

RIO GRANDE CITY CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT
AUDITED ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2008

Reyna & Garza, P.L.L.C.
Certified Public Accountants

RIO GRANDE CITY CISD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2008

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CERTIFICATE OF BOARD

RIO GRANDE CITY CISD
Name of School District

STARR
County

214-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2008 at a meeting of the Board of Trustees of such school district on the 20th day of January, 2009.

Signature of Board Secretary

Signature of Board President

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

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Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave

Edinburg, TX 78539

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY
INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of Trustees
Rio Grande City Consolidated Independent School District
Fort Ringgold
Rio Grande City, Texas

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande City Consolidated Independent School District (the District) as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Rio Grande City Consolidated Independent School District as of August 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Rio Grande City Consolidated Independent School District's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked *UNAUDITED* and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Reyna & Garza, PLLC
Certified Public Accountants

January 10, 2009

RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Rio Grande City Consolidated Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2008. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's net assets at August 31, 2008 were \$ 75.66 million, an increase of \$ 5.9 million as a result of this year's operations.
- During the year, the District had expenses that were \$ 5.9 million less than the \$ 117.1 million generated in tax and other revenues for governmental programs. This compares to last year when revenues exceeded expenses by \$ 2 million.
- Total cost of all of the District's programs increased by \$ 5.9 million.
- The General Fund ended the year with a fund balance of \$ 21.36 million.
- The resources available for appropriation were \$ 1.36 million less than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 10 and 11. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting on page 12 report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements starting on page 22 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, the District reports one kind of activity:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance program(s).

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for monies held on behalf of third parties. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$ 71.99 million to \$ 75.66 million . Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$ 31.12 million at August 31, 2008.

In 2008, net assets of our government-type activities increased by \$ 5.9 million or 8.3 percent.

Table I
RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 70,230,947	\$ 72,578,044	0	0	\$ 70,230,947	\$ 72,578,044
Capital assets	121,697,254	114,157,547	0	0	121,697,254	114,157,547
Total assets	\$ 191,928,201	\$186,735,591	0	0	\$ 191,928,201	\$186,735,591
Long-term liabilities	107,446,206	108,812,355	0	0	107,446,206	108,812,355
Other liabilities	8,817,030	5,926,141	0	0	8,817,030	5,926,141
Total liabilities	\$116,263,236	114,738,496	0	0	\$116,263,236	114,738,496
Net Assets:						
Invested in capital assets, net of related debt	14,251,048	5,345,192	0	0	14,251,048	5,345,192
Restricted - Federal and State Programs	59,275	52,057	0	0	59,275	52,057
Restricted - Debt Service	1,582,104	1,494,678	0	0	1,582,104	1,494,678
Restricted - Capital Projects	28,657,049	38,260,753	0	0	28,657,049	38,260,753
Reserved for Other Purposes	0	0	0	0	0	0
Unrestricted	31,115,490	26,844,409	0	0	31,115,490	26,844,409
Total Net Assets	\$75,664,966	\$71,997,089	0	0	\$75,664,966	\$71,997,089

Table II
RIO GRANDE CITY CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 653,955	\$ 956,092	0	0	\$ 653,955	\$ 956,092
Operating Grants and Contributions	20,225,882	20,249,890	0	0	20,225,882	20,249,890
General Revenues:						
Maintenance and Operations Taxes	11,775,315	15,189,555	0	0	11,775,315	15,189,555
Debt Service Taxes	2,562,156	911,415	0	0	2,562,156	911,415
State Aid Formula Grants	76,578,782	65,951,623	0	0	76,578,782	65,951,623
Investment Earnings	2,354,734	3,596,666	0	0	2,354,734	3,596,666
Miscellaneous	28,866	827,897	0	0	28,866	827,897
Total Revenue	\$114,179,690	\$107,683,138	0	0	\$114,179,690	\$107,683,138

Expenses:						
Instruction, curriculum and media services	62,321,881	58,070,629	0	0	62,321,881	55,070,629
Instructional/school leadership	6,864,893	6,995,936	0	0	6,864,893	6,995,936
Guidance, social work, health, transportation	8,396,861	7,880,487	0	0	8,396,861	7,880,487
Food Services	6,797,061	6,685,796	0	0	6,797,061	6,685,796
Co curricular activities	3,778,704	3,751,076	0	0	3,778,704	3,751,076
General administration	3,438,975	2,740,707	0	0	3,438,975	2,740,076
Plant Maintenance, Security and Data Processing	13,781,128	13,193,539	0	0	13,781,128	13,193,539
Community Services	736,149	776,672	0	0	736,149	776,672
Debt Service	5,065,025	5,103,450	0	0	5,065,025	5,103,450
Other activities	0	0	0	0	0	0
Total Expenses	\$111,180,677	\$105,198,292	0	0	\$111,180,677	\$105,198,292
Increase in net assets before transfers and special items	2,999,013	2,484,846	0	0	2,999,013	2,484,846
Extraordinary items	2,921,932	0	0	0	2,921,932	0
Special Items-Prior Period Adjustment(s)	(2,260,286)	(9,771)	0	0	(2,260,286)	(9,771)
Increase in Net Assets	3,660,659	2,484,846	0	0	3,660,659	2,484,846
Net assets at 9/1/07	71,997,089	69,522,014	0	0	71,997,089	69,522,014
Net assets at 8/31/08	<u>\$75,664,966</u>	<u>\$71,997,089</u>	<u>0</u>	<u>0</u>	<u>\$75,664,966</u>	<u>\$71,997,089</u>

The cost of all governmental activities this year was \$ 111 million compared to \$ 105.2 million last year. However, as shown in the Statement of Activities on page 11 the amount that our taxpayers ultimately financed for these activities through District taxes was only \$ 14.38 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions or by the State equalization funding.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in the balance sheet on page 16 reported a combined fund balance of \$ 51.66 million, which is a decrease from last year's total of \$ 56.92 million. This decrease was principally due to the fact that the District spend down bond proceeds from the prior year related to construction projects.

Capital expenditures reduce available fund balances; they create new assets for the District as reported in the Statement of Net Assets and as discussed in the notes to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category involves amendments to move funds from functions that did not need all the resources originally appropriated to them to other functions where resources were needed. The second category involves budgeting for additional local, state or federal revenues. In the current year, expenditures were under appropriations by \$ 3.75 million in the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the District had \$ 155.4 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of just over \$ 11.7 million, or 8 percent above last year.

This year's major additions included;

<u>Project</u>	<u>Costs to Date</u>
1) New High School	\$ 9.1 Million
2) Renovation to Ringgold Middle School	1.3 Million

Debt Administration

At year-end, the District had \$ 107.4 million in bonds, notes and capital leases outstanding versus \$143.7 million from last year—a decrease of 2.8 percent. The decrease was due to payment on current year obligations. The District's general obligation bond rating has been the highest possible according to national rating agencies.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2009 fiscal year increased by \$91.5 million from \$ 1.012 billion to \$ 1.103 billion.
- The district's refined average daily attendance for 2008-2009 is expected to be 9,427, up from 9,327 for fiscal year 2007-2008.

These indicators were taken into account when adopting the General Fund budget for 2009. Amounts available for appropriation in the General Fund budget are \$ 88.4 million, an increase of 6.2 percent over the original 2008 budget of \$82.9 million. The District will use its revenues to finance programs currently being offered. Total governmental budgeted expenditures are expected to rise nearly 6.8 % to \$ 96.4 million in 2008-2009 from the 2007-2008 original budget of \$ 90.3 million.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by \$.5 million by the close of 2009.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Rio Grande City Consolidated Independent School District, Fort Ringgold, Rio Grande City, Texas.

