

**RIO GRANDE CITY CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**

AUDITED ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2010

**Reyna & Garza, P.L.L.C.**

Certified Public Accountants



RIO GRANDE CITY CISD  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2010

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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) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2010 at a meeting of the Board of Trustees of such school district on the 18 th day of January, 2011.

(SIGNATURE ON FILE)  
Signature of Board Secretary

(SIGNATURE ON FILE)  
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

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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, 2010, 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, 2010, 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, 2011, 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 (Fund Balance and Cash Flow 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, 2011

## 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, 2010. 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, 2010 were \$ 94 million, an increase of \$ 8.3 million as a result of this year's operations.
- During the year, the District had expenses that were \$ 8.3 million less than the \$ 117.45 million generated in tax and other revenues for governmental programs. This compares to last year when revenues exceeded expenses by \$ 10.4 million.
- Total cost of all of the District's programs increased by \$ 4.4 million.
- The General Fund ended the year with a fund balance of \$ 27.8 million.
- The resources available for appropriation were \$ 733 thousand more 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 \$ 85.7 million to \$ 94 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 \$ 38.7 million at August 31, 2010.

In 2010, net assets of our government-type activities increased by \$ 8.3 million or 9.7 percent.

**Table I**  
**RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**  
**NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 46,728,229	\$ 57,119,633	0	0	\$ 46,728,229	\$ 57,119,633
Capital assets	155,354,439	141,395,411	0	0	155,354,439	141,395,411
<b>Total assets</b>	<b>\$202,082,668</b>	<b>\$198,515,044</b>	<b>0</b>	<b>0</b>	<b>\$202,082,668</b>	<b>\$198,515,044</b>
Long-term liabilities	101,561,193	104,018,869	0	0	101,561,193	104,018,869
Other liabilities	6,486,469	8,768,281	0	0	6,486,469	8,768,281
<b>Total liabilities</b>	<b>108,047,662</b>	<b>112,787,150</b>	<b>0</b>	<b>0</b>	<b>108,047,662</b>	<b>\$112,787,150</b>
Net Assets:						
Invested in capital assets, net of related debt	53,793,246	37,376,542	0	0	53,793,246	37,376,542
Restricted - Federal and State Programs	66,571	59,282	0	0	66,571	59,282
Restricted - Debt Service	2,335,377	1,824,500	0	0	2,335,377	1,824,500
Restricted - Capital Projects	(873,121)	6,759,958	0	0	(873,121)	6,759,958
Reserved for Other Purposes	0	0	0	0	0	0
Unrestricted	38,712,933	39,707,612	0	0	38,712,933	39,707,612
<b>Total Net Assets</b>	<b>\$94,035,006</b>	<b>85,727,894</b>	<b>0</b>	<b>0</b>	<b>\$94,035,006</b>	<b>\$85,727,894</b>

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 986,705	\$ 1,429,653	0	0	\$ 986,705	\$ 1,429,653
Operating Grants and Contributions	24,711,629	21,944,571	0	0	24,711,629	21,944,571
General Revenues:						
Maintenance and Operations Taxes	15,164,651	13,792,852	0	0	15,164,651	13,792,852
Debt Service Taxes	3,163,734	2,908,828	0	0	3,163,734	2,908,828
State Aid Formula Grants	77,797,039	76,185,185	0	0	77,797,039	76,185,185
Investment Earnings	256,962	894,250	0	0	256,962	894,250
Miscellaneous	947,251	785,297	0	0	947,251	785,297
<b>Total Revenue</b>	<b>\$123,027,971</b>	<b>\$117,940,636</b>	<b>0</b>	<b>0</b>	<b>\$123,027,971</b>	<b>\$117,940,636</b>

Expenses:						
Instruction, curriculum and media services	\$65,159,955	64,109,349	0	0	\$65,159,955	64,109,349
Instructional/school leadership	6,956,921	6,914,446	0	0	6,956,921	6,914,446
Guidance, social work, health, transportation	9,384,772	8,487,273	0	0	9,384,772	8,487,273
Food Services	6,490,873	6,934,173	0	0	6,490,873	6,934,173
Co curricular activities	4,573,090	3,490,340	0	0	4,573,090	3,490,340
General administration	3,274,183	3,091,701	0	0	3,274,183	3,091,701
Plant Maintenance, Security and Data Processing	15,450,353	13,998,857	0	0	15,450,353	13,998,857
Community Services	901,551	723,923	0	0	901,551	723,923
Debt Service	4,800,328	4,928,777	0	0	4,800,328	4,928,777
Other activities	455,270	404,290	0	0	455,270	404,290
Total Expenses	<u>\$117,447,296</u>	<u>\$113,083,129</u>	<u>0</u>	<u>0</u>	<u>\$117,447,296</u>	<u>\$113,083,129</u>
Increase in net assets before transfers and special items	5,580,675	4,857,507	0	0	5,580,675	4,857,507
Extraordinary items	2,727,472	5,498,728	0	0	2,727,472	5,498,728
Special Items-Prior Period Adjustment(s)	(1,036)	(293,308)	0	0	(1,036)	(293,308)
Increase in Net Assets	8,307,112	10,062,927	0	0	8,307,112	10,062,927
Net assets at 9/1/07	85,727,894	75,664,966	0	0	85,727,894	75,664,966
Net assets at 8/31/08	<u>\$ 94,035,006</u>	<u>\$ 85,727,894</u>	<u>0</u>	<u>0</u>	<u>\$ 94,035,006</u>	<u>\$ 85,727,894</u>

The cost of all governmental activities this year was \$ 117 million compared to \$ 113 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 \$ 18.3 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 12 reported a combined fund balance of \$ 36.99 million, which is a decrease from last year's total of \$ 29.4 million. This decrease was principally due to the fact that the District spent 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 \$ 7.6 million in the General Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, the District had \$155 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 \$14 million, or 9.9 percent above last year.

This year's major additions included;

#### Project

1. ***New High School and Athletic Fields*** were construction in progress at the year-end, with total costs to date of \$ 42.2 Million.
2. ***Ringgold Middle School Improvements*** was construction in progress at year-end, with total costs to date of \$1.4 Million.

### Debt Administration

At year-end, the District had \$101 million in bonds, notes and capital leases outstanding versus \$104 million from last year-a decrease of 2.9 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 BUDGET AND RATES

- Appraised value used for the 2011 fiscal year decreased by 36 million from \$ 1.335 billion to \$ 1.299 billion.
- The district's refined average daily attendance for 2010-2011 is expected to be 9,733, up from 9,618 for fiscal year 2009-2010.

These indicators were taken into account when adopting the General Fund budget for 2011. Amounts available for appropriation in the General Fund budget are \$ 94.9 million, an increase of 2.76 percent over the original 2010 budget of \$ 92.4 million (including ARRA/Stimulus – Title XIV, SFSF Funds). The District will use its revenues to finance programs currently being offered. Total Governmental budgeted expenditures are expected to rise nearly 4.81% to \$ 105.1 million in 2010-2011 from the 2009-2010 original budget of \$ 100.3 million.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by \$ .5 million by the close of 2011.

