

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended June 30, 2013

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CERTIFICATE OF THE BOARD

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Name of School District

REAGAN  
County

192-901  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended June 30, 2013, at a meeting of the Board of Trustees of such School District on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

(Check One)

\_\_\_\_\_  
Brenda Schneemann  
Signature of Board Secretary

\_\_\_\_\_  
Mark Noland  
Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

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American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITORS' REPORT

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

### **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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, 2013, 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. The fund balance and cash flow calculation worksheet which is marked "Unaudited," has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

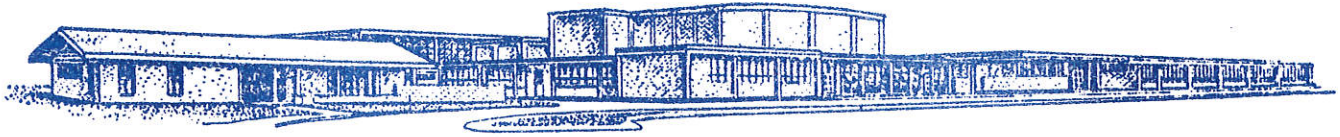
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, 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***

San Angelo, Texas  
November 4, 2013

# REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT



1111 TWELFTH STREET  
BIG LAKE, TEXAS 76932-3599

Phone # 325-884-3705  
Fax # 325-884-3021

## 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, 2013. It should be read in conjunction with the District's basic financial statements and independent auditors' report.

### Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities at the end of the current year by \$26,210,650 (net position). Of this amount, \$7,103,854 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$2,325,001 or 10%. This amount consists of a \$2,916,499 increase attributable to current year operations and a \$591,498 decrease attributable to prior period adjustments described in Note IV., I. to the financial statements. The District's statement of activities shows total revenues of \$32,125,055 and total expenses of 29,208,556.

The total fund balance of the General Fund is \$7,827,636 which is an increase of \$1,437,059 or 22% 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 which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

**Government-Wide Financial Analysis**

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

NET POSITION

	Governmental Activities	
	August 31,	
	2013	2012
Current and Other Assets	\$ 22,369,575	\$ 14,762,788
Capital Assets	31,670,582	32,521,895
Total Assets	\$ 54,040,157	\$ 47,284,683
Deferred Outflows of Resources	\$ 39,156	\$ 41,951
Long-Term Liabilities Outstanding	\$ 14,486,187	\$ 16,981,245
Other Liabilities	13,382,476	6,375,838
Total Liabilities	\$ 27,868,663	\$ 23,357,083
Net Position		
Net Investment in Capital Assets	\$ 18,407,278	\$ 17,081,913
Restricted	699,518	1,261,256
Unrestricted	7,103,854	5,542,480
Total Net Position	\$ 26,210,650	\$ 23,885,649

A large portion of the District's net position (\$18,407,278) 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 (\$699,518) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,103,854) 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 \$2,916,499 and \$2,664,839 for the fiscal years ended June 30, 2013 and 2012, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended June 30,	
	2013	2012
Revenues		
Program Revenues		
Charges for Services	\$ 431,308	\$ 332,263
Operating Grants and Contributions	1,183,103	1,359,320
General Revenues		
Maintenance and Operations Taxes	27,051,895	18,136,435
Debt Service Taxes	2,450,841	2,741,711
State Aid - Formula Grants	708,845	1,980,977
Grants and Contributions Not Restricted to Specific Programs	0	2,439
Investment Earnings	35,973	53,224
Other	263,090	457,863
Total Revenues	\$ 32,125,055	\$ 25,064,232
Expenses		
Instruction and Instructional-Related Services	\$ 6,280,522	\$ 5,659,973
Instructional and School Leadership	815,848	698,489
Support Services - Student (Pupil)	1,919,875	1,876,579
Administrative Support Services	554,822	492,703
Support Services - Nonstudent Based	1,566,157	1,499,909
Ancillary Services	9,086	7,025
Debt Service	487,615	658,386
Intergovernmental Charges	17,574,631	11,506,329
Total Expenses	\$ 29,208,556	\$ 22,399,393
Change in Net Position	\$ 2,916,499	\$ 2,664,839
Net Position - Beginning	23,885,649	21,021,541
Prior Period Adjustments	(591,498)	199,269
Net Position - Ending	\$ 26,210,650	\$ 23,885,649