RIO GRANDE CITY CISD
STATEMENT OF NET ASSETS
AUGUST 31, 2008

Data	Primary Government
Control	
Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 7,482,423
1120 Current Investments	50,327,080
1220 Property Taxes Receivable (Delinquent)	11,197,684
1230 Allowance for Uncollectible Taxes	(4,298,146)
1240 Due from Other Governments	4,785,209
1250 Accrued Interest	32,825
1260 Internal Balances	(41,741)
1267 Due from Fiduciary Funds	577,069
1300 Inventories	168,544
Capital Assets:	
1510 Land	5,451,126
1520 Buildings, Net	100,416,127
1530 Furniture and Equipment, Net	2,944,242
1550 Leased Property Under Capital Leases, Net	1,829,716
1580 Construction in Progress	11,056,043
1000 Total Assets	191,928,201
LIABILITIES	
2110 Accounts Payable	6,189,525
2160 Accrued Wages Payable	1,477,930
2177 Due to Fiduciary Funds	339,315
2180 Due to Other Governments	772,597
2300 Deferred Revenues	37,663
Noncurrent Liabilities	
2501 Due Within One Year	3,524,391
2502 Due in More Than One Year	103,921,815
2000 Total Liabilities	116,263,236
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	14,251,048
3820 Restricted for Federal and State Programs	59,275
3850 Restricted for Debt Service	1,582,104
3860 Restricted for Capital Projects	28,657,049
3900 Unrestricted Net Assets	31,115,490
3000 Total Net Assets	\$ 75,664,966

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

RIO GRANDE CITY CISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Assets
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 59,321,369	\$ 38,070	\$ 15,938,033	\$ (43,345,266)
12 Instructional Resources and Media Services	1,704,542	-	170,906	(1,533,636)
13 Curriculum and Instructional Staff Development	1,295,970	-	723,478	(572,492)
21 Instructional Leadership	2,034,457	-	660,051	(1,374,406)
23 School Leadership	4,830,436	-	348,689	(4,481,747)
31 Guidance, Counseling and Evaluation Services	3,287,572	-	577,698	(2,709,874)
32 Social Work Services	255,311	-	228,810	(26,501)
33 Health Services	1,125,195	-	125,100	(1,000,095)
34 Student (Pupil) Transportation	3,728,783	-	186,831	(3,541,952)
35 Food Services	6,797,061	545,581	20,080	(6,231,401)
36 Extracurricular Activities	3,778,704	44,711	86,942	(3,647,051)
41 General Administration	3,438,975	15,115	112,491	(3,311,369)
51 Plant Maintenance and Operations	11,720,537	10,478	369,982	(11,340,077)
52 Security and Monitoring Services	1,824,114	-	86,683	(1,737,431)
53 Data Processing Services	236,477	-	7,986	(228,491)
61 Community Services	736,149	-	582,123	(154,026)
72 Debt Service - Interest on Long Term Debt	5,060,212	-	-	(5,060,212)
73 Debt Service - Bond Issuance Cost and Fees	4,813	-	-	(4,813)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 111,180,677	\$ 653,955	\$ 20,225,882	(90,300,840)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		11,775,315
DT	Property Taxes, Levied for Debt Service		2,562,156
GC	Grants and Contributions not Restricted		76,578,782
IE	Investment Earnings		2,354,734
MI	Miscellaneous Local and Intermediate Revenue		28,866
E1	Extraordinary Item - resource		2,921,932
TR	Total General Revenues and Extraordinary Items		96,221,785
CN	Change in Net Assets		5,920,946
NB	Net Assets--Beginning		72,004,307
PA	Prior Period Adjustment		(2,260,286)
NE	Net Assets--Ending		\$ 75,664,967

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

RIO GRANDE CITY CISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2008

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 5,168,462	\$ 424,934	\$ 1,041,287	\$ 6,634,683
1120	Investments - Current	14,077,189	32,569,664	591,015	47,237,868
1220	Property Taxes - Delinquent	10,551,511	-	646,173	11,197,684
1230	Allowance for Uncollectible Taxes (Credit)	(4,220,605)	-	(77,541)	(4,298,146)
1240	Due from Other Governments	3,599,442	46,875	1,138,892	4,785,209
1250	Accrued Interest	24,954	-	-	24,954
1260	Due from Other Funds	2,474,893	175	1,239,521	3,714,589
1300	Inventories	168,544	-	-	168,544
1000	Total Assets	<u>\$ 31,844,390</u>	<u>\$ 33,041,648</u>	<u>\$ 4,579,347</u>	<u>\$ 69,465,385</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 478,732	\$ 4,337,724	\$ 518,528	\$ 5,334,984
2160	Accrued Wages Payable	1,277,924	-	200,006	1,477,930
2170	Due to Other Funds	1,602,716	46,875	1,634,787	3,284,378
2180	Due to Other Governments	772,597	-	-	772,597
2300	Deferred Revenues	6,352,554	-	584,647	6,937,201
2000	Total Liabilities	<u>\$ 10,484,523</u>	<u>\$ 4,384,599</u>	<u>\$ 2,937,968</u>	<u>\$ 17,807,090</u>
Fund Balances:					
Reserved For:					
3410	Investments in Inventory	\$ 168,544	\$ -	\$ -	\$ 168,544
3420	Retirement of Long Term Debt	-	-	1,582,104	1,582,104
Unreserved Designated For:					
3510	Construction	6,000,000	-	-	6,000,000
3540	Self Insurance	1,000,000	-	-	1,000,000
Unreserved and Undesignated:					
3600	Reported in the General Fund	14,191,324	-	-	14,191,324
3610	Reported in Special Revenue Funds	-	-	59,275	59,275
3620	Reported in Capital Projects Funds	-	28,657,049	-	28,657,049
3000	Total Fund Balances	<u>\$ 21,359,868</u>	<u>\$ 28,657,049</u>	<u>\$ 1,641,379</u>	<u>\$ 51,658,296</u>
4000	Total Liabilities and Fund Balances	<u>\$ 31,844,391</u>	<u>\$ 33,041,648</u>	<u>\$ 4,579,347</u>	<u>\$ 69,465,386</u>

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

RIO GRANDE CITY CISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2008

Total Fund Balances - Governmental Funds	\$	51,658,296
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.		2,856,084
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$143,721,744 and the accumulated depreciation was \$29,564,197. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		5,345,192
3 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 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		15,625,307
4 The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(4,091,484)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		4,271,571
19 Net Assets of Governmental Activities	\$	75,664,966

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

RIO GRANDE CITY CISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 13,659,435	\$ 1,502,525	\$ 2,552,393	\$ 17,714,353
5800 State Program Revenues	67,460,330	-	8,239,223	75,699,553
5900 Federal Program Revenues	6,600,382	-	14,506,667	21,107,049
5020 Total Revenues	<u>87,720,147</u>	<u>1,502,525</u>	<u>25,298,283</u>	<u>114,520,955</u>
EXPENDITURES:				
Current:				
0011 Instruction	42,980,315	15,889	14,202,128	57,198,332
0012 Instructional Resources and Media Services	1,400,830	135,129	102,939	1,638,898
0013 Curriculum and Instructional Staff Development	560,152	-	685,909	1,246,061
0021 Instructional Leadership	1,344,470	-	611,638	1,956,108
0023 School Leadership	4,518,473	6,358	119,580	4,644,411
0031 Guidance, Counseling and Evaluation Services	2,719,690	-	441,274	3,160,964
0032 Social Work Services	16,669	-	228,810	245,479
0033 Health Services	1,004,507	-	77,356	1,081,863
0034 Student (Pupil) Transportation	3,531,102	-	54,082	3,585,184
0035 Food Services	6,516,148	-	19,151	6,535,299
0036 Extracurricular Activities	3,615,706	-	17,476	3,633,182
0041 General Administration	3,306,536	-	-	3,306,536
0051 Facilities Maintenance and Operations	11,162,040	-	107,127	11,269,167
0052 Security and Monitoring Services	1,748,939	-	4,926	1,753,865
0053 Data Processing Services	227,370	-	-	227,370
0061 Community Services	129,234	-	578,565	707,799
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	410,150	-	3,190,000	3,600,150
0072 Debt Service - Interest on Long Term Debt	29,295	-	4,937,765	4,967,060
0073 Debt Service - Bond Issuance Cost and Fees	-	-	4,627	4,627
Capital Outlay:				
0081 Facilities Acquisition and Construction	229,790	11,719,399	-	11,949,189
6030 Total Expenditures	<u>85,451,416</u>	<u>11,876,775</u>	<u>25,383,353</u>	<u>122,711,544</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,268,731</u>	<u>(10,374,250)</u>	<u>(85,070)</u>	<u>(8,190,589)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	653,228	172,496	825,724
7949 Other Resources	2,221,405	-	-	2,221,405
8911 Transfers Out (Use)	(242,516)	(583,208)	-	(825,724)
7080 Total Other Financing Sources (Uses)	<u>1,978,889</u>	<u>70,020</u>	<u>172,496</u>	<u>2,221,405</u>
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	-	700,527	-	700,527
1200 Net Change in Fund Balances	4,247,620	(9,603,703)	87,426	(5,268,657)
0100 Fund Balance - September 1 (Beginning)	<u>17,112,249</u>	<u>38,260,753</u>	<u>1,553,953</u>	<u>56,926,955</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 21,359,869</u>	<u>\$ 28,657,050</u>	<u>\$ 1,641,379</u>	<u>\$ 51,658,298</u>