## 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, 2010

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 8,098,918
1120 Current Investments	26,086,501
1220 Property Taxes Receivable (Delinquent)	12,462,987
1230 Allowance for Uncollectible Taxes	(4,707,503)
1240 Due from Other Governments	4,033,540
1250 Accrued Interest	14,003
1267 Due from Fiduciary Funds	400,761
1290 Other Receivables, net	183,115
1300 Inventories	155,907
Capital Assets:	
1510 Land	6,637,902
1520 Buildings, Net	98,736,994
1530 Furniture and Equipment, Net	3,078,880
1550 Leased Property Under Capital Leases, Net	1,858,623
1580 Construction in Progress	45,042,040
1000 Total Assets	202,082,668
<b>LIABILITIES</b>	
2110 Accounts Payable	4,350,046
2150 Payroll Deductions & Withholdings	400
2160 Accrued Wages Payable	1,891,617
2300 Deferred Revenues	244,406
Noncurrent Liabilities	
2501 Due Within One Year	4,095,952
2502 Due in More Than One Year	97,465,241
2000 Total Liabilities	108,047,662
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	53,793,246
3820 Restricted for Federal and State Programs	66,571
3850 Restricted for Debt Service	2,335,377
3860 Restricted for Capital Projects	(873,121)
3900 Unrestricted Net Assets	38,712,933
3000 Total Net Assets	\$ 94,035,006

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, 2010

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 61,704,169	\$ 91,240	\$ 19,289,390	\$ (42,323,539)
12 Instructional Resources and Media Services	2,188,015	-	693,459	(1,494,556)
13 Curriculum and Staff Development	1,267,771	-	498,747	(769,024)
21 Instructional Leadership	1,894,442	-	688,850	(1,205,592)
23 School Leadership	5,062,479	-	420,099	(4,642,380)
31 Guidance, Counseling and Evaluation Services	3,588,780	-	1,087,025	(2,501,755)
32 Social Work Services	216,968	-	191,515	(25,453)
33 Health Services	1,112,730	-	168,783	(943,947)
34 Student (Pupil) Transportation	4,466,294	-	180,272	(4,286,022)
35 Food Services	6,490,873	519,493	34,510	(5,936,870)
36 Extracurricular Activities	4,573,090	46,061	95,151	(4,431,878)
41 General Administration	3,274,183	329,911	122,666	(2,821,606)
51 Plant Maintenance and Operations	13,335,356	-	394,216	(12,941,140)
52 Security and Monitoring Services	1,892,146	-	93,745	(1,798,401)
53 Data Processing Services	222,851	-	44,916	(177,935)
61 Community Services	901,551	-	708,285	(193,266)
72 Debt Service - Interest on Long Term Debt	4,792,683	-	-	(4,792,683)
73 Debt Service - Bond Issuance Cost and Fees	7,645	-	-	(7,645)
99 Other Intergovernmental Charges	455,270	-	-	(455,270)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 117,447,296</u>	<u>\$ 986,705</u>	<u>\$ 24,711,629</u>	<u>(91,748,962)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			15,164,651
DT	Property Taxes, Levied for Debt Service			3,163,734
GC	Grants and Contributions not Restricted			77,797,039
IE	Investment Earnings			256,962
MI	Miscellaneous Local and Intermediate Revenue			947,251
E1	Extraordinary Item - resource			2,727,472
TR	Total General Revenues and Extraordinary Items			<u>100,057,109</u>
CN	Change in Net Assets			8,308,147
NB	Net Assets--Beginning			85,727,895
PA	Prior Period Adjustment			(1,036)
NE	Net Assets--Ending			<u>\$ 94,035,006</u>

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

RIO GRANDE CITY CISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2010

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 7,020,727	\$ 14,492	\$ 720,066	\$ 7,755,285
1120	Investments - Current	21,228,224	2,962	2,003,473	23,234,659
1220	Property Taxes - Delinquent	11,471,231	-	991,756	12,462,987
1230	Allowance for Uncollectible Taxes (Credit)	(4,588,492)	-	(119,011)	(4,707,503)
1240	Receivables from Other Governments	3,193,815	-	839,725	4,033,540
1250	Accrued Interest	10,926	-	1,094	12,020
1260	Due from Other Funds	2,089,478	1,943,251	53,606	4,086,335
1290	Other Receivables	183,115	-	-	183,115
1300	Inventories	155,907	-	-	155,907
1000	Total Assets	<u>\$ 40,764,931</u>	<u>\$ 1,960,705</u>	<u>\$ 4,490,709</u>	<u>\$ 47,216,345</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ 2,133,917	\$ 1,960,705	\$ 36,141	\$ 4,130,763
2150	Payroll Deductions and Withholdings Payable	400	-	-	400
2160	Accrued Wages Payable	1,573,798	-	317,819	1,891,617
2170	Due to Other Funds	2,052,657	873,121	850,882	3,776,660
2300	Deferred Revenues	7,170,624	-	883,919	8,054,543
2000	Total Liabilities	<u>12,931,396</u>	<u>2,833,826</u>	<u>2,088,761</u>	<u>17,853,983</u>
Fund Balances:					
Reserved For:					
3410	Investments in Inventory	155,908	-	-	155,908
3420	Retirement of Long Term Debt	-	-	2,335,377	2,335,377
3470	Capital Acquisition Program	-	(873,121)	-	(873,121)
Unreserved Designated For:					
3510	Construction	10,000,000	-	-	10,000,000
Unreserved and Undesignated:					
3600	Reported in the General Fund	17,677,627	-	-	17,677,627
3610	Reported in Special Revenue Funds	-	-	66,571	66,571
3000	Total Fund Balances	<u>27,833,535</u>	<u>(873,121)</u>	<u>2,401,948</u>	<u>29,362,362</u>
4000	Total Liabilities and Fund Balances	<u>\$ 40,764,931</u>	<u>\$ 1,960,705</u>	<u>\$ 4,490,709</u>	<u>\$ 47,216,345</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, 2010

<b>Total Fund Balances - Governmental Funds</b>	\$	29,362,362
<b>1</b> 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 net assets.		3,069,262
<b>2</b> 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 \$179,500,697 and the accumulated depreciation was \$9,049,677. 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.		37,376,542
<b>3</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays and debt principal payments is to increase net assets.		21,926,277
<b>4</b> The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(4,557,683)
<b>5</b> 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.		6,858,247
<b>19 Net Assets of Governmental Activities</b>	\$	<u>94,035,006</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  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 17,024,349	\$ 33,427	\$ 3,161,653	\$ 20,219,429
5800 State Program Revenues	68,598,735	-	7,423,268	76,022,003
5900 Federal Program Revenues	7,012,347	-	19,474,318	26,486,665
5020 Total Revenues	<u>92,635,431</u>	<u>33,427</u>	<u>30,059,239</u>	<u>122,728,097</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	41,668,423	-	17,468,668	59,137,091
0012 Instructional Resources and Media Services	1,455,278	-	644,154	2,099,432
0013 Curriculum and Instructional Staff Development	750,755	-	465,689	1,216,444
0021 Instructional Leadership	1,175,855	-	641,889	1,817,744
0023 School Leadership	4,665,940	-	191,581	4,857,521
0031 Guidance, Counseling and Evaluation Services	2,488,467	-	955,019	3,443,486
0032 Social Work Services	16,669	-	191,515	208,184
0033 Health Services	946,783	-	120,897	1,067,680
0034 Student (Pupil) Transportation	4,246,138	-	39,335	4,285,473
0035 Food Services	6,199,786	-	28,299	6,228,085
0036 Extracurricular Activities	4,365,780	-	22,165	4,387,945
0041 General Administration	3,141,625	-	-	3,141,625
0051 Facilities Maintenance and Operations	12,699,388	-	96,076	12,795,464
0052 Security and Monitoring Services	1,812,001	-	3,540	1,815,541
0053 Data Processing Services	176,526	-	37,303	213,829
0061 Community Services	160,587	-	704,467	865,054
<b>Debt Service:</b>				
0071 Debt Service - Principal on Long Term Debt	99,587	-	3,450,000	3,549,587
0072 Debt Service - Interest on Long Term Debt	10,810	-	4,680,898	4,691,708
0073 Debt Service - Bond Issuance Cost and Fees	-	-	7,645	7,645
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	2,195,378	15,618,383	-	17,813,761
<b>Intergovernmental:</b>				
0099 Other Intergovernmental Charges	436,839	-	-	436,839
6030 Total Expenditures	<u>88,712,615</u>	<u>15,618,383</u>	<u>29,749,140</u>	<u>134,080,138</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,922,816</u>	<u>(15,584,956)</u>	<u>310,099</u>	<u>(11,352,041)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Capital Leases	999,740	-	-	999,740
7915 Transfers In	-	9,772,862	209,102	9,981,964
8911 Transfers Out (Use)	(8,160,979)	(1,820,985)	-	(9,981,964)
7080 Total Other Financing Sources (Uses)	<u>(7,161,239)</u>	<u>7,951,877</u>	<u>209,102</u>	<u>999,740</u>
<b>EXTRAORDINARY ITEMS:</b>				
7919 Extraordinary Item - Resource	2,727,472	-	-	2,727,472
1200 Net Change in Fund Balances	(510,951)	(7,633,079)	519,201	(7,624,829)
0100 Fund Balance - September 1 (Beginning)	28,344,486	6,759,958	1,883,783	36,988,227
1300 Increase (Decrease) in Fund Balance	-	-	(1,036)	(1,036)
3000 Fund Balance - August 31 (Ending)	<u>\$ 27,833,535</u>	<u>\$ (873,121)</u>	<u>\$ 2,401,948</u>	<u>\$ 29,362,362</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, 2010