## 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 \$8,661,176, an increase of \$851,883 or 11% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$7,827,636. Of this balance \$92,532 is committed for future construction, and \$26,309 is nonspendable prepaid expenditures.

Special Revenue Funds \$50,672. Of this balance \$35,385 is restricted for use in the Food Service Fund, and \$15,287 is committed for campus activities.

Debt Service Fund \$782,868. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$20,414,671, and the final amended budget was \$28,761,561 which represents an \$8,346,890 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by increases in Instruction (\$619,500), Student (Pupil) Transportation (\$580,000), Facilities Maintenance and Operations (\$360,000), Facilities Acquisition and Construction (\$115,000), and Contracted Instructional Services Between Schools (\$5,885,000).

The District has adopted a budget for the General Fund in the amount of \$29,245,787 for the fiscal year 2014, which is an increase of \$484,226 from the fiscal year 2013.

### Capital Assets and Debt

**Capital Assets** - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended June 30, 2013.

**Long-Term Debt** - Financial statement footnote III., H. discloses the District's debt activity for the year ended June 30, 2013.

### Future Economic Factors

The District is experiencing a slight increase in enrollment (approximately 50 students) due to the increased exploration of oil and gas within the District's boundaries.

### 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, 2013

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Temporary Investments	\$ 20,567,117
1220 Property Taxes Receivable (Delinquent)	668,759
1230 Allowance for Uncollectible Taxes	(175,098)
1240 Due from Other Governments	1,271,315
1290 Other Receivables, Net	11,173
1410 Prepayments	26,309
Capital Assets:	
1510 Land	126,809
1520 Buildings, Net	30,392,809
1530 Furniture and Equipment, Net	1,150,964
1000 Total Assets	54,040,157
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	39,156
1700 Total Deferred Outflows of Resources	39,156
<b>LIABILITIES</b>	
2110 Accounts Payable	23,577
2140 Interest Payable	167,738
2150 Payroll Deductions and Withholdings	114,439
2160 Accrued Wages Payable	756,957
2180 Due to Other Governments	10,455,162
2300 Unearned Revenue	1,864,603
Noncurrent Liabilities	
2501 Due Within One Year	935,000
2502 Due in More Than One Year	13,551,187
2000 Total Liabilities	27,868,663
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	18,407,278
3820 Restricted for Federal and State Programs	35,385
3850 Restricted for Debt Service	664,133
3900 Unrestricted	7,103,854
3000 Total Net Position	\$ 26,210,650