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

RIO GRANDE CITY CISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	(5,268,657)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		90,196
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 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		15,625,307
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(4,091,484)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(434,417)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>5,920,945</u>

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

RIO GRANDE CITY CISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,577,021	\$ 14,497,021	\$ 13,659,435	\$ (837,586)
5800 State Program Revenues	64,049,409	67,564,466	67,460,330	(104,136)
5900 Federal Program Revenues	6,718,532	7,018,532	6,600,382	(418,150)
5020 Total Revenues	82,344,962	89,080,019	87,720,147	(1,359,872)
EXPENDITURES:				
Current:				
0011 Instruction	40,077,692	43,236,683	42,980,315	256,368
0012 Instructional Resources and Media Services	1,520,449	1,651,712	1,400,830	250,882
0013 Curriculum and Instructional Staff Development	1,102,382	973,404	560,152	413,252
0021 Instructional Leadership	1,547,940	1,465,285	1,344,470	120,815
0023 School Leadership	4,756,851	4,762,212	4,518,473	243,739
0031 Guidance, Counseling and Evaluation Services	2,915,505	2,964,574	2,719,690	244,884
0032 Social Work Services	17,000	17,000	16,669	331
0033 Health Services	983,469	1,057,010	1,004,507	52,503
0034 Student (Pupil) Transportation	3,391,379	3,641,027	3,531,102	109,925
0035 Food Services	6,539,782	6,819,082	6,516,148	302,934
0036 Extracurricular Activities	3,118,915	3,636,462	3,615,706	20,756
0041 General Administration	2,998,949	3,608,121	3,306,536	301,585
0051 Facilities Maintenance and Operations	10,856,676	11,796,890	11,162,040	634,850
0052 Security and Monitoring Services	1,670,074	1,770,074	1,748,939	21,135
0053 Data Processing Services	333,064	333,064	227,370	105,694
0061 Community Services	140,403	140,103	129,234	10,869
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	439,447	410,151	410,150	1
0072 Debt Service - Interest on Long Term Debt	-	29,296	29,295	1
Capital Outlay:				
0081 Facilities Acquisition and Construction	534,985	887,047	229,790	657,257
6030 Total Expenditures	82,944,962	89,199,197	85,451,416	3,747,781
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(600,000)	(119,178)	2,268,731	2,387,909
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	600,000	600,000	-	(600,000)
7949 Other Resources	-	2,221,405	2,221,405	-
8911 Transfers Out (Use)	-	(142,500)	(242,516)	(100,016)
7080 Total Other Financing Sources (Uses)	600,000	2,678,905	1,978,889	(700,016)
1200 Net Change in Fund Balances	-	2,559,727	4,247,620	1,687,893
0100 Fund Balance - September 1 (Beginning)	17,112,249	17,112,249	17,112,249	-
3000 Fund Balance - August 31 (Ending)	\$ 17,112,249	\$ 19,671,976	\$ 21,359,869	\$ 1,687,893

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

RIO GRANDE CITY CISD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2008

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 847,740
Investments - Current	3,089,212
Accrued Interest	7,871
Total Assets	3,944,823
LIABILITIES	
Current Liabilities:	
Accounts Payable	854,541
Due to Other Funds	234,198
Total Liabilities	1,088,739
NET ASSETS	
Unrestricted Net Assets	2,856,084
Total Net Assets	\$ 2,856,084

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

RIO GRANDE CITY CISD
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,747,242
Total Operating Revenues	<u>1,747,242</u>
OPERATING EXPENSES:	
Professional and Contracted Services	1,360,026
Other Operating Costs	<u>297,020</u>
Total Operating Expenses	<u>1,657,046</u>
Operating Income	90,196
Total Net Assets - September 1 (Beginning)	<u>2,765,888</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 2,856,084</u></u>

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

RIO GRANDE CITY CISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Premiums	\$ 1,749,107
Cash Payments for Insurance Claims	(1,995,152)
Net Cash Used for Operating Activities	<u>(246,045)</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	<u>1,034,841</u>
Net Increase in Cash and Cash Equivalents	788,796
Cash and Cash Equivalents at Beginning of the Year:	<u>60,943</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 849,739</u>
<u>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</u>	
Operating Income:	\$ 90,196
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Accrued Interest	1,865
Increase (decrease) in Accounts Payable	327,696
Increase (decrease) in Interfund Payable	<u>(665,802)</u>
Net Cash Used for Operating Activities	<u>\$ (246,045)</u>

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

RIO GRANDE CITY CISD
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2008

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 304,375
Due from Other Funds	-	302
Restricted Assets	184,215	-
Total Assets	<u>184,215</u>	<u>\$ 304,677</u>
LIABILITIES		
Accounts Payable	-	\$ 1,894
Due to Other Funds	-	196,314
Due to Other Governments	-	9,783
Due to Student Groups	-	96,686
Total Liabilities	<u>-</u>	<u>\$ 304,677</u>
NET ASSETS		
Restricted for Scholarships	<u>184,215</u>	
Total Net Assets	<u>\$ 184,215</u>	

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

RIO GRANDE CITY CISD
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 179,390
Total Additions	<u>179,390</u>
DEDUCTIONS:	
Other Operating Costs	<u>128,572</u>
Total Deductions	<u>128,572</u>
Change in Net Assets	50,818
Total Net Assets - September 1 (Beginning)	<u>133,397</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 184,215</u></u>

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

RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of 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 Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There is a blended component unit included within the reporting entity. As required by generally accepted accounting principles, the basic financial statements of the reporting entity include those of the District (the primary government) and its blended component unit. A blended component unit, although a legally separate entity, is in substance, part of the government's operations and so data from this unit is combined with data of the primary unit.

Blended Component Unit:

The Rio Grande City Consolidated Independent School District Public Facilities Corporation (PFC) was established on January 31, 1995. The PFC was organized on behalf of the District for the specific purpose of obtaining financing to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the District under the terms of the Texas Public Facility Corporation Act. All powers are vested in the Board of Directors, each of whom is a member of the Board of School Trustees of the District.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use 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 on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are the Health Insurance Fund, and the Worker's Compensation Fund.

Fiduciary Funds:

4. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both principal and the income may be used for the purposes that benefit parties outside the District. The District's private purpose trust funds are the Scholarship Funds.
5. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Tax Office Fund, and the High School Fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	50
Portable Buildings	20
Building Improvements	Remaining life of building or 20 years whichever is less
Furniture, Fixtures & Equipment	5-10
Vehicles	8
Information Systems (computer equipment)	5

5. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

6. Self Insurance Plans

Workers' Compensation – Self Funded

On September 1, 1991, the District established its self-funding Worker's Compensation Program. This program is accounted for in the Worker's Compensation Fund, an Internal Service Fund.

The District has maintained a self-insured retention of \$400,000 per occurrence and an aggregate retention of \$3,000,000 since becoming self-funded. The District currently purchases excess coverage to statutory limits and aggregate excess insurance from a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Claims administration was provided by Tri-Surant, Inc. for the period beginning September 1, 2007 through August 31, 2008.

The accrued liability for Worker's Compensation self-insurance included incurred but not reported claims at August 31, 2008. This liability is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liabilities does not result necessarily in an exact amount.

Health Insurance – Self Funded

On October 1, 2000, the District established a modified self-insurance plan to provide health care and dental benefits to staff members and their dependents. This plan was authorized by section 21.922 of the Texas Education Code. Transactions related to the plan are accounted for in the District's Health Insurance Internal Service Fund. Partial staff member contributions are required for coverage. The District was protected against unanticipated, catastrophic individual or aggregate loss by stop-loss coverage carried through Employers Reinsurance Corporation. Stop-loss coverage was in effective for annual individual claims exceeding \$100,000 and for annual aggregate losses exceeding approximately \$ 7,556,640.