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(7,624,829)
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 (decrease) net assets.		(634,776)
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 2009 capital outlays and debt principal payments is to increase net assets.		21,926,277
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.		(4,557,683)
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.		(800,841)
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>8,308,148</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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 15,274,000	\$ 17,416,510	\$ 17,024,349	\$ (392,161)
5800 State Program Revenues	70,251,962	67,201,962	68,598,735	1,396,773
5900 Federal Program Revenues	6,915,000	7,283,563	7,012,347	(271,216)
5020 Total Revenues	92,440,962	91,902,035	92,635,431	733,396
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	46,449,825	44,641,121	41,668,423	2,972,698
0012 Instructional Resources and Media Services	1,669,351	1,769,991	1,455,278	314,713
0013 Curriculum and Instructional Staff Development	884,047	940,424	750,755	189,669
0021 Instructional Leadership	1,309,853	1,397,959	1,175,855	222,104
0023 School Leadership	4,696,665	4,754,386	4,665,940	88,446
0031 Guidance, Counseling and Evaluation Services	3,071,685	2,778,725	2,488,467	290,258
0032 Social Work Services	18,000	28,000	16,669	11,331
0033 Health Services	952,932	1,004,162	946,783	57,379
0034 Student (Pupil) Transportation	3,548,230	4,477,799	4,246,138	231,661
0035 Food Services	6,662,500	7,247,510	6,199,786	1,047,724
0036 Extracurricular Activities	3,403,583	4,900,160	4,365,780	534,380
0041 General Administration	3,558,463	3,608,063	3,141,625	466,438
0051 Facilities Maintenance and Operations	12,544,238	13,332,913	12,699,388	633,525
0052 Security and Monitoring Services	1,754,717	1,854,717	1,812,001	42,716
0053 Data Processing Services	240,427	290,427	176,526	113,901
0061 Community Services	145,846	171,016	160,587	10,429
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	110,349	99,587	99,587	-
0072 Debt Service - Interest on Long Term Debt	-	10,810	10,810	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	782,699	2,528,626	2,195,378	333,248
Intergovernmental:				
0099 Other Intergovernmental Charges	420,000	470,000	436,839	33,161
6030 Total Expenditures	92,223,410	96,306,396	88,712,615	7,593,781
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	217,552	(4,404,361)	3,922,816	8,327,177
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Capital Leases	-	999,740	999,740	-
8911 Transfers Out (Use)	(217,552)	(8,217,552)	(8,160,979)	56,573
7080 Total Other Financing Sources (Uses)	(217,552)	(7,217,812)	(7,161,239)	56,573
<b>EXTRAORDINARY ITEMS:</b>				
7919 Extraordinary Item - Resource	-	2,221,301	2,727,472	506,171
1200 Net Change in Fund Balances	-	(9,400,872)	(510,951)	8,889,921
0100 Fund Balance - September 1 (Beginning)	28,344,406	28,344,406	28,344,486	80
3000 Fund Balance - August 31 (Ending)	\$ 28,344,406	\$ 18,943,534	\$ 27,833,535	\$ 8,890,001

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, 2010

	Governmental Activities -
	Total Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 343,633
Investments - Current	2,851,842
Accrued Interest	1,982
Due from Other Funds	<u>126,839</u>
Total Assets	<u>3,324,296</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	219,282
Due to Other Funds	<u>35,752</u>
Total Liabilities	<u>255,034</u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	<u>3,069,262</u>
Total Net Assets	<u><u>\$ 3,069,262</u></u>

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, 2010

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 470,930
Total Operating Revenues	<u>470,930</u>
OPERATING EXPENSES:	
Professional and Contracted Services	807,966
Other Operating Costs	297,740
Total Operating Expenses	<u>1,105,706</u>
Operating Income (Loss)	(634,776)
Total Net Assets - September 1 (Beginning)	<u>3,704,038</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 3,069,262</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, 2010

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 342,109
Cash Payments for Other Operating Expenses	(1,087,147)
Net Cash Used for Operating Activities	<u>(745,038)</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	<u>788,832</u>
Net Increase in Cash and Cash Equivalents	43,794
Cash and Cash Equivalents at Beginning of the Year:	<u>299,839</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 343,633</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (634,776)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(128,821)
Increase (decrease) in Accounts Payable	<u>18,559</u>
Net Cash Used for Operating Activities	<u>\$ (745,038)</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, 2010

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 533,322
Accrued Interest	47	-
Other Receivables	-	725
Restricted Assets	182,617	-
Total Assets	<u>182,664</u>	<u>\$ 534,047</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 19,948
Due to Other Funds	-	400,763
Due to Student Groups	-	113,337
Total Liabilities	<u>-</u>	<u>\$ 534,048</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>182,664</u>	
Total Net Assets	<u>\$ 182,664</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, 2010

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 96,397
Total Additions	<u>96,397</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>139,068</u>
Total Deductions	<u>139,068</u>
Change in Net Assets	(42,671)
Total Net Assets - September 1 (Beginning)	<u>225,335</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 182,664</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, 2010

**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, 2009 through August 31, 2010.

The accrued liability for Worker's Compensation self-insurance included incurred but not reported claims at August 31, 2010. 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.

**Dental Insurance – Self Funded**

On October 1, 2000, the District established a modified self-insurance plan to provide 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.

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, 2010.