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, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,881,282	\$ 112,804	\$ 714,968	\$ (5,053,510)
12 Instructional Resources and Media Services	193,348	-	8,179	(185,169)
13 Curriculum and Instructional Staff Development	205,892	-	31,270	(174,622)
21 Instructional Leadership	179,035	-	9,599	(169,436)
23 School Leadership	636,813	-	24,351	(612,462)
31 Guidance, Counseling, and Evaluation Services	249,949	-	17,202	(232,747)
33 Health Services	64,423	-	2,326	(62,097)
34 Student (Pupil) Transportation	289,580	-	4,645	(284,935)
35 Food Services	562,410	154,506	300,897	(107,007)
36 Extracurricular Activities	753,513	33,083	23,260	(697,170)
41 General Administration	554,822	-	9,389	(545,433)
51 Facilities Maintenance and Operations	1,471,379	130,915	26,924	(1,313,540)
52 Security and Monitoring Services	1,325	-	-	(1,325)
53 Data Processing Services	93,453	-	2,023	(91,430)
61 Community Services	9,086	-	8,070	(1,016)
72 Debt Service - Interest on Long-Term Debt	483,678	-	-	(483,678)
73 Debt Service - Bond Issuance Cost and Fees	3,937	-	-	(3,937)
91 Contracted Instructional Services Between Schools	17,389,513	-	-	(17,389,513)
99 Other Intergovernmental Charges	185,118	-	-	(185,118)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 29,208,556</b>	<b>\$ 431,308</b>	<b>\$ 1,183,103</b>	<b>(27,594,145)</b>
Data Control Codes	<b>General Revenues:</b>			
	<b>Taxes:</b>			
MT	Property Taxes, Levied for General Purposes			27,051,895
DT	Property Taxes, Levied for Debt Service			2,450,841
SF	State Aid - Formula Grants			708,845
IE	Investment Earnings			35,973
MI	Miscellaneous Local and Intermediate Revenue			263,090
TR	<b>Total General Revenues</b>			<b>30,510,644</b>
CN	Change in Net Position			2,916,499
NB	Net Position - Beginning			23,885,649
PA	Prior Period Adjustment			(591,498)
NE	Net Position--Ending			<b>\$ 26,210,650</b>

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Temporary Investments	\$ 19,744,092	\$ 823,025	\$ 20,567,117
1220 Property Taxes - Delinquent	607,288	61,471	668,759
1230 Allowance for Uncollectible Taxes (Credit)	(162,630)	(12,468)	(175,098)
1240 Due from Other Governments	1,197,359	73,956	1,271,315
1260 Due from Other Funds	4,705	-	4,705
1290 Other Receivables	804	10,369	11,173
1410 Prepayments	26,309	-	26,309
1000 Total Assets	<u>\$ 21,417,927</u>	<u>\$ 956,353</u>	<u>\$ 22,374,280</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 23,028	\$ 549	\$ 23,577
2150 Payroll Deductions and Withholdings Payable	100,166	14,273	114,439
2160 Accrued Wages Payable	702,674	54,283	756,957
2170 Due to Other Funds	-	4,705	4,705
2180 Due to Other Governments	10,455,162	-	10,455,162
2300 Unearned Revenue	1,864,603	-	1,864,603
2000 Total Liabilities	<u>13,145,633</u>	<u>73,810</u>	<u>13,219,443</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	444,658	49,003	493,661
2600 Total Deferred Inflows of Resources	<u>444,658</u>	<u>49,003</u>	<u>493,661</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	26,309	-	26,309
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	35,385	35,385
3480 Retirement of Long-Term Debt	-	782,868	782,868
Committed Fund Balance:			
3510 Construction	92,532	-	92,532
3545 Other Committed Fund Balance	-	15,287	15,287
3600 Unassigned Fund Balance	7,708,795	-	7,708,795
3000 Total Fund Balances	<u>7,827,636</u>	<u>833,540</u>	<u>8,661,176</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,417,927</u>	<u>\$ 956,353</u>	<u>\$ 22,374,280</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, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	8,661,176
<b>1</b> 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.		15,569,681
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.		3,016,020
<b>3</b> Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,285,527)
<b>4</b> 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, recognizing the liabilities associated with maturing long-term debt and interest, and writing off unamortized debt issuance costs from prior years. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		249,300
<b>19 Net Position of Governmental Activities</b>	\$	26,210,650