7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
9. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had no tax liability as of August 31, 2008.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$ 5,451,126	\$ -	\$ 5,451,126	
Buildings	109,679,311	(22,766,558)	86,812,753	
Furniture & Equipment	12,806,217	(6,797,639)	6,008,578	
Construction in Progress	<u>15,785,090</u>	<u>-</u>	<u>15,785,090</u>	
Change in Net Assets	\$ 143,721,744	\$(29,564,197)	\$ 114,157,547	<u>\$ 114,157,547</u>
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			105,369,986	
Capital Leases			<u>3,442,369</u>	
Change in Net Assets				<u>\$(108,812,355)</u>
Net Adjustment to Net Assets				<u>\$ 5,345,192</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	1,090,495	1,090,495	1,090,495
Furniture & Equipment	179,182	179,182	179,182
Construction in Progress	<u>10,636,043</u>	<u>10,636,043</u>	<u>10,636,043</u>
Total Capital Outlay	<u>\$ 11,905,720</u>	<u>\$ 11,905,720</u>	<u>\$ 11,905,720</u>
<u>Debt Principal Payments</u>			
Bond Principal	\$ 2,720,000	\$ 2,720,000	\$ 2,720,000
Capital Lease Payments	<u>999,587</u>	<u>999,587</u>	<u>999,587</u>
Total Principal Payments	<u>\$ 3,719,587</u>	<u>\$ 3,719,587</u>	<u>\$ 3,719,587</u>
Total Adjustment to Net Assets		<u>\$ 15,625,307</u>	<u>\$ 15,625,307</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$1,010,803	(1,010,803)	-
Uncollected taxes (assumed collectible) from Current Year Levy	\$1,682,667	1,682,667	1,682,667
Uncollected Taxes (assumed collectible) from Prior Year Levy	\$5,216,871	-	5,216,871
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
New Bond Issue			
Refunded Debt			
New Capital Lease(s)			
Other		<u>1,106,281</u>	<u>(2,627,967)</u>
Total		<u>\$(434,417)</u>	<u>\$4,271,571</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J4 and J5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2008, expenditures did not exceed appropriations in any functional category.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing 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, (9) and 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, (10) and 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.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy however does not address all of the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements is defined in BDAE Legal as: Secure public funds by eligible securities to the extent and in the manner required by the Public Funds Collateral Act. *Gov’t Code Ch.2257.*
- b. **Interest-rate Risk -** Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District manages its exposure to interest rate risk by purchasing a combination of short and long term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations. The District policy does not address interest-rate risk.
- c. **Other Credit Risk Exposure -** The District is not exposed to other credit risk for all deposits are collateralized by US Government Securities. The District policy does not address other credit risk.

- d. Concentration Risk - The District is not exposed to concentration credit risk for all deposits are collateralized by US Government Securities. The District policy does not address concentration risk.

The District's investments at August 31, 2008, are shown below:

<u>Name</u>	<u>Carrying Value</u>	<u>Market Value</u>	<u>Category</u>
<u>MBIA Investment Pool:</u>			
General Fund	\$ 1,300	\$ 1,300	1
Capital Projects Fund	<u>11,676,413</u>	<u>11,676,413</u>	1
Total-Investment Pool	\$ 11,677,713	\$ 11,677,713	
<u>Certificates of Deposit(CD)</u>			
General Fund	14,075,889	14,075,889	1
Capital Projects Fund	20,893,251	20,893,251	1
Debt Service Fund	591,015	591,015	
Workers' Comp. Fund	<u>3,089,212</u>	<u>3,089,212</u>	1
Total-Certificates of Deposit	\$ 38,649,367	\$ 38,649,367	
Total-All Investments	<u>\$50,327,080</u>	<u>\$50,327,080</u>	

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. 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.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2008, consisted of the following amounts:

Due From General Fund:

General Fund	\$ 143
Special Revenue Funds	933,083
Debt Service Fund	<u>288,670</u>
Total-Due From General Fund	<u>\$ 1,221,896</u>

Due From Special Revenue Funds:

General Fund	<u>\$ 1,634,551</u>
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Total-Due From Special Revenue Fund	<u>\$ 1,634,551</u>
Due From Capital Projects Funds:	
General Fund	\$ 46,875
Total-Debt Service Fund	<u>\$ 46,875</u>
Due From Trust & Agency Funds:	
General Fund	\$ 559,126
Special Revenue Fund	1
Capital Projects Fund	175
Debt Service Fund	17,767
Trust & Agency	<u>302</u>
Total-Due From Trust & Agency Funds	<u>\$ 577,371</u>
Due From Internal Service Fund:	
General Fund	\$ 234,198
Total-Due From Internal Service Fund	<u>\$ 234,198</u>
Total Due From	<u>\$ 3,714,891</u>
Due To General Fund:	
General Fund	\$ 41,709
Special Revenue Funds	1,634,551
Capital Service Fund	46,875
Internal Service Fund	234,198
Trust & Agency	<u>178,547</u>
Total-Due to General Fund	<u>\$ 2,135,880</u>
Due To Special Revenue Funds	
General Fund	\$ 933,083
Total-Due To Special Revenue Funds	<u>\$ 933,083</u>
Due To Debt Service Fund:	
General Fund	\$ 288,670
Trust & Agency Funds	<u>17,767</u>
Total-Due to Debt Service Fund	<u>\$ 306,437</u>
Due To Capital Projects Funds:	
General Fund	\$ 176
Total-Due To Capital Projects Funds	<u>\$ 176</u>
Due To Trust & Agency Funds	
General Fund	\$ 339,078
Special Revenue Fund	<u>237</u>
Total-Due To Trust & Agency Funds	<u>\$ 339,315</u>
Total Due To	<u>\$ 3,714,891</u>

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2008, was as follows:

	Primary Government					
	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance	
Governmental Activities:						
Primary Government:						
Land	\$ 4,428,992	\$ -	\$ -	\$ -	4,428,922	

Buildings and Improvements	88,686,453	16,455,586	-	-	105,142,039
Construction in Progress	15,785,090	10,636,043	15,365,090	-	11,056,043
Furniture and Equipment	12,806,217	179,182	225,839	(4,731,536)	7,964,082
Furniture & Equipment-Capital Lease	-	-	-	4,763,007	4,763,007
Component Unit:					
Land	1,022,134	-	-	-	1,022,134
Building & Improvements	<u>20,992,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,992,858</u>
Totals at Historic Cost	\$143,721,744	\$27,270,811	\$ 15,590,929	\$ 32,541	\$155,369,085
Less Accumulated Depreciation for:					
Buildings and Improvements	22,766,558	2,952,211	-	-	25,718,769
Furniture and Equipment	<u>6,797,639</u>	<u>1,139,273</u>	<u>-</u>	<u>16,150</u>	<u>7,953,062</u>
Total Accumulated Depreciation	<u>\$ 29,564,197</u>	<u>\$ 4,091,484</u>	<u>-</u>	<u>16,150</u>	<u>\$ 33,671,831</u>
Governmental Activities Capital Assets, Net	<u>\$114,157,547</u>	<u>\$23,179,327</u>	<u>\$ 15,590,929</u>	<u>\$ 48,691</u>	<u>\$121,697,254</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$2,289,201
Instructional Resources and Media Services	65,644
Curriculum Development and Instructional Staff Development	49,909
Instructional Leadership	78,349
School Leadership	186,025
Guidance, Counseling, and Evaluation Services	126,608
Social Work Services	9,832
Health Services	43,332
Student (Pupil) Transportation	143,599
Food Services	261,762
Co-Curricular/Extracurricular Activities	145,522
General Administration	132,439
Plant Maintenance and Operations	451,370
Security and Monitoring Service	70,249
Data Processing Services	9,107
Community Services	<u>28,536</u>

Total Depreciation Expense \$ 4,091,484

F. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2008 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	PAYABLE AMOUNTS OUTSTANDING 09-01-07	ISSUED	RETIRED	OUTSTANDING 08-31-2008
BONDS:						
Bond Series 2000 Issued 9-01-2000	4.40 – 5.65%	\$ 27,000,000	\$ 2,275,000	-	\$ 725,000	\$ 1,550,000
Bond Series 2002 Issued 9-15-2002	3.50 – 5.00%	\$ 27,000,000	\$ 23,230,000	-	\$ 790,000	\$ 22,440,000
Bond Series 2004 Issued 12-1-2004	2.25 – 5.00%	\$ 23,635,000	\$ 22,050,000	-	\$ 445,000	\$ 21,605,000
Bond Series 2005 Issued 4-1-2005	3.00 – 5.00%	\$ 20,399,986	\$ 20,094,986	-	\$ 135,000	\$ 19,959,986
Bond Series 2006 Issued 8-9-2006	4.25-5.00%	<u>\$ 38,325,000</u>	<u>\$ 37,720,000</u>	-	<u>\$ 625,000</u>	<u>\$ 37,095,000</u>
Total Bonds		<u>\$136,359,986</u>	<u>\$105,369,986</u>	=	<u>\$ 2,720,000</u>	<u>\$ 102,649,986</u>

2005 CABs

Maturity Date	Payment at Maturity	Number of CABS	Total CAB Accreted Values:			
			Per \$5K Maturity	Accreted Value at 8/31/07	Accreted Value at 8/31/08	Accreted Value 8/31/2007
8/16/2011	\$ 980,000	196	\$ 4,280.85	\$ 4,450.30	\$ 839,046.60	\$ 872,258.80
8/16/2012	<u>\$ 980,000</u>	196	\$ 4,091.70	\$ 4,259.05	<u>\$ 801,973.20</u>	<u>\$ 834,773.80</u>
	<u>\$ 1,960,000</u>			Subtotal	\$ 1,641,019.80	\$ 1,707,032.60

