' Compensation Insurance

During the year ended June 30, 2014, 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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
June 30, 2014

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance - Continued

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 \$1,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of June 30, 2014, the Fund carries a discounted reserve of \$6,659,140 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2014, 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 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, 2013, 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 Position

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

To Record 2012-13 Recapture Settle Up	\$ 54,692
To Record 2012-13 Foundation Settle Up	<u>165,337</u>
Total	<u><u>\$ 220,029</u></u>

Net position increased by the same amount.

J. Commitment

During the fiscal year ended June 30, 2014, the District began an extensive renovation of the District's elementary school campus and District housing to be funded with the proceeds of bonds issued in the amount of \$13,530,000.

At the fiscal year end, the estimated total cost of these renovation projects is \$13,068,000, and the remaining commitment on this phase of the project is approximately \$12,459,399. The District will fund the project with bond proceeds as work is performed.

K. Subsequent Events

The District's management has evaluated subsequent events through September 23, 2014, 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, 2014

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	\$ 27,214,314	\$ 29,170,360	\$ 27,542,966	\$ (1,627,394)
5800 State Program Revenues	2,025,973	2,025,973	1,966,929	(59,044)
5900 Federal Program Revenues	5,500	5,500	61,840	56,340
5020 Total Revenues	29,245,787	31,201,833	29,571,735	(1,630,098)
EXPENDITURES:				
Current:				
0011 Instruction	5,458,156	5,587,323	4,781,915	805,408
0012 Instructional Resources and Media Services	180,195	200,235	169,177	31,058
0013 Curriculum and Instructional Staff Development	151,578	181,578	141,185	40,393
0021 Instructional Leadership	175,352	185,352	144,175	41,177
0023 School Leadership	520,562	630,562	607,592	22,970
0031 Guidance, Counseling, and Evaluation Services	280,537	280,537	239,606	40,931
0033 Health Services	60,843	60,843	49,611	11,232
0034 Student (Pupil) Transportation	521,499	371,499	262,587	108,912
0035 Food Services	-	10,000	2,037	7,963
0036 Extracurricular Activities	754,779	850,970	726,894	124,076
0041 General Administration	482,671	532,671	488,544	44,127
0051 Facilities Maintenance and Operations	1,513,310	1,998,310	1,804,209	194,101
0052 Security and Monitoring Services	1,000	51,000	12,005	38,995
0053 Data Processing Services	109,438	309,438	177,411	132,027
0061 Community Services	14,800	39,800	1,297	38,503
0062 School District Administrative Support (ESC Only)	30,000	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	29,000	-	29,000
0072 Interest on Long-Term Debt	-	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	216,000	1,051,648	641,940	409,708
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	18,505,067	18,405,067	18,402,256	2,811
0099 Other Intergovernmental Charges	190,000	305,000	218,721	86,279
6030 Total Expenditures	29,165,787	31,081,833	28,871,162	2,210,671
1100 Excess of Revenues Over Expenditures	80,000	120,000	700,573	580,573
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(80,000)	(120,000)	(98,000)	22,000
SPECIAL ITEMS:				
7918 Special Item - Oil and Gas Lease Bonus	-	-	1,195,560	1,195,560
1200 Net Change in Fund Balances	-	-	1,798,133	1,798,133
0100 Fund Balance - July 1 (Beginning)	7,827,636	7,827,636	7,827,636	-
1300 Increase (Decrease) in Fund Balance	220,029	220,029	220,029	-
3000 Fund Balance - June 30 (Ending)	\$ 8,047,665	\$ 8,047,665	\$ 9,845,798	\$ 1,798,133

Other Supplementary Information

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2014

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
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	0.940000	0.150000	1,787,093,380
2012	0.930000	0.140000	1,992,447,900
2013	1.100000	0.100000	2,470,855,265
2014 (School year under audit)	1.100000	0.100000	2,489,069,386
1000 TOTALS			