**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	\$ 5,475,556	\$ -	\$ 5,475,556	
Buildings & Improv.	130,097,539	( 29,023,208)	101,074,331	
Furniture & Equipment	12,897,861	( 9,049,608)	3,848,253	
Construction in Progress	<u>30,997,271</u>	<u>-</u>	<u>30,997,271</u>	
Change in Net Assets	\$ 179,468,227	\$(38,072,816)	\$ 141,395,411	<u>\$ 141,395,411</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>	<u>Change in Net</u> <u>Assets</u>
Bonds Payable (including CABs)	102,280,478	
Capital Leases	<u>1,738,391</u>	
Change in Net Assets		<u>\$(104,018,869)</u>
Net Adjustment to Net Assets		<u>\$ 37,376,542</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 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	\$ 1,162,346	\$ 1,162,346	\$ 1,162,346
Buildings & Improvements	1,144,243	1,144,243	1,144,243
Furniture & Equipment	1,995,537	1,995,537	1,995,537
Construction in Progress	<u>14,065,760</u>	<u>14,065,760</u>	<u>14,065,760</u>
Total Capital Outlay	<u>\$ 18,367,886</u>	<u>\$ 18,367,886</u>	<u>\$ 18,367,886</u>
<u>Debt Principal Payments</u>			
Bond Principal	\$ 2,930,000	\$ 2,930,000	\$ 2,930,000
Capital Lease Payments	<u>628,391</u>	<u>628,391</u>	<u>628,391</u>
Total Principal Payments	<u>\$ 3,558,391</u>	<u>\$ 3,558,391</u>	<u>\$ 3,558,391</u>
Total Adjustment to Net Assets		<u>\$ 21,926,277</u>	<u>\$ 21,926,277</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>			
Proceeds from Capital Lease	\$999,740	-	(999,740)
Taxes Collected from Prior Year Levies	\$1,81,379	(1,081,379)	-
Uncollected taxes(assumed collectible) from Current Year Levy	\$1,711,568	1,711,568	1,711,568
Uncollected Taxes (assumed collectible) from Prior Year Levy	\$6,098,569	-	6,098,569
Other		<u>170,652</u>	<u>(47,849)</u>
Total		<u>\$800,841</u>	<u>\$6,858,246</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, 2010, there were no instances of functional expenditure categories exceeding appropriations in the General Fund.

## **C. DEFICIT FUND BALANCE(S)**

The Capital Projects Fund reported a deficit fund balance at year-end of \$ (873,121). However, subsequent to fiscal year-end, the District issued bonds Series 2010 on September 15, 2010 in the aggregate amount of \$37,060,000. The District issued a Board resolution which provides for reimbursements of capital projects costs incurred prior to issuance of these bonds. Accordingly, the deficit fund balance in the Capital Projects fund was to be eliminated with these proceeds after fiscal year-end August 31, 2010.

## **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, 2010, 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>2,962</u>	<u>2,962</u>	1
Total-Investment Pool	\$ 4,262	\$ 4,262	
<u>Certificates of Deposit(CD)</u>			
General Fund	21,226,924	21,226,924	1
Capital Projects Fund	2,003,473	2,003,473	1
Scholarship Fund	182,617	182,617	
Workers' Comp. Fund	<u>2,851,842</u>	<u>2,851,842</u>	1
Total-Certificates of Deposit	\$26,264,856	\$26,264,856	
 Total-All Investments	 <u>\$ 26,269,118</u>	 <u>\$26,269,118</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, 2010, consisted of the following amounts:

**DUE FROM GENERAL FUND:**

Special Revenue Funds	\$ 31,176
Debt Service Funds	-
Capital Projects Funds	1,930,201
Internal Service Funds	91,087
Trust & Agency Funds	-
Total	<u>\$ 2,052,464</u>

**DUE TO GENERAL FUND:**

Special Revenue Funds	\$ 436,546
Debt Service Funds	414,336
Capital Projects Funds	860,071
Internal Service Funds	-
Trust & Agency Funds	<u>378,525</u>
Total	<u>\$2,089,478</u>

**DUE FROM SPECIAL REVENUE FUNDS:**

General Fund	436,546
Internal Service Funds	-
Total	<u>\$ 436,546</u>

**DUE TO SPECIAL REVENUE FUNDS:**

General Fund	31,176
Internal Service Funds	-
Total	<u>\$ 31,176</u>

**DUE FROM DEBT SERVICE FUNDS:**

General Fund	414,336
Trust & Agency Funds	-
Total	<u>\$ 414,336</u>

**DUE TO DEBT SERVICE FUNDS:**

General Fund	-
Trust & Agency Funds	<u>22,431</u>
Total	<u>\$ 22,431</u>

**DUE FROM CAPITAL PROJECTS FUNDS:**

General Fund	860,071
Capital Projects	<u>13,050</u>
Total	<u>\$ 873,121</u>

**DUE TO CAPITAL PROJECTS FUNDS:**

General Fund	1,930,201
Capital Projects	<u>13,050</u>
Total	<u>\$1,943,251</u>

**DUE FROM INTERNAL SERVICE FUNDS:**

General Fund	-
Internal Service	<u>35,753</u>
Total	<u>\$ 35,753</u>

**DUE TO INTERNAL SERVICE FUNDS:**

General Fund	91,087
Internal Service	<u>35,753</u>
Total	<u>\$ 126,840</u>

**DUE FROM TRUST & AGENCY FUNDS:**

General Fund	378,525
Special Revenue Funds	-
Debt Service Funds	<u>22,431</u>
Total	<u>\$ 400,956</u>

**DUE TO TRUST & AGENCY FUNDS:**

General Fund	-
Special Revenue Funds	-
Debt Service Funds	-
Total	<u>\$ -</u>

**TOTAL ALL FUNDS-DUE FROM** \$ 4,213,176

**TOTAL ALL FUNDS-DUE TO** \$4,213,176

## E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2010, was as follows:

	Beginning Balance	Primary Government		Adjustments	Ending Balance
		Additions	Retirements		
Governmental Activities:					
Primary Government:					
Land	\$ 4,453,422	\$ 1,162,346	\$ -	\$ -	\$ 5,615,768
Buildings and Improvements	109,104,681	1,165,234	-	-	110,269,915
Construction in Progress	30,997,271	14,065,760	20,991	-	45,042,040
Furniture and Equipment	8,134,854	1,170,797	74,914	32,471	9,263,208
Furniture & Equipment-Capital Lease	4,763,007	824,740	46,772	69	5,541,044
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	\$179,468,227	\$18,388,877	\$ 142,677	\$ 32,540	\$197,746,967
Less Accumulated Depreciation for:					
Buildings & Improvements	29,023,208	3,502,571	-	-	32,525,779
Furniture & Equipment	<u>9,049,677</u>	<u>1,055,112</u>	<u>121,686</u>	<u>(116,354)</u>	<u>9,866,749</u>
Total Accumulated Depreciation	\$ 38,072,885	\$ 4,557,683	\$ 121,686	(116,354)	\$ 42,392,528
Governmental Activities Capital Assets, Net	<u>\$141,395,340</u>	<u>\$13,831,194</u>	<u>\$ 20,991</u>	<u>\$ 148,894</u>	<u>\$155,354,439</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,495,230
Instructional Resources and Media Services	88,583
Curriculum Development and Instructional Staff Development	51,327
Instructional Leadership	76,698
School Leadership	204,958
Guidance, Counseling, and Evaluation Services	145,294
Social Work Services	8,784
Health Services	45,050
Student (Pupil) Transportation	180,821
Food Services	262,788
Co-Curricular/Extracurricular Activities	185,145
General Administration	132,558
Plant Maintenance and Operations	539,892
Security and Monitoring Service	76,605
Data Processing Services	9,022
Community Services	36,497
Other Intergovernmental Changes	<u>18,432</u>
Total Depreciation Expense	<u>\$ 4,557,683</u>

**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, 2010 is as follows:

BONDS DESCRIPTION	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	PAYABLE AMOUNTS OUTSTANDING 09/01/2009	ISSUED	RETIRED	OUTSTANDING 08/31/2010
Bond Series 2000 Issued 09/01/2000	4.40-5.65%	\$ 27,000,000	\$ 795,000	\$ -	\$ 795,000	\$ -
Bond Series 2002 Issued 09/15/2002	3.50-5.00%	27,000,000	21,630,000	-	835,000	20,795,000
Bond Series 2004 Issued 12/01/2004	2.25-5.00%	23,635,000	21,145,000	-	475,000	20,670,000
Bond Series 2005 Issued 04/01/2005	3.00-5.00%	20,399,986	19,819,986	-	145,000	19,674,986
Bond Series 2006 Issued 08/09/2006	4.25-5.00%	38,325,000	36,440,000	-	680,000	35,760,000
<b>Total Bonds</b>		<u>\$ 136,359,986</u>	<u>\$ 99,829,986</u>	<u>\$ -</u>	<u>\$ 2,930,000</u>	<u>\$ 96,899,986</u>