2006 CABs

2/15/2018	\$ 260,000	52	\$ 3,201.92	\$ 3,340.75	\$ 166,499.84	\$ 173,719.00
2/15/2019	\$ 260,000	52	\$ 3,055.06	\$ 3,188.78	\$ 158,863.12	\$ 165,816.56
2/15/2020	\$ 260,000	52	\$ 2,919.80	\$ 3,048.19	\$ 151,829.60	\$ 158,505.88
2/15/2021	<u>\$ 260,000</u>	51	\$ 2,785.75	\$ 2,909.10	<u>\$ 142,073.25</u>	<u>\$ 148,364.10</u>
	<u>\$ 1,040,000</u>			Subtotal	\$ 619,265.81	\$ 646,405.54
Grand Totals	<u>\$ 3,000,000</u>				<u>\$ 2,260,285.61</u>	<u>\$ 2,353,438.14</u>

The Total Accreted Value for the Series 2005 and 2006 Capital Appreciation Bonds(CABs) at August 31, 2008, is \$2,353,438.

The \$20,399,986 Unlimited Tax Refunding Bonds, Series 2005 were issued and sold on April 2005 to partially defease the following bond issue:

Unlimited Tax School Building Bonds Issue 2000	<u>20,400,000</u>
Total Bonds Refunded	<u>\$20,400,000</u>

Bond proceeds were placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust account asset and the defeased bonds are not included in the District's government-wide statement of net assets. On August 31, 2008, \$ 20,270,000 of bonds outstanding are considered defeased. The difference in cash flows associated with the refunding amounted to a decrease of \$1,077,485 in debt service, or \$705,918 in economic gain.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Rio Grande City CISD is in compliance with all significant limitations and restrictions at August 31, 2008.

Component Unit:

In fiscal year 2003, the District defeased the PFC's 1995 revenue bonds by placing certain proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's government-wide statement of net assets. On August 31, 2008, \$ 6,660,000 of bonds outstanding are considered defeased.

G. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds are as follows:

	General Obligations		
Year Ended August 31,	Principal	Interest	Total Requirements
2009	\$ 2,820,000	\$ 4,712,972	\$ 7,532,972
2010	2,930,000	4,603,474	7,533,474
2011	2,451,766	5,078,757	7,530,523
2012	2,478,220	5,053,479	7,531,699
2013	3,210,000	4,324,799	7,534,799
2014-2018	18,225,000	19,440,051	37,665,051
2019-2023	22,945,000	14,728,267	37,673,267
2024-2028	23,220,000	8,828,569	32,048,569
2029-2033	14,580,000	4,586,564	19,166,564
2034-2038	<u>9,790,000</u>	<u>1,141,000</u>	<u>10,931,000</u>
Total	<u>\$ 102,649,986</u>	<u>\$ 72,497,932</u>	<u>\$ 175,147,918</u>

Capital Leases

Primary Government:

The District had two(2) lease agreements as lessee for financing the acquisition of equipment and computer software during the year. These lease agreements qualify as capital leases for accounting purposes(titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The effective interest rates of the two leases is 4.162% for each. The total payments of lease principal and lease interest for the year ended August 31, 2008 were \$ 254,608 and \$ 8,898, respectfully. The future minimum lease payments were \$0, since these agreements were paid off during the year.

The District entered into a lease agreement on April 15, 2007 as lessee for financing the acquisition of student buses; with maturity on September 15, 2009. This lease agreement qualifies as capital leases for accounting purposes(titles transfer at the end of the lease terms) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The effective interest rate on the lease is 4.44%. The total payments of lease principal and lease interest for the year ended August 31, 2008 were \$ 200,397 and \$ 20,396, respectfully. The future minimum lease payments are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2009	\$ 209,391	\$ 11,403	\$ 220,793
2010	<u>108,391</u>	<u>2,005</u>	<u>110,397</u>
Total	<u>\$ 317,782</u>	<u>\$ 13,408</u>	<u>\$ 331,190</u>

Component Unit:

PFC has entered into one lease agreement as lessee for financing the construction of a new elementary school. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the date of inception. The effective rates for the elementary school lease range from 4.25% to 4.75%. The total payments of lease principal and lease interest on the lease for the year ended August 31, 2008, were \$ 470,000 and \$ 123,262 respectively. The future minimum lease payments are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2009	495,000	100,936	595,936
2010	520,000	77,424	597,424
2011	540,000	52,724	592,724
2012	<u>570,000</u>	<u>27,074</u>	<u>597,074</u>
Total	<u>\$ 2,125,000</u>	<u>\$ 258,158</u>	<u>\$ 2,383,158</u>

H. DEFINED BENEFIT PENSION PLAN

Plan Description. RIO GRANDE CITY CONSOLIDATED 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, Sec. 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2006, 2007 and 2008 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT's employees for the years ended August 31, 2006, 2007 and 2008 were \$ 2,520,175, \$ 2,937,669, and \$ 2,974,921 respectively. RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2006, 2007 and 2008 in the amount of \$ 253,288, \$395,157 and \$621,150 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

I. RETIREMENT HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2008, 2007 and 2006. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2008, 2007, and 2006, the State’s contributions to TRS-Care were \$ 103,431 , \$ 91,390, and \$ 95,474, respectively, the active member contributions were \$ 417,388, \$ 377,948 and \$ 353,383, respectively, and the school district’s contributions were \$ 353,199, \$ 319,813, and \$ 299,011 , respectively, which equaled the required contributions each year.

J. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$105,369,986	-	\$ 2,720,000	\$102,649,986	\$ 2,820,000
Capital Leases	3,442,369	-	999,587	2,442,782	704,391
CABs-Accreted Values	2,260,286	93,152	-	2,353,438	-
Total Governmental Activities Long-term Liabilities	<u>\$111,072,641</u>	<u>\$ 93,152</u>	<u>\$ 3,719,587</u>	<u>\$107,446,206</u>	<u>\$ 3,524,391</u>

K. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ 6,330,906	-	568,632	\$ 6,899,538
Food Service Receipts	21,648	-	-	21,648
Grants-Unearned Funds	-	16,015	-	16,015
Total Deferred Revenue	<u>\$ 6,352,554</u>	<u>\$ 16,015</u>	<u>\$ 568,632</u>	<u>\$ 6,937,201</u>

L. DUE FROM STATE AGENCIES

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 federal and state governments as of August 31, 2008, are summarized below. All federal grants shown below are passed through the Texas Education Agency and are reported on the combined financial statements as Due from State Agencies.

<u>FUND</u>	<u>STATE</u> <u>ENTITLEMENTS</u>	<u>FEDERAL</u> <u>GRANTS</u>	<u>TOTAL</u>
General	\$ 3,475,755	\$ 123,687	\$ 3,599,442
Special Revenue	177,328	961,566	1,138,894
Capital Projects	<u>46,873</u>	<u>-</u>	<u>46,873</u>
Total	<u>\$ 3,699,956</u>	<u>\$ 1,085,253</u>	<u>\$ 4,785,209</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
Property Taxes	\$ 11,334,326	\$ -	\$ 2,300,585	\$ -	\$ 13,634,911
Penalties, Interest and Other Tax-related Income	716,794	-	52,500	-	769,294
Investment Income	652,901	-	199,308	1,502,525	2,354,734
Food Sales	545,581	-	-	-	545,581
Co-curricular Student Activities	44,711	-	-	-	44,711
Other	<u>365,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,122</u>
Total	<u>\$ 13,659,435</u>	<u>\$ -</u>	<u>\$ 2,552,393</u>	<u>\$ 1,502,525</u>	<u>\$ 17,714,353</u>

N. LITIGATION

The District is the defendant in various lawsuits arising out of the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for potential loss has been recorded.

O. MAINTENANCE OF EFFORT

The total amount paid by the District (a self-funded plan) for the employee health care premiums is as follows:

a) Total District Premium paid for health care 2007-2008	<u>\$ 4,868,028</u>
b) Subtract any non-medical expenditures Life Insurance	\$ 30,992
c) 2007-2008 Maintenance of Effort	<u>\$ 4,837,036</u>

P. PRIOR PERIOD ADJUSTMENT

The District recognized a net prior period adjustment in the Government-Wide financial relating to previously unrecognized accreted values for the capital appreciation bonds(CABs) Series 2005 and Series 2006. The aggregate amount of prior period adjustment was a reduction of net assets of \$(2,260,286).