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, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 27,558,050	\$ 2,677,042	\$ 30,235,092
5800 State Program Revenues	1,030,428	55,142	1,085,570
5900 Federal Program Revenues	44,975	742,932	787,907
5020 Total Revenues	<u>28,633,453</u>	<u>3,475,116</u>	<u>32,108,569</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	4,654,874	465,159	5,120,033
0012 Instructional Resources and Media Services	164,788	-	164,788
0013 Curriculum and Instructional Staff Development	158,060	28,299	186,359
0021 Instructional Leadership	150,019	4,392	154,411
0023 School Leadership	538,734	-	538,734
0031 Guidance, Counseling, and Evaluation Services	207,034	6,996	214,030
0033 Health Services	56,440	-	56,440
0034 Student (Pupil) Transportation	582,065	-	582,065
0035 Food Services	-	515,295	515,295
0036 Extracurricular Activities	674,291	14,290	688,581
0041 General Administration	498,883	-	498,883
0051 Facilities Maintenance and Operations	1,459,311	-	1,459,311
0052 Security and Monitoring Services	1,325	-	1,325
0053 Data Processing Services	86,897	-	86,897
0061 Community Services	1,016	8,070	9,086
Debt Service:			
0071 Principal on Long-Term Debt	-	2,500,000	2,500,000
0072 Interest on Long-Term Debt	-	568,281	568,281
0073 Bond Issuance Cost and Fees	-	1,140	1,140
Capital Outlay:			
0081 Facilities Acquisition and Construction	5,759	-	5,759
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	17,389,513	-	17,389,513
0099 Other Intergovernmental Charges	185,118	-	185,118
6030 Total Expenditures	<u>26,814,127</u>	<u>4,111,922</u>	<u>30,926,049</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,819,326</u>	<u>(636,806)</u>	<u>1,182,520</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7912 Sale of Real and Personal Property	16,500	-	16,500
7915 Transfers In	-	45,000	45,000
8911 Transfers Out (Use)	(45,000)	-	(45,000)
7080 Total Other Financing Sources (Uses)	<u>(28,500)</u>	<u>45,000</u>	<u>16,500</u>
1200 Net Change in Fund Balances	1,790,826	(591,806)	1,199,020
0100 Fund Balance - July 1 (Beginning)	6,390,577	1,418,716	7,809,293
1300 Increase (Decrease) in Fund Balance	<u>(353,767)</u>	<u>6,630</u>	<u>(347,137)</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 7,827,636</u>	<u>\$ 833,540</u>	<u>\$ 8,661,176</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, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,199,020
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.		3,016,020
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.		(1,285,527)
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.		(13,014)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,916,499</b>

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, 2013

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	Agency Fund
<hr/>	
ASSETS	
Cash and Temporary Investments	\$ 41,730
Total Assets	<u>\$ 41,730</u>
LIABILITIES	
Due to Student Groups	\$ 41,730
Total Liabilities	<u>\$ 41,730</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, 2013

**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, 2013

**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 fund:

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

Additionally, the government reports the following fund type:

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

**D. Interfund Receivables and Payables**

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

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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

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

**F. Capital Assets - Continued**

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 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, 2013

**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, 2013

**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 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, 2013, all of the District's investments are in external investment pools.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

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

**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, 2013, 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, 2013, approximates fair value and consisted of the following:

Cash in Bank	\$	351,447
Money Market Savings Accounts		1,295,300
Lone Star Investment Pool		<u>18,962,100</u>
Total Cash and Temporary Investments	\$	<u><u>20,608,847</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:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 1,002,123	\$ 0	\$ 195,236	\$ 1,197,359
Special Revenue Funds	0	55,705	0	55,705
Debt Service Fund	<u>0</u>	<u>0</u>	<u>18,251</u>	<u>18,251</u>
Totals	<u>\$ 1,002,123</u>	<u>\$ 55,705</u>	<u>\$ 213,487</u>	<u>\$ 1,271,315</u>

**C. Interfund Balances and Transfers**

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

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 4,705	\$ 0	Reallocation of Tax Receipts
Nonmajor Governmental Funds			
General Fund	<u>0</u>	<u>4,705</u>	Reallocation of Tax Receipts
Totals	<u>\$ 4,705</u>	<u>\$ 4,705</u>	



REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**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	\$ 40,000	Subsidize Food Services
General Fund	Nonmajor Governmental Funds	<u>5,000</u>	Operating Transfer
Total		<u>\$ 45,000</u>	

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 126,809	\$ 0	\$ 0	\$ 126,809
Buildings and Improvements	42,011,915	58,756	0	42,070,671
Furniture and Equipment	<u>2,950,770</u>	<u>430,792</u>	<u>315,123</u>	<u>3,066,439</u>
Total Capital Assets	<u>\$ 45,089,494</u>	<u>\$ 489,548</u>	<u>\$ 315,123</u>	<u>\$ 45,263,919</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (10,642,829)	\$ (1,035,033)	\$ 0	\$ (11,677,862)
Furniture and Equipment	<u>(1,924,770)</u>	<u>(250,494)</u>	<u>(259,789)</u>	<u>(1,915,475)</u>
Total Accumulated Depreciation	<u>\$ (12,567,599)</u>	<u>\$ (1,285,527)</u>	<u>\$ (259,789)</u>	<u>\$ (13,593,337)</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,521,895</u>	<u>\$ (795,979)</u>	<u>\$ 55,334</u>	<u>\$ 31,670,582</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

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

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 771,618
Instructional Resources and Media Services	28,560
Curriculum and Instructional Staff Development	19,533
Instructional Leadership	24,624
School Leadership	98,079
Guidance, Counseling, and Evaluation Services	35,919
Health Services	7,983
Student (Pupil) Transportation	13,367
Food Services	47,115
Extracurricular Activities	71,612
General Administration	55,939
Facilities Maintenance and Operations	104,622
Data Processing Services	<u>6,556</u>
Total	<u><u>\$ 1,285,527</u></u>

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

The statement of financial 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 of \$39,156 which is amortized over the life of the refunding bonds. In prior years, this balance was included as part of long-term debt.

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, the difference between property taxes receivable and the allowance for uncollectible taxes of \$493,661 which is unavailable for expenditure.

**F. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	General Fund
	<hr/>
State Grants	<u><u>\$ 1,864,603</u></u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**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, 2013, as follows:

<u>Year Ending</u> <u>June 30,</u>	
2014	\$ 2,760
2015	2,760
2016	<u>2,530</u>
Total Minimum Rentals	<u>\$ 8,050</u>

Rental expenditures during the year ended June 30, 2013, were \$4,000.

**H. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<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	\$ 6,965,000	\$ 0	\$ 2,500,000	\$ 4,465,000	\$ 935,000
Unlimited Tax					
Refunding Bonds	9,520,000	0	0	9,520,000	0
Bond Premium	<u>538,196</u>	<u>0</u>	<u>37,009</u>	<u>501,187</u>	<u>0</u>
Totals	<u>\$ 17,023,196</u>	<u>\$ 0</u>	<u>\$ 2,537,009</u>	<u>\$ 14,486,187</u>	<u>\$ 935,000</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**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%.	\$ 1,100,000
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%.	3,365,000
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
Total Bonds Payable	\$ 13,985,000

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	
2014	\$ 935,000	\$ 170,262	\$ 0	\$ 273,750	\$ 1,379,012
2015	630,000	135,162	0	273,750	1,038,912
2016	245,000	112,312	0	273,750	631,062
2017	250,000	102,512	330,000	273,750	956,262
2018	260,000	92,512	855,000	267,150	1,474,662
2019-2023	1,475,000	303,812	4,615,000	981,600	7,375,412
2024-2027	670,000	40,400	3,720,000	261,000	4,691,400
Totals	\$ 4,465,000	\$ 956,972	\$ 9,520,000	\$ 2,604,750	\$ 17,546,722