2014 Adjustments represent adjustments of \$701,567 and discounts for early payments of \$682,551.

(10) Beginning Balance 7/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2014
\$ 65,273	\$ -	\$ 1,534	\$ -	\$ 1	\$ 63,740
8,408	-	963	127	4	7,322
23,446	-	1,499	198	(1)	21,748
21,395	-	1,658	432	-	19,305
42,892	-	2,841	506	-	39,545
61,074	-	24,170	4,111	-	32,793
33,482	-	8,112	1,295	-	24,075
56,262	-	14,747	2,220	(328)	38,967
356,527	-	250,510	22,779	1,348	84,586
-	29,868,833	26,836,213	2,441,170	19,016	610,466
<u>\$ 668,759</u>	<u>\$ 29,868,833</u>	<u>\$ 27,142,247</u>	<u>\$ 2,472,838</u>	<u>\$ 20,040</u>	<u>\$ 942,547</u>

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, 2014

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	\$ 133,000	\$ 203,000	\$ 150,022	\$ (52,978)
5800 State Program Revenues	4,244	4,244	3,835	(409)
5900 Federal Program Revenues	298,190	298,190	326,176	27,986
5020 Total Revenues	435,434	505,434	480,033	(25,401)
EXPENDITURES:				
0035 Food Services	535,434	625,434	567,713	57,721
6030 Total Expenditures	535,434	625,434	567,713	57,721
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,000)	(120,000)	(87,680)	32,320
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	100,000	120,000	90,000	(30,000)
1200 Net Change in Fund Balances	-	-	2,320	2,320
0100 Fund Balance - July 1 (Beginning)	35,385	35,385	35,385	-
3000 Fund Balance - June 30 (Ending)	\$ 35,385	\$ 35,385	\$ 37,705	\$ 2,320

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, 2014

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	\$ 2,511,450	\$ 2,711,450	\$ 2,484,789	\$ (226,661)
5020	Total Revenues	2,511,450	2,711,450	2,484,789	(226,661)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	2,000,000	2,200,000	2,035,000	165,000
0072	Interest on Long-Term Debt	509,910	509,910	458,933	50,977
0073	Bond Issuance Cost and Fees	1,540	1,540	1,540	-
6030	Total Expenditures	2,511,450	2,711,450	2,495,473	215,977
1200	Net Change in Fund Balances	-	-	(10,684)	(10,684)
0100	Fund Balance - July 1 (Beginning)	782,868	782,868	782,868	-
3000	Fund Balance - June 30 (Ending)	\$ 782,868	\$ 782,868	\$ 772,184	\$ (10,684)

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 23, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

Eckert & Company, LLP

September 23, 2014



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

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

Report on Compliance for Each Major Federal Program

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, 2014. The Reagan County Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion of Each Major Federal Program

In our opinion, the Reagan County Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Reagan County Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Reagan County Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of This Report

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

Eckert & Company, LLP

September 23, 2014

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Reagan County Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Reagan County Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies disclosed during the audit of the major federal award programs are reported in the Report on Compliance with Requirements 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 auditor's report on compliance for the major federal award programs for the Reagan County Independent School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Reagan County Independent School District.
7. The programs tested as major programs included:

Child Nutrition Cluster	
CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program - Cash Assistance
CFDA Number 10.555	National School Lunch Program - Non-Cash Assistance
CFDA Number 10.559	Summer Feeding Program - Cash Assistance
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Reagan County Independent School District was determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

B. Findings - Financial Statements Audit

None

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

None

D. Findings - State Compliance

None

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(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	84.358	S358A133936	\$ 20,953
Total Direct Programs			\$ 20,953
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 20,953
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14 - 610104192901101	\$ 140,201
*IDEA - Part B, Formula	84.027	14 - 660001192901660	202,031
*IDEA - Part B, Preschool	84.173	14 - 661001192901600	10,979
Total Special Education Cluster (IDEA)			213,010
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	14 - 13694501192901	37,234
Total Passed Through State Department of Education			\$ 390,445
TOTAL DEPARTMENT OF EDUCATION			\$ 390,445
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	14-192901	\$ 90,321
*National School Lunch Program - Cash Assistance	10.555	14-192901	203,193
*National School Lunch Prog. - Non-Cash Assistance	10.555	14-192901	32,662
Total CFDA Number 10.555			235,855
*Summer Feeding Program - Cash Assistance	10.559	14-192901	4,442
Total Child Nutrition Cluster			330,618
Total Passed Through the State Department of Agriculture			\$ 330,618
TOTAL DEPARTMENT OF AGRICULTURE			\$ 330,618
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 742,016

*Clustered Programs

E-Rate School and Library Program Expenditures of \$61,840 are not included in the above figures.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2014

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.