Q. EXTRAORDINARY ITEM(S)

In the fund financial statements, the District recognized \$700,527 in the capital projects fund as an extraordinary resource, relating to the payment from a surety company for emergency flooring repairs at the high school and other campuses due to flood damage sustained during a hurricane.

Additionally, the District recognized in the government wide financial statements a net payment received of \$2,221,405, relating to the settlement and compromise agreement reached with a surety company. The matter in dispute was the construction of two elementary schools in prior years.

RIO GRANDE CITY CISD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	220 Adult Education Federal	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 856,547	\$ (86,318)	\$ (11,569)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	-	449,504	102,837	12,988
1260	Due from Other Funds	-	1	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 1,306,052</u>	<u>\$ 16,519</u>	<u>\$ 1,419</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 8,245	\$ 307	\$ 248
2160	Accrued Wages Payable	-	97,807	16,212	135
2170	Due to Other Funds	-	1,200,000	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>1,306,052</u>	<u>16,519</u>	<u>383</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	1,036
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,306,052</u>	<u>\$ 16,519</u>	<u>\$ 1,419</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	261 Reading First	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs
\$ (87,354)	\$ -	\$ (7,701)	\$ (62,090)	\$ (36,565)	\$ (27,737)	\$ -	\$ 2,351
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
128,898	-	12,138	25,403	93,096	27,737	6	-
-	-	-	47,907	-	-	-	-
<u>\$ 41,544</u>	<u>\$ -</u>	<u>\$ 4,437</u>	<u>\$ 11,220</u>	<u>\$ 56,531</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 2,351</u>
\$ 2,209	\$ -	\$ -	\$ -	\$ 28,368	\$ -	\$ 6	\$ 2,351
39,335	-	-	11,220	11,820	-	-	-
-	-	4,437	-	16,343	-	-	-
-	-	-	-	-	-	-	-
<u>41,544</u>	<u>-</u>	<u>4,437</u>	<u>11,220</u>	<u>56,531</u>	<u>-</u>	<u>6</u>	<u>2,351</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 41,544</u>	<u>\$ -</u>	<u>\$ 4,437</u>	<u>\$ 11,220</u>	<u>\$ 56,531</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 2,351</u>

RIO GRANDE CITY CISD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	
ASSETS					
1110	Cash and Cash Equivalents	\$ (14,988)	\$ (93,281)	\$ -	\$ 13,013
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	16,690	92,267	-	-
1260	Due from Other Funds	-	2,309	-	-
1000	Total Assets	<u>\$ 1,702</u>	<u>\$ 1,295</u>	<u>\$ -</u>	<u>\$ 13,013</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 39	\$ -	\$ -
2160	Accrued Wages Payable	1,702	1,256	-	-
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	-	-	-	13,013
2000	Total Liabilities	<u>1,702</u>	<u>1,295</u>	<u>-</u>	<u>13,013</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,702</u>	<u>\$ 1,295</u>	<u>\$ -</u>	<u>\$ 13,013</u>

399 Investment Capital Funds	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	418 Employee Health Insurance	428 High School Allotment	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ 6,171	\$ (40,997)	\$ 61,241	\$ (100,153)	\$ 356,783	\$ (699,293)	\$ (141,425)	\$ (113,365)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
330	43,742	-	-	-	-	133,256	1,138,892
-	-	-	121,001	50,264	699,293	12,309	933,084
<u>\$ 6,501</u>	<u>\$ 2,745</u>	<u>\$ 61,241</u>	<u>\$ 20,848</u>	<u>\$ 407,047</u>	<u>\$ -</u>	<u>\$ 4,140</u>	<u>\$ 1,958,611</u>
\$ 1	\$ 2,649	\$ -	\$ -	\$ -	\$ -	\$ 4,105	\$ 48,528
-	-	-	20,519	-	-	-	200,006
6,500	96	-	329	407,047	-	35	1,634,787
-	-	3,002	-	-	-	-	16,015
<u>6,501</u>	<u>2,745</u>	<u>3,002</u>	<u>20,848</u>	<u>407,047</u>	<u>-</u>	<u>4,140</u>	<u>1,899,336</u>
-	-	-	-	-	-	-	-
-	-	58,239	-	-	-	-	59,275
-	-	58,239	-	-	-	-	59,275
<u>\$ 6,501</u>	<u>\$ 2,745</u>	<u>\$ 61,241</u>	<u>\$ 20,848</u>	<u>\$ 407,047</u>	<u>\$ -</u>	<u>\$ 4,140</u>	<u>\$ 1,958,611</u>

RIO GRANDE CITY CISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2008

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 1,154,652	\$ 1,041,287
1120 Investments - Current	591,015	591,015
1220 Property Taxes - Delinquent	646,173	646,173
1230 Allowance for Uncollectible Taxes (Credit)	(77,541)	(77,541)
1240 Due from Other Governments	-	1,138,892
1260 Due from Other Funds	306,437	1,239,521
1000 Total Assets	<u>\$ 2,620,736</u>	<u>\$ 4,579,347</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
2110 Accounts Payable	\$ 470,000	\$ 518,528
2160 Accrued Wages Payable	-	200,006
2170 Due to Other Funds	-	1,634,787
2300 Deferred Revenues	568,632	584,647
2000 Total Liabilities	<u>1,038,632</u>	<u>2,937,968</u>
Fund Balances:		
Reserved For:		
3420 Retirement of Long Term Debt	1,582,104	1,582,104
Unreserved and Undesignated:		
3610 Reported in Special Revenue Funds	-	59,275
3000 Total Fund Balances	<u>1,582,104</u>	<u>1,641,379</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,620,736</u>	<u>\$ 4,579,347</u>

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RIO GRANDE CITY CISD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	220 Adult Education Federal	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	81,520	6,453,889	1,447,896	100,326
5020	Total Revenues	<u>81,520</u>	<u>6,453,889</u>	<u>1,447,896</u>	<u>100,326</u>
EXPENDITURES:					
Current:					
0011	Instruction	75,039	5,345,084	530,513	-
0012	Instructional Resources and Media Services	-	39,205	12,627	-
0013	Curriculum and Instructional Staff Development	-	100,164	1,023	-
0021	Instructional Leadership	6,481	435,993	91,425	-
0023	School Leadership	-	27,356	18,418	-
0031	Guidance, Counseling and Evaluation Services	-	203,519	196,088	-
0032	Social Work Services	-	71,988	156,822	-
0033	Health Services	-	46,411	20,802	-
0034	Student (Pupil) Transportation	-	48,648	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	6,413	9,380	-
0051	Facilities Maintenance and Operations	-	64,073	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	65,035	410,798	100,326
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	-	-	-	-
0072	Debt Service - Interest on Long Term Debt	-	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	<u>81,520</u>	<u>6,453,889</u>	<u>1,447,896</u>	<u>100,326</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,036</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	261 Reading First	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,577,435	26,464	101,095	1,174,044	1,131,274	313,125	604,896	23,216
<u>2,577,435</u>	<u>26,464</u>	<u>101,095</u>	<u>1,174,044</u>	<u>1,131,274</u>	<u>313,125</u>	<u>604,896</u>	<u>23,216</u>
2,505,541	26,464	76,979	967,634	1,046,545	255,526	533,688	17,933
-	-	-	4,150	-	-	5,647	-
17,118	-	13,337	148,434	84,729	57,599	65,561	-
7,595	-	10,455	-	-	-	-	5,283
24,571	-	-	21,776	-	-	-	-
612	-	324	10,300	-	-	-	-
-	-	-	-	-	-	-	-
474	-	-	1,100	-	-	-	-
-	-	-	3,850	-	-	-	-
-	-	-	8,600	-	-	-	-
1,683	-	-	-	-	-	-	-
19,841	-	-	6,500	-	-	-	-
-	-	-	1,700	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,577,435</u>	<u>26,464</u>	<u>101,095</u>	<u>1,174,044</u>	<u>1,131,274</u>	<u>313,125</u>	<u>604,896</u>	<u>23,216</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RIO GRANDE CITY CISD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	31,880	4,506
5900	Federal Program Revenues	300,484	159,327	-
5020	Total Revenues	<u>300,484</u>	<u>159,327</u>	<u>31,880</u> <u>4,506</u>
EXPENDITURES:				
Current:				
0011	Instruction	211,884	155,166	31,880
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	87,600	4,161	1,500
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	1,000	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community Services	-	-	-
Debt Service:				
0071	Debt Service - Principal on Long Term Debt	-	-	-
0072	Debt Service - Interest on Long Term Debt	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-
6030	Total Expenditures	<u>300,484</u>	<u>159,327</u>	<u>31,880</u> <u>4,506</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u> <u>-</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u> <u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u> <u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u> <u>\$ -</u>