**2005 CABs**

Maturity Date	Payment at Maturity	Number of CABS	Total CAB Accreted Values:			
			Per \$5K Maturity	Accreted Value at 8/31/09	Accreted Value at 8/31/10	Accreted Value 8/31/2009
8/16/2011	\$ 980,000	196	\$ 4,626.68	\$ 4,809.60	\$ 906,829.	\$ 942,681.60
8/16/2012	\$ 980,000	196	\$ 4,433.30	\$ 4,614.70	\$ 868,927	\$ 904,481.20
	<u>\$ 1,960,000</u>			Subtotal	\$ 1,775,756	\$ 1,847,162.80

**2006 CABs**

2/15/2018	\$ 260,000	52	\$ 3,485.61.	\$ 3,636.74	\$ 181,251.72	\$ 189,110.48
2/15/2019	\$ 260,000	52	\$ 3,328.35.	\$ 3,474.03	\$ 173,074.20	\$ 180,649.56
2/15/2020	\$ 260,000	52	\$ 3,182.23	\$ 3,322.16	\$ 165,475.96	\$ 172,752.32
2/15/2021	\$ 260,000	51	\$ 3,037.92	\$ 3,172.44	\$ 154,933.92	\$ 161,794.44
	<u>\$ 1,040,000</u>			Subtotal	\$ 674,735.80	\$ 704,304.80
<b>Grand Totals</b>	<u>\$ 3,000,000</u>				<u>\$ 2,450,491.88</u>	<u>\$ 2,551,467.60</u>

The Total Accreted Value for the Series 2005 and 2006 Capital Appreciation Bonds (CABs) at August 31, 2010, is \$2,551,467.

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, 2010, \$ 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, 2010.

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, 2010, \$ 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:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
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	3,340,000	4,194,224	7,534,224
2015	3,475,000	4,056,366	7,531,366
2016-2020	19,960,000	17,711,840	37,671,840
2021-2025	25,170,000	12,496,229	37,666,229
2026-2030	17,885,000	6,766,677	24,651,677
2031-2035	14,530,000	3,166,363	17,696,363
2036-2037	4,400,000	332,750	4,732,750
Total	<u>\$ 96,899,986</u>	<u>\$ 63,181,484</u>	<u>\$ 160,081,470</u>

**Capital Leases**

**Primary Government**

The District had a lease agreement as lessee for financing the acquisition of student buses during the year. This lease agreement qualifies as capital lease 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, 2010 were \$108,391 and \$2,005 respectively. The future lease payments are \$0, since these agreement was paid off during the year.

The District entered into a lease agreement on March 30, 2010 for financing the acquisition of students buses and lighting system with maturity September 15, 2012. This lease agreement qualifies as capital lease 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 the inception. The effective interest rate on the lease is 2.95%. The future minimum lease payments are as follows:

<b>Year Ended August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2011	\$ 334,185	\$ 13,592	\$ 347,777
2012	327,876	19,902	347,777
2013	<u>337,680</u>	<u>10,097</u>	<u>347,777</u>
Total	<u>\$ 999,740</u>	<u>\$ 43,591</u>	<u>\$ 1,043,331</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, 2009, were \$ 495,000 and \$ 100,936 respectively. The future minimum lease payments are as follows:

<b>Year Ended August 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2011	540,000	52,724	592,724
2012	<u>570,000</u>	<u>27,074</u>	<u>597,074</u>
Total	<u>\$ 1,110,000</u>	<u>\$ 79,798</u>	<u>\$ 1,189,798</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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** State law provides for fiscal years 2008, 2009 and 2010 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, 2008, 2009 and 2010 were \$2,974,921, \$3,158,510, and \$3,092,707 respectively. RIO GRANDE CITY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2008, 2009 and 2010 in the amount of \$ 621,150, \$492,351 and \$472,997, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. In addition to the pension plan and TRS – Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS – Care receives.

## **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](http://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 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$ 124,907, \$ 109,996, and \$ 103,431, respectively, the active member contributions were \$ 433,836, \$ 433,006 and \$ 417,388, respectively, and the school district's contributions were \$ 366,405, \$ 353,199, and \$ 319,813 , respectively, which equaled the required contributions each year.

**Medicare Part D.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District was \$181,147, \$160,296, \$193,717.

**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended August 31, 2010, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductios</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds and Notes Payable					
General Obligation Bonds	\$99,829,986	\$ -	\$2,930,000	\$ 96,899,986	\$3,221,767
Capital Leases	1,738,391	999,740	628,391	2,109,740	874,185
CABs-Accreted Values	<u>2,450,492</u>	<u>100,975</u>	<u>-</u>	<u>2,551,467</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$104,018,869</u>	<u>\$ 1,100,715</u>	<u>\$3,558,391</u>	<u>\$101,561,193</u>	<u>\$4,095,952</u>

**K. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
Net Tax Revenue	\$ 7,152,875	\$ -	\$ 872,745	\$ 8,025,620
Food Service Receipts	17,749	-	-	17,749
Grants-Unearned Funds	<u>-</u>	<u>11,174</u>	<u>-</u>	<u>11,174</u>
	<u>\$ 7,170,624</u>	<u>\$ 11,174</u>	<u>\$ 872,745</u>	<u>\$ 8,054,543</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, 2010, 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.

<b>FUND</b>	<b>STATE ENTITLEMENTS</b>	<b>FEDERAL GRANTS</b>	<b>TOTAL</b>
General	\$ 3,193,815	\$ -	\$ 3,193,815
Special Revenue	141,412	694,699	836,111
Debt Service	<u>3,614</u>	<u>-</u>	<u>3,614</u>
Total	<u>\$ 3,338,841</u>	<u>\$ 694,699</u>	<u>\$ 4,033,540</u>

**M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Property Taxes	\$ 15,097,817	\$ -	\$ 3,079,519	\$ -	\$ 18,177,337
Penalties, Interest and Other Tax-related Income	730,221	-	68,204	-	798,424
Investment Income	209,605	-	13,930	33,427	256,962
Food Sales	487,755	-	-	-	487,755
Co-curricular Student Activities	46,061	-	-	-	46,061
Other	452,889	-	-	-	452,889
<b>Total</b>	<u>\$ 17,024,349</u>	<u>\$ -</u>	<u>\$ 3,161,653</u>	<u>\$ 33,427</u>	<u>\$ 20,219,429</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 2009-2010	\$4,792,682
b) Subtract any non-medical expenditures	
Life Insurance	<u>38,242</u>
c) 2009-2010 Maintenance of Effort	<u>\$4,754,440</u>

**P. DENTAL CARE COVERAGE**

The District sponsors a modified self-insurance plan to provide dental care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Dental Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2010, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past year are as follows:

Year Ended

August 31 2010

Unpaid claims, beginning of the year	\$ 30,509
Incurred claims (including IBNR'S)	304,671
Claim Payments	<u>306,369</u>
Unpaid claims, end of fiscal year	<u>28,811</u>

**Q. EXTRAORDINARY ITEM(S)**

The District recognized an aggregate \$ 2,727,472 in the General Fund as extraordinary resources. Of this amount, \$2,221,301 related to the payment from a surety company for fire damage at Ringgold Middle School, and \$506,171 represented the settlement arising from litigation on disputed construction on two elementary schools.