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

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

**H. Long-Term Debt - Continued**

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:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$ 27,217,507	\$ 0	\$ 2,502,279	\$ 29,719,786
Tuition and Fees	4,100	0	0	4,100
Other Local Sources	303,360	846	1,744	305,950
Cocurricular, Enterprising Services, or Activities	<u>33,083</u>	<u>172,173</u>	<u>0</u>	<u>205,256</u>
Totals	<u>\$ 27,558,050</u>	<u>\$ 173,019</u>	<u>\$ 2,504,023</u>	<u>\$ 30,235,092</u>

**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>\$ 44,975</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**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](http://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 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

Fiscal Year	Member		State On-Behalf		District Amount
	Rate	Amount	Rate	Amount	
2013	6.4%	\$ 326,238	6.400%	\$ 323,213	\$ 76,472
2012	6.4%	340,196	6.000%	318,935	81,835
2011	6.4%	361,613	6.644%	341,229	93,227

**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](http://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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**IV. OTHER INFORMATION - Continued**

**B. Retiree Health Plan - Continued**

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 2013-2011 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
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
2011	0.65%	36,726	1.0%	56,502	0.55%	31,076

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 2013-2011 are shown in the table below:

Fiscal Year	Medicare Part D
2013	\$ 15,121
2012	13,422
2011	13,050

**C. Health Care Coverage**

During the year ended June 30, 2013, 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 \$400 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.

**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.

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**IV. OTHER INFORMATION - Continued**

**E. Property and Liability Programs**

During the year ended June 30, 2013, 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, 2013, 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, 2012, are available at the TAPS' offices.

**F. Unemployment Compensation Coverage**

During the year ended June 30, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2012, are available on the TASB Risk Management Fund website.

**G. Workers' Compensation Insurance**

During the year ended June 30, 2013, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.



REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
June 30, 2013

**IV. OTHER INFORMATION - Continued**

**G. Workers' Compensation Insurance - Continued**

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, 2013, the Fund carries a discounted reserve of \$6,455,120 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2013, 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, 2012, 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 decrease as a result of the following adjustments:

To Record 2011-12 Recapture Settle Up	\$ (170,565)
To Record 2011-12 Foundation Settle Up	(186,703)
To Record Various Adjustments for Prior Year	<u>3,501</u>
Total	<u><u>\$ (353,767)</u></u>

The fund balance of the Debt Service Fund has been increased by \$6,630 as a result of a refund of excess bond issuance costs from the prior year.

The net position of the government-wide statements decreased an additional \$244,361 to reclassify the unamortized debt issuance costs incurred in prior periods. This adjustment is the result of adopting Governmental Accounting Standards Board Statement No. 65. The net position decreased a net \$591,498 when combined with the above adjustments to the General Fund and Debt Service Fund.