399 Investment Capital Funds	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	418 Employee Health Insurance	428 High School Allotment	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32,601	299,875	255,940	791,579	-	668,294	659,619	2,744,294
-	-	-	-	-	-	11,676	14,506,667
<u>32,601</u>	<u>299,875</u>	<u>255,940</u>	<u>791,579</u>	<u>-</u>	<u>668,294</u>	<u>671,295</u>	<u>17,250,961</u>
28,735	299,875	146,872	791,579	-	570,244	581,941	14,202,128
-	-	29,337	-	-	5,628	6,345	102,939
3,866	-	77,117	-	-	21,224	2,476	685,909
-	-	2,614	-	-	50,892	900	611,638
-	-	-	-	-	-	27,459	119,580
-	-	-	-	-	12,166	18,265	441,274
-	-	-	-	-	-	-	228,810
-	-	-	-	-	3,049	5,520	77,356
-	-	-	-	-	-	1,584	54,082
-	-	-	-	-	-	10,551	19,151
-	-	-	-	-	-	-	17,476
-	-	-	-	-	4,161	11,552	107,127
-	-	-	-	-	-	3,226	4,926
-	-	-	-	-	930	1,476	578,565
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>32,601</u>	<u>299,875</u>	<u>255,940</u>	<u>791,579</u>	<u>-</u>	<u>668,294</u>	<u>671,295</u>	<u>17,250,961</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	58,239	-	-	-	-	59,275
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,275</u>

RIO GRANDE CITY CISD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 2,552,393	\$ 2,552,393
5800 State Program Revenues	5,494,929	8,239,223
5900 Federal Program Revenues	-	14,506,667
5020 Total Revenues	<u>8,047,322</u>	<u>25,298,283</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	14,202,128
0012 Instructional Resources and Media Services	-	102,939
0013 Curriculum and Instructional Staff Development	-	685,909
0021 Instructional Leadership	-	611,638
0023 School Leadership	-	119,580
0031 Guidance, Counseling and Evaluation Services	-	441,274
0032 Social Work Services	-	228,810
0033 Health Services	-	77,356
0034 Student (Pupil) Transportation	-	54,082
0035 Food Services	-	19,151
0036 Extracurricular Activities	-	17,476
0051 Facilities Maintenance and Operations	-	107,127
0052 Security and Monitoring Services	-	4,926
0061 Community Services	-	578,565
Debt Service:		
0071 Debt Service - Principal on Long Term Debt	3,190,000	3,190,000
0072 Debt Service - Interest on Long Term Debt	4,937,765	4,937,765
0073 Debt Service - Bond Issuance Cost and Fees	4,627	4,627
6030 Total Expenditures	<u>8,132,392</u>	<u>25,383,353</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(85,070)</u>	<u>(85,070)</u>
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	172,496	172,496
7080 Total Other Financing Sources (Uses)	<u>172,496</u>	<u>172,496</u>
1200 Net Change in Fund Balance	87,426	87,426
0100 Fund Balance - September 1 (Beginning)	<u>1,494,678</u>	<u>1,553,953</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,582,104</u>	<u>\$ 1,641,379</u>

RIO GRANDE CITY CISD
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2008

	753 Workers' Compensation Fund	771 Health Insurance Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 768,841	\$ 78,899	\$ 847,740
Investments - Current	3,089,212	-	3,089,212
Accrued Interest	7,871	-	7,871
Total Assets	<u>3,865,924</u>	<u>78,899</u>	<u>3,944,823</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	833,442	21,099	854,541
Due to Other Funds	234,198	-	234,198
Total Liabilities	<u>1,067,640</u>	<u>21,099</u>	<u>1,088,739</u>
NET ASSETS			
Unrestricted Net Assets	<u>2,798,284</u>	<u>57,800</u>	<u>2,856,084</u>
Total Net Assets	<u>\$ 2,798,284</u>	<u>\$ 57,800</u>	<u>\$ 2,856,084</u>

RIO GRANDE CITY CISD
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

	753 Workers' Compensation Fund	771 Health Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 1,447,040	\$ 300,202	\$ 1,747,242
Total Operating Revenues	<u>1,447,040</u>	<u>300,202</u>	<u>1,747,242</u>
OPERATING EXPENSES:			
Professional and Contracted Services	1,360,026	-	1,360,026
Other Operating Costs	<u>-</u>	<u>297,020</u>	<u>297,020</u>
Total Operating Expenses	<u>1,360,026</u>	<u>297,020</u>	<u>1,657,046</u>
Operating Income	87,014	3,182	90,196
Total Net Assets - September 1 (Beginning)	<u>2,711,270</u>	<u>54,618</u>	<u>2,765,888</u>
Total Net Assets - August 31 (Ending)	<u>\$ 2,798,284</u>	<u>\$ 57,800</u>	<u>\$ 2,856,084</u>

RIO GRANDE CITY CISD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

	753 Workers' Compensation Fund	771 Health Insurance Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Premiums	\$ 1,448,905	\$ 300,202	\$ 1,749,107
Cash Payments for Insurance Claims	(1,719,231)	(275,921)	(1,995,152)
Net Cash Provided by (Used for) Operating Activities	<u>(270,326)</u>	<u>24,281</u>	<u>(246,045)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investment Securities	1,034,841	-	1,034,841
Net Increase in Cash and Cash Equivalents	764,515	24,281	788,796
Cash and Cash Equivalents at Beginning of the Year:	<u>6,325</u>	<u>54,618</u>	<u>60,943</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 770,840</u>	<u>\$ 78,899</u>	<u>\$ 849,739</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income:	\$ 87,014	\$ 3,182	\$ 90,196
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Accrued Interest	1,865	-	1,865
Increase (decrease) in Accounts Payable	306,597	21,099	327,696
Increase (decrease) in Interfund Payable	(665,802)	-	(665,802)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (270,326)</u>	<u>\$ 24,281</u>	<u>\$ (246,045)</u>

RIO GRANDE CITY CISD
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2008

	816 Private Purpose Trust Fund	817 Quarterback Club	Total Private Purpose Trust Funds
ASSETS			
Noncurrent Assets:			
Restricted Assets	\$ 163,360	\$ 20,855	\$ 184,215
Total Noncurrent Assets	<u>163,360</u>	<u>20,855</u>	<u>184,215</u>
Total Assets	<u>163,360</u>	<u>20,855</u>	<u>184,215</u>
NET ASSETS			
Restricted for Scholarships	<u>163,360</u>	<u>20,855</u>	<u>184,215</u>
Total Net Assets	<u><u>\$ 163,360</u></u>	<u><u>\$ 20,855</u></u>	<u><u>\$ 184,215</u></u>

RIO GRANDE CITY CISD
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	816 Private Purpose Trust Fund	817 Quarterback Club	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 178,768	\$ 622	\$ 179,390
Total Additions	<u>178,768</u>	<u>622</u>	<u>179,390</u>
DEDUCTIONS:			
Other Operating Costs	128,572	-	128,572
Total Deductions	<u>128,572</u>	<u>-</u>	<u>128,572</u>
Change in Net Assets	50,196	622	50,818
Total Net Assets - September 1 (Beginning)	<u>113,164</u>	<u>20,233</u>	<u>133,397</u>
Total Net Assets - August 31 (Ending)	<u>\$ 163,360</u>	<u>\$ 20,855</u>	<u>\$ 184,215</u>

RIO GRANDE CITY CISD
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2008

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1999 and prior years	Various	Various	\$ 369,522,493
2000	1.469300	0.000000	380,108,827
2001	1.469300	0.075300	416,107,860
2002	1.447900	0.066000	514,453,472
2003	1.447900	0.066000	594,502,741
2004	1.500000	0.066000	656,403,384
2005	1.450000	0.116000	808,750,390
2006	1.500000	0.094600	903,817,770
2007	1.370000	0.229800	1,014,572,280
2008 (School year under audit)	1.170000	0.248900	1,012,357,190
1000 TOTALS			