**R. SUBSEQUENT EVENTS**

The District issued Unlimited School Bonds Series 2010 on September 15, 2010 in the aggregate amount of \$37,060,000. The proceeds are for construction/renovation of school buildings and facilities.

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RIO GRANDE CITY CISD  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

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	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 218,704	\$ (7)	\$ (10,086)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	274,711	24,163	13,985
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 493,415</u>	<u>\$ 24,156</u>	<u>\$ 3,899</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 17,179	\$ 1,010	\$ 1,479
2160	Accrued Wages Payable	-	124,236	23,096	-
2170	Due to Other Funds	-	352,000	50	2,420
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>493,415</u>	<u>24,156</u>	<u>3,899</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 493,415</u>	<u>\$ 24,156</u>	<u>\$ 3,899</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Career and Technical - 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	265 Title IV, B Community Learning
\$ 745	\$ 598	\$ (25,392)	\$ -	\$ 3,723	\$ (8,190)	\$ (299)	\$ (6,736)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
35,335	-	25,516	15,734	-	8,190	718	6,736
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 36,080</u>	<u>\$ 598</u>	<u>\$ 124</u>	<u>\$ 15,734</u>	<u>\$ 3,723</u>	<u>\$ -</u>	<u>\$ 419</u>	<u>\$ -</u>
\$ 3,371	\$ -	\$ 124	\$ -	\$ 3,664	\$ -	\$ 419	\$ -
32,709	598	-	15,734	-	-	-	-
-	-	-	-	59	-	-	-
-	-	-	-	-	-	-	-
<u>36,080</u>	<u>598</u>	<u>124</u>	<u>15,734</u>	<u>3,723</u>	<u>-</u>	<u>419</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 36,080</u>	<u>\$ 598</u>	<u>\$ 124</u>	<u>\$ 15,734</u>	<u>\$ 3,723</u>	<u>\$ -</u>	<u>\$ 419</u>	<u>\$ -</u>

RIO GRANDE CITY CISD  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

Data Control Codes	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	279 Title II, D ARRA - Ed. Technology	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (16,593)	\$ (41,739)	\$ (78,842)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	113,255	22,104	41,739	78,842
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	2,403	-
1000	Total Assets	<u>\$ 113,255</u>	<u>\$ 5,511</u>	<u>\$ 2,403</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 5,511	\$ -	\$ -
2160	Accrued Wages Payable	82,289	-	2,403	-
2170	Due to Other Funds	30,966	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>113,255</u>	<u>5,511</u>	<u>2,403</u>	<u>-</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>\$ 113,255</u>	<u>\$ 5,511</u>	<u>\$ 2,403</u>	<u>\$ -</u>

283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A ARRA, Impr. Basic Program	394 Life Skills Program	397 Advanced Placement Incentives	404 Student Success Initiative	409 High School Completion and Success	411 Technology Allotment
\$ -	\$ -	\$ -	\$ -	\$ 8,172	\$ (31,861)	\$ -	\$ 67,823
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,861	1,550	16,260	34,791	-	32,028	-	1,750
-	-	-	-	-	-	-	-
-	-	-	-	-	117	-	-
<u>\$ 15,861</u>	<u>\$ 1,550</u>	<u>\$ 16,260</u>	<u>\$ 34,791</u>	<u>\$ 8,172</u>	<u>\$ 284</u>	<u>\$ -</u>	<u>\$ 69,573</u>
\$ 1,550	\$ 1,550	\$ -	\$ -	\$ -	\$ 284	\$ -	\$ -
14,311	-	-	-	-	-	-	-
-	-	16,260	34,791	-	-	-	-
-	-	-	-	8,172	-	-	3,002
<u>15,861</u>	<u>1,550</u>	<u>16,260</u>	<u>34,791</u>	<u>8,172</u>	<u>284</u>	<u>-</u>	<u>3,002</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	66,571
-	-	-	-	-	-	-	66,571
<u>\$ 15,861</u>	<u>\$ 1,550</u>	<u>\$ 16,260</u>	<u>\$ 34,791</u>	<u>\$ 8,172</u>	<u>\$ 284</u>	<u>\$ -</u>	<u>\$ 69,573</u>

RIO GRANDE CITY CISD  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2010

Data Control Codes	415 Kindergarten and Pre-K Grants	425 Teacher Induction and Mentoring	426 TX Educator Excellence Award Grant	429 Other State Special Revenue Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (6,212)	\$ -	\$ (72,843)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	-	72,843
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	22,443	6,212	-	-
1000	<b>Total Assets</b>	<u>\$ 22,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	22,443	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>22,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 22,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 965	\$ 719,101	\$ 720,066
-	2,003,473	2,003,473
-	991,756	991,756
-	(119,011)	(119,011)
836,111	3,614	839,725
-	1,094	1,094
31,175	22,431	53,606
<u>\$ 868,251</u>	<u>\$ 3,622,458</u>	<u>\$ 4,490,709</u>
\$ 36,141	\$ -	\$ 36,141
317,819	-	317,819
436,546	414,336	850,882
11,174	872,745	883,919
<u>801,680</u>	<u>1,287,081</u>	<u>2,088,761</u>
-	2,335,377	2,335,377
66,571	-	66,571
<u>66,571</u>	<u>2,335,377</u>	<u>2,401,948</u>
<u>\$ 868,251</u>	<u>\$ 3,622,458</u>	<u>\$ 4,490,709</u>

RIO GRANDE CITY CISD  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

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	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	62,657	6,116,536	1,465,265	105,589
5020	Total Revenues	<u>62,657</u>	<u>6,116,536</u>	<u>1,465,265</u>	<u>105,589</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	43,502	5,069,596	479,171	-
0012	Instructional Resources and Media Services	-	23,865	22,768	-
0013	Curriculum and Instructional Staff Development	-	102,065	-	-
0021	Instructional Leadership	19,155	436,171	89,248	-
0023	School Leadership	-	42,165	12,614	-
0031	Guidance, Counseling and Evaluation Services	-	224,976	292,248	-
0032	Social Work Services	-	51,010	140,505	-
0033	Health Services	-	45,161	23,405	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	2,845	210	-
0051	Facilities Maintenance and Operations	-	57,956	-	109
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	60,726	405,096	105,480
<b>Debt Service:</b>					
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>62,657</u>	<u>6,116,536</u>	<u>1,465,265</u>	<u>105,589</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
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)	-	-	-	1,036
1300	Increase (Decrease) in Fund Balance	-	-	-	(1,036)
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Career and Technical - 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	265 Title IV, B Community Learning
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
188	-	-	-	-	-	-	-
1,565,394	21,445	208,803	916,796	800,417	54,486	707,842	184,671
<u>1,565,582</u>	<u>21,445</u>	<u>208,803</u>	<u>916,796</u>	<u>800,417</u>	<u>54,486</u>	<u>707,842</u>	<u>184,671</u>
1,562,129	21,445	120,487	836,573	701,655	41,272	678,333	61,378
-	-	-	-	-	-	18,028	-
200	-	19,144	80,223	98,762	13,214	8,538	143
(55)	-	67,712	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,460	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,308	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,943	123,150
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,565,582</u>	<u>21,445</u>	<u>208,803</u>	<u>916,796</u>	<u>800,417</u>	<u>54,486</u>	<u>707,842</u>	<u>184,671</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, 2010