**J. Subsequent Events**

The District's management has evaluated subsequent events through November 4, 2013, 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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 18,266,941	\$ 27,564,058	\$ 27,558,050	\$ (6,008)
5800 State Program Revenues	2,142,230	1,192,003	1,030,428	(161,575)
5900 Federal Program Revenues	5,500	5,500	44,975	39,475
5020 Total Revenues	20,414,671	28,761,561	28,633,453	(128,108)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,395,233	5,014,733	4,654,874	359,859
0012 Instructional Resources and Media Services	175,965	229,695	164,788	64,907
0013 Curriculum and Instructional Staff Development	138,362	198,938	158,060	40,878
0021 Instructional Leadership	175,052	225,052	150,019	75,033
0023 School Leadership	459,712	574,712	538,734	35,978
0031 Guidance, Counseling, and Evaluation Services	276,687	276,687	207,034	69,653
0033 Health Services	50,843	85,843	56,440	29,403
0034 Student (Pupil) Transportation	147,999	727,999	582,065	145,934
0036 Extracurricular Activities	684,052	727,052	674,291	52,761
0041 General Administration	446,271	546,271	498,883	47,388
0051 Facilities Maintenance and Operations	1,308,804	1,668,804	1,459,311	209,493
0052 Security and Monitoring Services	1,000	76,000	1,325	74,675
0053 Data Processing Services	79,354	184,438	86,897	97,541
0061 Community Services	14,800	39,800	1,016	38,784
Debt Service:				
0071 Principal on Long-Term Debt	30,000	79,000	-	79,000
0072 Interest on Long-Term Debt	-	1,000	-	1,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	34,000	149,000	5,759	143,241
Intergovernmental:				
0091 Contracted Instructional Services Between	11,736,537	17,621,537	17,389,513	232,024
0099 Other Intergovernmental Charges	180,000	215,000	185,118	29,882
6030 Total Expenditures	20,334,671	28,641,561	26,814,127	1,827,434
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	80,000	120,000	1,819,326	1,699,326
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	16,500	16,500
8911 Transfers Out (Use)	(80,000)	(120,000)	(45,000)	75,000
7080 Total Other Financing Sources (Uses)	(80,000)	(120,000)	(28,500)	91,500
1200 Net Change in Fund Balances	-	-	1,790,826	1,790,826
0100 Fund Balance - July 1 (Beginning)	6,390,577	6,390,577	6,390,577	-
1300 Increase (Decrease) in Fund Balance	-	-	(353,767)	(353,767)
3000 Fund Balance - June 30 (Ending)	\$ 6,390,577	\$ 6,390,577	\$ 7,827,636	\$ 1,437,059

Other Supplementary Information

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED JUNE 30, 2013

Last 10 Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.500000	0.000000	589,847,945
2006	1.330000	0.170000	791,019,404
2007	1.210000	0.160000	1,141,259,591
2008	0.920000	0.240000	1,315,961,402
2009	0.926000	0.165000	1,662,461,798
2010	0.970000	0.165000	1,501,300,062
2011	0.940000	0.150000	1,787,093,380
2012	0.930000	0.140000	1,992,447,900
2013 (School year under audit)	1.100000	0.100000	2,470,855,265
1000 TOTALS			

2013 Adjustments represent adjustments of \$588,647 and discounts for early payments of \$743,601.

(10) Beginning Balance 7/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2013
\$ 61,881	\$ -	\$ 1,627	\$ 7	\$ (634)	\$ 59,613
6,154	-	494	-	-	5,660
9,172	-	677	87	-	8,408
26,330	-	2,547	337	-	23,446
24,805	-	2,705	706	1	21,395
59,986	-	14,500	2,584	(10)	42,892
231,334	-	145,843	24,300	(117)	61,074
67,121	-	28,655	4,573	(411)	33,482
202,616	-	128,044	19,282	972	56,262
-	29,650,263	26,710,550	2,428,232	(154,954)	356,527
<u>\$ 689,399</u>	<u>\$ 29,650,263</u>	<u>\$ 27,035,642</u>	<u>\$ 2,480,108</u>	<u>\$ (155,153)</u>	<u>\$ 668,759</u>

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT F-2

**UNAUDITED**

1	Total General Fund Balance as of 6/30/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 7,827,636
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 26,309	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	92,532	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	3,400,000	
7	Estimate of two month's average cash disbursements during the fiscal year.	1,600,000	
8	Estimate of delayed payments from state sources (58xx).	196,696	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>5,315,537</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 2,512,099</u></u>

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

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

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 133,000	\$ 193,000	\$ 154,449	\$ (38,551)
5800 State Program Revenues	4,000	4,000	4,169	169
5900 Federal Program Revenues	274,190	274,190	288,969	14,779
5020 Total Revenues	411,190	471,190	447,587	(23,603)
<b>EXPENDITURES:</b>				
0035 Food Services	491,190	591,190	508,886	82,304
6030 Total Expenditures	491,190	591,190	508,886	82,304
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(80,000)	(120,000)	(61,299)	58,701
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	80,000	120,000	40,000	(80,000)
7080 Total Other Financing Sources (Uses)	80,000	120,000	40,000	(80,000)
1200 Net Change in Fund Balances	-	-	(21,299)	(21,299)
0100 Fund Balance - July 1 (Beginning)	56,684	56,684	56,684	-
3000 Fund Balance - June 30 (Ending)	\$ 56,684	\$ 56,684	\$ 35,385	\$ (21,299)