(10) Beginning Balance 9/1/2007	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2008
\$ 4,150,174	\$ -	\$ 94,395	\$ -	\$ (873,317)	\$ 3,182,462
495,850	-	23,281	-	(3,794)	468,775
571,222	-	28,470	-	(5,315)	537,437
598,875	-	32,348	1,475	(8,262)	556,790
716,412	-	55,187	2,516	(380)	658,329
901,193	-	75,871	3,458	(1,972)	819,892
944,053	-	90,114	4,108	(6,033)	843,798
1,379,445	-	146,693	9,251	(5,596)	1,217,905
1,795,210	-	360,283	65,287	(50,477)	1,319,163
-	14,306,775	10,409,618	2,214,491	(89,533)	1,593,133
<u>\$ 11,552,434</u>	<u>\$ 14,306,775</u>	<u>\$ 11,316,260</u>	<u>\$ 2,300,586</u>	<u>\$ (1,044,679)</u>	<u>\$ 11,197,684</u>

RIO GRANDE CITY CISD
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ 89,167	\$ 306,396	\$ 1,829,405	\$ 82,144	\$ -	\$ 2,307,112
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	158,195	-	-	-	-	-	158,195
6212	Audit Services	-	-	-	29,325	-	-	29,325
6213	Tax Appraisal and Collection	-	428,885	-	-	-	-	428,885
621X	Other Professional Services	-	-	-	24,352	-	-	24,352
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	16,044	4,830	-	-	20,874
6240	Contr. Maint. and Repair	-	-	-	-	69,906	-	69,906
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,243	69,036	2,040	-	73,319
6290	Miscellaneous Contr.	4,411	-	11,190	7,695	-	-	23,296
6320	Textbooks and Reading	-	-	282	-	-	-	282
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	6,092	-	81,815	455	-	88,362
6410	Travel, Subsistence, Stipends	42,000	722	14,636	30,918	216	-	88,492
6420	Ins. and Bonding Costs	-	-	-	225	-	-	225
6430	Election Costs	21,793	-	-	-	-	-	21,793
6490	Miscellaneous Operating	10,326	2,359	10,570	118,530	1,010	-	142,795
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	56,693	56,693
6000	TOTAL	<u>\$ 236,725</u>	<u>\$ 527,225</u>	<u>\$ 361,361</u>	<u>\$ 2,196,131</u>	<u>\$ 155,771</u>	<u>\$ 56,693</u>	<u>\$ 3,533,906</u>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 102,702,380

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,078,193
Total Debt & Lease(6500)	(11)	484,300
Plant Maintenance (Function 51, 6100-6400)	(12)	11,114,148
Food (Function 35, 6341 and 6499)	(13)	2,669,259
Stipends (6413)	(14)	102,157
Column 4 (above) - Total Indirect Cost		<u>2,196,131</u>

SubTotal:

17,644,187

Net Allowed Direct Cost

\$ 85,058,193

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 126,134,896
Historical Cost of Building over 50 years old	(16)	\$ 3,489,745
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ 1,625,002
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 7,964,082
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 4,573,224

(8) NOTE A: \$227,370 in Function 53 expenditures are included in this report on administrative costs.

RIO GRANDE CITY CISD
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2008

UNAUDITED

1	Total General Fund Balance as of 8/31/08 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 21,359,869
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 168,544	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	7,000,000	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).	7,700,000	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	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.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	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)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	14,868,544	
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	\$ 6,491,325	

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

The projected use of net positive Undesignated Unreserved Fund balance is for construction-related projects based on the District's short term facility needs.

RIO GRANDE CITY CISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 453,339	\$ 553,339	\$ 547,713	\$ (5,626)
5800 State Program Revenues	42,911	42,911	43,074	163
5900 Federal Program Revenues	6,418,532	6,718,532	6,423,244	(295,288)
5020 Total Revenues	6,914,782	7,314,782	7,014,031	(300,751)
EXPENDITURES:				
0035 Food Services	6,539,782	6,819,082	6,516,148	302,934
0051 Facilities Maintenance and Operations	375,000	495,700	393,750	101,950
6030 Total Expenditures	6,914,782	7,314,782	6,909,898	404,884
1200 Net Change in Fund Balances	-	-	104,133	104,133
0100 Fund Balance - September 1 (Beginning)	-	-	(45,012)	(45,012)
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 59,121	\$ 59,121

RIO GRANDE CITY CISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,181,856	\$ 2,181,856	\$ 2,552,393	\$ 370,537
5800 State Program Revenues	5,621,446	5,621,446	5,494,929	(126,517)
5020 Total Revenues	7,803,302	7,803,302	8,047,322	244,020
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	3,190,000	3,190,000	3,190,000	-
0072 Debt Service - Interest on Long Term Debt	4,936,711	4,936,711	4,937,765	(1,054)
0073 Debt Service - Bond Issuance Cost and Fees	-	-	4,627	(4,627)
6030 Total Expenditures	8,126,711	8,126,711	8,132,392	(5,681)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(323,409)	(323,409)	(85,070)	238,339
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	142,500	142,500	172,496	29,996
7080 Total Other Financing Sources (Uses)	142,500	142,500	172,496	29,996
1200 Net Change in Fund Balances	(180,909)	(180,909)	87,426	268,335
0100 Fund Balance - September 1 (Beginning)	-	1,494,678	1,494,678	-
3000 Fund Balance - August 31 (Ending)	\$ (180,909)	\$ 1,313,769	\$ 1,582,104	\$ 268,335

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Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
Rio Grande City Consolidated Independent School District
Fort Ringgold
Rio Grande City, Texas

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rio Grande City Consolidated Independent School District (the District) as of and for the year ended August 31, 2008. These collectively comprise the District's basic financial statements. We have issued our report on them dated January 10, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rio Grande City Consolidated 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.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Reyna & Garza, CPA's

January 10, 2009

Reyna & Garza, PLLC

Certified Public Accountants

2111 Jackson Creek Ave.

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
Rio Grande City Consolidated Independent School District
Fort Ringgold
Rio Grande City, Texas

Members of the Board:

Compliance

We have audited the compliance of Rio Grande City Consolidated Independent School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rio Grande City Consolidated Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Rio Grande City Consolidated Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended August 31, 2008.

Internal Control Over Compliance

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

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

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

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

This report is intended for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Reyna & Garza, CPA's

January 10, 2009

RIO GRANDE CITY CISD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2008

I. Summary of the Auditor's Results:

A.	The type of report issued:	Unqualified
B.	Internal Control over financial statements: Material Weakness(es) Identified?	No
	Significant Deficiencie(s) identified which were not considered material weaknesses?	No
C.	Noncompliance material to financial statements noted?	No
D.	Federal Awards: Type of Report on Compliance With Major Programs	Unqualified Opinion
E.	Findings & Questioned Costs for Federal Awards As Defined in Section __510(a).OMB Circ. 133	No
F.	Dollar Threshold considered between Type A And Type B Federal Programs	\$
H.	Auditee qualifies as Low-risk Auditee?	Yes
I.	Major Federal Program(s)	1) Child Nutrition Cluster 2) ESEA Title II-D Technology 3) ESEA Title I-B Reading First

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with
 Generally Accepted Government Auditing Standards.**

None

III. Findings and questioned costs Related to Federal Awards, including Findings in 1.E Above.

None

RIO GRANDE CITY CISD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2008

There are no prior year findings to report.

RIO GRANDE CITY CISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2008

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Trough Region I Education Center</u>			
Gear-Up	84.334A		\$ 159,327
Total Passed Trough Region I Education Center			\$ 159,327
<u>Passed Through State Department of Education</u>			
Adult Education (ABE) - Federal	84.002	84100087110216	\$ 100,326
ESEA, Title I, Part A - Improving Basic Programs	84.010A	8610101214901	6,453,889
ESEA, Title I, Part C - Migratory Children	84.011	8615001214901	1,447,896
IDEA - Part B, Formula	84.027	866000121490166	2,577,435
Career and Technical - Basic Grant	84.048	8420006214901	101,095
IDEA - Part B, Preschool	84.173	8661001214901661	26,464
ESEA Title IV - Safe and Drug-Free Schools	84.186A	8691001214901	81,520
Title V, Part A - Innovative Programs	84.298	8685001214901	23,216
Title II, Part D -Enhancing Ed. Through Technology	84.318	8630001214901	313,125
Reading First	84.357	86455017110052	1,131,274
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	8696001214901	300,484
Title III, Part A - English Language Acquisition	84.365A	8671001214901	604,896
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	8694501214901	1,174,044
Total Passed Through State Department of Education			\$ 14,335,664
TOTAL DEPARTMENT OF EDUCATION			\$ 14,494,991
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555	214901	\$ 6,049,281
Food Distribution	10.550	214901	373,963
Total Passed Through the State Department of Agriculture			\$ 6,423,244
TOTAL DEPARTMENT OF AGRICULTURE			\$ 6,423,244
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 20,918,235

*Clustered Programs as required by Compliance Supplement March, 2008

RIO GRANDE CITY CISD
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2008

For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.