Data Control Codes	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	274 GEAR UP	279 Title II, D ARRA - Ed. Technology
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	4,101,019	239,855	139,622
5020	Total Revenues	<u>4,101,019</u>	<u>239,855</u>	<u>139,622</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	3,124,621	217,835	136,318
0012	Instructional Resources and Media Services	491,483	1,955	-
0013	Curriculum and Instructional Staff Development	36,558	14,544	3,304
0021	Instructional Leadership	-	5,521	-
0023	School Leadership	19,174	-	-
0031	Guidance, Counseling and Evaluation Services	391,880	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	37,303	-	-
0061	Community Services	-	-	-
<b>Debt Service:</b>				
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>4,101,019</u>	<u>239,855</u>	<u>139,622</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A ARRA, Impr. Basic Program	394 Life Skills Program	397 Advanced Placement Incentives	404 Student Success Initiative	409 High School Completion and Success	411 Technology Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	34,791	19,336	109,648	73,402	285,286
<u>1,619,061</u>	<u>6,121</u>	<u>1,079,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,619,061</u>	<u>6,121</u>	<u>1,079,897</u>	<u>34,791</u>	<u>19,336</u>	<u>109,648</u>	<u>73,402</u>	<u>285,286</u>
1,572,971	6,121	871,513	34,791	1,914	109,454	64,886	178,599
-	-	47,115	-	-	-	-	29,790
-	-	-	-	17,422	-	3,000	68,572
9,700	-	14,437	-	-	-	-	-
-	-	91,306	-	-	194	-	-
-	-	23,809	-	-	-	5,516	-
-	-	-	-	-	-	-	-
34,315	-	11,712	-	-	-	-	-
-	-	8,625	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,075	-	7,848	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,532	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,619,061</u>	<u>6,121</u>	<u>1,079,897</u>	<u>34,791</u>	<u>19,336</u>	<u>109,648</u>	<u>73,402</u>	<u>276,961</u>
-	-	-	-	-	-	-	8,325
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	8,325
-	-	-	-	-	-	-	58,246
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,571</u>

RIO GRANDE CITY CISD  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	415 Kindergarten and Pre-K Grants	425 Teacher Induction and Mentoring	426 TX Educator Excellence Award Grant	429 Other State Special Revenue Funds
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	835,321	-	786,632
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	<u>835,321</u>	<u>-</u>	<u>786,632</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	835,321	-	619,941
0012	Instructional Resources and Media Services	-	-	9,150
0013	Curriculum and Instructional Staff Development	-	-	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	26,128
0031	Guidance, Counseling and Evaluation Services	-	-	15,130
0032	Social Work Services	-	-	-
0033	Health Services	-	-	6,304
0034	Student (Pupil) Transportation	-	-	30,710
0035	Food Services	-	-	28,299
0036	Extracurricular Activities	-	-	19,110
0051	Facilities Maintenance and Operations	-	-	24,780
0052	Security and Monitoring Services	-	-	3,540
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	3,540
<b>Debt Service:</b>				
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>835,321</u>	<u>-</u>	<u>786,632</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 3,161,653	\$ 3,161,653
2,144,604	5,278,664	7,423,268
19,474,318	-	19,474,318
<u>21,618,922</u>	<u>8,440,317</u>	<u>30,059,239</u>
17,468,668	-	17,468,668
644,154	-	644,154
465,689	-	465,689
641,889	-	641,889
191,581	-	191,581
955,019	-	955,019
191,515	-	191,515
120,897	-	120,897
39,335	-	39,335
28,299	-	28,299
22,165	-	22,165
96,076	-	96,076
3,540	-	3,540
37,303	-	37,303
704,467	-	704,467
-	3,450,000	3,450,000
-	4,680,898	4,680,898
-	7,645	7,645
<u>21,610,597</u>	<u>8,138,543</u>	<u>29,749,140</u>
<u>8,325</u>	<u>301,774</u>	<u>310,099</u>
-	209,102	209,102
-	209,102	209,102
8,325	510,876	519,201
59,282	1,824,501	1,883,783
(1,036)	-	(1,036)
<u>\$ 66,571</u>	<u>\$ 2,335,377</u>	<u>\$ 2,401,948</u>

RIO GRANDE CITY CISD  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 AUGUST 31, 2010

	753 Workers' Comp.Insur. Fund	771 Dental Insurance Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 197,082	\$ 146,551	\$ 343,633
Investments - Current	2,851,842	-	2,851,842
Accrued Interest	1,982	-	1,982
Due from Other Funds	126,839	-	126,839
	<u>3,177,745</u>	<u>146,551</u>	<u>3,324,296</u>
Total Assets			
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	193,741	25,541	219,282
Due to Other Funds	-	35,752	35,752
	<u>193,741</u>	<u>61,293</u>	<u>255,034</u>
Total Liabilities			
<b>NET ASSETS</b>			
Unrestricted Net Assets	<u>2,984,004</u>	<u>85,258</u>	<u>3,069,262</u>
Total Net Assets	<u>\$ 2,984,004</u>	<u>\$ 85,258</u>	<u>\$ 3,069,262</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, 2010

	753 Workers' Comp. Insur. Fund	771 Dental Insurance Fund	Total Internal Service Funds
<b>OPERATING REVENUES:</b>			
Local and Intermediate Sources	\$ 144,891	\$ 326,039	\$ 470,930
Total Operating Revenues	<u>144,891</u>	<u>326,039</u>	<u>470,930</u>
<b>OPERATING EXPENSES:</b>			
Professional and Contracted Services	772,214	35,752	807,966
Other Operating Costs	-	297,740	297,740
Total Operating Expenses	<u>772,214</u>	<u>333,492</u>	<u>1,105,706</u>
Operating Income (Loss)	(627,323)	(7,453)	(634,776)
Total Net Assets - September 1 (Beginning)	<u>3,611,327</u>	<u>92,711</u>	<u>3,704,038</u>
Total Net Assets - August 31 (Ending)	<u>\$ 2,984,004</u>	<u>\$ 85,258</u>	<u>\$ 3,069,262</u>

RIO GRANDE CITY CISD  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

	753 Workers' Comp. Insur. Fund	771 Dental Insurance Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 16,070	\$ 326,039	\$ 342,109
Cash Payments for Other Operating Expenses	(790,922)	(296,225)	(1,087,147)
Net Cash Provided by (Used for) Operating Activities	<u>(774,852)</u>	<u>29,814</u>	<u>(745,038)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investment Securities	788,832	-	788,832
Net Increase in Cash and Cash Equivalents	13,980	29,814	43,794
Cash and Cash Equivalents at Beginning of the Year:	183,102	116,737	299,839
Cash and Cash Equivalents at the End of the Year:	<u>\$ 197,082</u>	<u>\$ 146,551</u>	<u>\$ 343,633</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (627,323)	\$ (7,453)	\$ (634,776)
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(128,821)	-	(128,821)
Increase (decrease) in Accounts Payable	(18,708)	37,267	18,559
Net Cash Provided by (Used for) Operating Activities	<u>\$ (774,852)</u>	<u>\$ 29,814</u>	<u>\$ (745,038)</u>

RIO GRANDE CITY CISD  
 COMBINING STATEMENT OF NET ASSETS  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2010

	816 Private Purpose Trust Fund	817 Scholarship Fund Qrt.back Club	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Current Assets:			
Accrued Interest	\$ 23	\$ 24	\$ 47
Total Current Assets	<u>23</u>	<u>24</u>	<u>47</u>
Noncurrent Assets:			
Restricted Assets	<u>161,079</u>	<u>21,538</u>	<u>182,617</u>
Total Noncurrent Assets	<u>161,079</u>	<u>21,538</u>	<u>182,617</u>
Total Assets	<u>161,102</u>	<u>21,562</u>	<u>182,664</u>
<b>NET ASSETS</b>			
Unrestricted Net Assets	<u>161,102</u>	<u>21,562</u>	<u>182,664</u>
Total Net Assets	<u>\$ 161,102</u>	<u>\$ 21,562</u>	<u>\$ 182,664</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, 2010