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, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,570,950	\$ 3,270,950	\$ 2,504,023	\$ (766,927)
5020	Total Revenues	2,570,950	3,270,950	2,504,023	(766,927)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long-Term Debt	1,830,000	2,530,000	2,500,000	30,000
0072	Interest on Long-Term Debt	740,950	739,810	568,281	171,529
0073	Bond Issuance Cost and Fees	-	1,140	1,140	-
6030	Total Expenditures	2,570,950	3,270,950	3,069,421	201,529
1200	Net Change in Fund Balances	-	-	(565,398)	(565,398)
0100	Fund Balance - July 1 (Beginning)	1,341,636	1,341,636	1,341,636	-
1300	Increase (Decrease) in Fund Balance	-	6,630	6,630	-
3000	Fund Balance - June 30 (Ending)	\$ 1,341,636	\$ 1,348,266	\$ 782,868	\$ (565,398)

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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Texas Society of CPAs

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

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2013.

**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*

San Angelo, Texas  
November 4, 2013



A Limited Liability Partnership

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

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, 2013. The Reagan County Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of 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, 2013.

### **port 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*

San Angelo, Texas  
November 4, 2013

REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**A. Summary of Audit Results**

1. The auditors' 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 auditors' 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:

Special Education Cluster	
CFDA Number 84.027	IDEA-Part B, Formula
CFDA Number 84.173	IDEA-Part B, Preschool

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, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Rural Education Achievement Program	84.358	S358A113936	\$ 22,744
Total Direct Programs			\$ 22,744
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13 - 610101192901	\$ 140,752
*IDEA - Part B, Formula	84.027	12 - 660001192901660	4,043
*IDEA - Part B, Formula	84.027	13 - 660001192901660	224,422
Total CFDA Number 84.027			228,465
*IDEA - Part B, Preschool	84.173	12 - 661001192901661	249
*IDEA - Part B, Preschool	84.173	13 - 661001192901661	9,299
Total CFDA Number 84.173			9,548
Total Special Education Cluster (IDEA)			238,013
Career and Technical - Basic Grant	84.048	13 - 420006192901	6,996
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	13 - 694501192901	39,287
Total Passed Through State Department of Education			\$ 425,048
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 447,792</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	13-192901	\$ 66,159
*National School Lunch Program - Cash Assistance	10.555	13-192901	194,368
*National School Lunch Prog. - Non-Cash Assistance	10.555	13-192901	28,443
Total CFDA Number 10.555			222,811
*Summer Feeding Program - Cash Assistance	10.559	13-192901	6,170
Total Child Nutrition Cluster			295,140
Total Passed Through the State Department of Agriculture			\$ 295,140
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 295,140</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 742,932</b>

\*Clustered Programs

E-Rate School and Library Program expenditures of \$44,975 are not included in the above figures.



REAGAN COUNTY INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2013

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.

# Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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Members of  
American Institute of CPAs  
Texas Society of CPAs

November 4, 2013

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reagan County Independent School District for the year ended June 30, 2013, and have issued our report thereon dated November 4, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 24, 2013. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Section I. of the notes to the financial statements. The provisions of Governmental Accounting Standards Board Statement 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and Statement 65, "*Items Previously Reported as Assets and Liabilities*," were adopted during the year ended June 30, 2013. The application of other existing policies was not changed. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

The allowance for uncollectible taxes, which is based on historical experience, and the estimated useful lives of depreciable assets, which are based on projections of the productive lives of the assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 4, 2013.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Trustees of the Reagan County Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

*Eckert & Company, LLP*