Data Control Codes	816 Private Purpose Trust Fund	817 Scholarship Fund Qrt.back Club	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 96,245	\$ 152	\$ 96,397
Total Additions	<u>96,245</u>	<u>152</u>	<u>96,397</u>
DEDUCTIONS:			
Other Operating Costs	139,068	-	139,068
Total Deductions	<u>139,068</u>	<u>-</u>	<u>139,068</u>
Change in Net Assets	(42,823)	152	(42,671)
Total Net Assets - September 1 (Beginning)	<u>203,925</u>	<u>21,410</u>	<u>225,335</u>
Total Net Assets - August 31 (Ending)	<u>\$ 161,102</u>	<u>\$ 21,562</u>	<u>\$ 182,664</u>

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RIO GRANDE CITY CISD  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2010

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	Various	Various	\$ Various
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	1.170000	0.248900	1,012,357,190
2009	1.170000	0.248900	1,186,868,450
2010 (School year under audit)	1.170000	0.243000	1,335,364,590
1000 TOTALS			

(10) Beginning Balance 9/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2010
\$ 3,848,240	\$ -	\$ 130,255	\$ -	\$ (141,759)	\$ 3,576,226
525,768	-	19,762	901	(1,259)	503,846
611,735	-	28,213	1,286	(1,267)	580,969
762,587	-	29,044	1,324	(1,749)	730,470
784,156	-	42,048	2,652	(4,072)	735,384
1,139,900	-	50,346	8,445	(8,974)	1,072,135
1,178,225	-	63,141	10,591	(10,626)	1,093,867
1,199,947	-	140,731	29,938	(22,826)	1,006,452
1,851,137	-	413,019	87,863	(28,711)	1,321,544
-	18,807,525	14,155,888	2,940,069	130,526	1,842,094
<u>\$ 11,901,695</u>	<u>\$ 18,807,525</u>	<u>\$ 15,072,447</u>	<u>\$ 3,083,069</u>	<u>\$ (90,717)</u>	<u>\$ 12,462,987</u>

RIO GRANDE CITY CISD  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2010

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

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	\$ -	\$ 128,007	\$ 315,400	\$ 1,869,447	\$ 84,736	\$ -	\$ 2,397,590
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	203,950	-	-	-	-	-	203,950
6212	Audit Services	-	-	-	29,325	-	-	29,325
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	436,839	-	-	-	-	436,839
621X	Other Professional Services	-	119,859	-	66,206	-	-	186,065
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	975	-	16,862	6,980	-	-	24,817
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	4,771	1,331	6,334	55,406	1,884	-	69,726
6290	Miscellaneous Contr.	-	-	-	39,418	-	-	39,418
6320	Textbooks and Reading	-	-	341	-	-	-	341
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	17	6,951	354	101,179	2,514	-	111,015
6410	Travel, Subsistence, Stipends	19,231	334	9,293	23,980	106	-	52,944
6420	Ins. and Bonding Costs	-	-	-	225	-	-	225
6430	Election Costs	30	-	-	-	-	-	30
6490	Miscellaneous Operating	10,442	816	21,502	149,221	128	-	182,109
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	57,899	57,899
6000	<b>TOTAL</b>	<b>\$ 239,416</b>	<b>\$ 694,137</b>	<b>\$ 370,086</b>	<b>\$ 2,341,387</b>	<b>\$ 89,368</b>	<b>\$ 57,899</b>	<b>\$ 3,792,293</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 110,323,131

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 5,772,771
Total Debt & Lease(6500)	(11)	110,397
Plant Maintenance (Function 51, 6100-6400)	(12)	12,271,838
Food (Function 35, 6341 and 6499)	(13)	2,827,725
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>2,341,387</u>

SubTotal: 23,324,118

Net Allowed Direct Cost \$ 86,999,013

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 131,262,773
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 9,263,208
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$209,653 in Function 53 expenditures are included in this report on administrative costs.  
 \$436,839 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

RIO GRANDE CITY CISD  
 FUNDBALANCE AND CASHFLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2010

**UNAUDITED**

1	Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 27,833,534
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 155,907	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	10,000,000	
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 two month's average cash disbursements during the fiscal year.	14,420,000	
6	Estimate of delayed payments from state sources (58xx).	-	
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	Adjustment to meet Board Policy	-	
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9 +		<u>24,575,907</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ 3,257,627</u>

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

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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 500,500	\$ 500,510	\$ 488,709	\$ (11,801)
5800 State Program Revenues	4,200	42,000	46,830	4,830
5900 Federal Program Revenues	6,455,000	6,795,000	6,490,741	(304,259)
5020 Total Revenues	6,959,700	7,337,510	7,026,280	(311,230)
<b>EXPENDITURES:</b>				
0035 Food Services	6,662,500	7,247,510	6,199,786	1,047,724
0051 Facilities Maintenance and Operations	335,000	90,000	41,304	48,696
6030 Total Expenditures	6,997,500	7,337,510	6,241,090	1,096,420
1200 Net Change in Fund Balances	(37,800)	-	785,190	785,190
0100 Fund Balance - September 1 (Beginning)	219,741	219,741	219,741	-
3000 Fund Balance - August 31 (Ending)	\$ 181,941	\$ 219,741	\$ 1,004,931	\$ 785,190

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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,762,879	\$ 3,195,379	\$ 3,161,653	\$ (33,726)
5800	State Program Revenues	5,155,469	5,266,469	5,278,664	12,195
5020	Total Revenues	7,918,348	8,461,848	8,440,317	(21,531)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	8,135,900	3,450,000	3,450,000	-
0072	Debt Service - Interest on Long Term Debt	-	4,680,900	4,680,898	2
0073	Debt Service - Bond Issuance Cost and Fees	-	10,000	7,645	2,355
6030	Total Expenditures	8,135,900	8,140,900	8,138,543	2,357
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(217,552)	320,948	301,774	(19,174)
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	217,552	217,552	209,102	(8,450)
8911	Transfers Out (Use)	-	(1,510)	-	1,510
7080	Total Other Financing Sources (Uses)	217,552	216,042	209,102	(6,940)
1200	Net Change in Fund Balances	-	536,990	510,876	(26,114)
0100	Fund Balance - September 1 (Beginning)	1,824,501	1,824,501	1,824,501	-
3000	Fund Balance - August 31 (Ending)	\$ 1,824,501	\$ 2,361,491	\$ 2,335,377	\$ (26,114)

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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

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, 2010. These collectively comprise the District's basic financial statements. We have issued our report on them dated January 10, 2011.

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

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, 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, PLLC*  
*Certified Public Accountants*

*January 10, 2011*

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# **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

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 could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

## 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 and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency or a combination of deficiencies such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended 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, PLLC*  
*Certified Public Accountants*

*January 10, 2011*

RIO GRANDE CITY CISD  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2010

**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	\$ 778,957
H.	Auditee qualifies as Low-risk Auditee?	Yes
I.	Major Federal Program(s)	1) ESEA Title I-A 2) ARRA-Title XIV SFSF 3) ARRA-Title II-D 4) ARRA IDEA B Formula 5) ARRA IDEA B Presch. 6) ARRA ESEA Title I-A

**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 STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2010

None were noted in the prior year.

RIO GRANDE CITY CISD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2010

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region One ESC</u>			
GEAR UP	84.334S	P334A050083-08	\$ 139,622
Total Passed Through Region One ESC			\$ 139,622
<u>Passed Through State Department of Education</u>			
Adult Education (ABE) - Federal	84.002	104100087110346	\$ 101,804
Adult Education (ABE) - Federal	84.002	114100087110346	3,785
Total CFDA Number 84.002			105,589
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101214901	5,841,825
ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101214901	274,711
Total CFDA Number 84.010A			6,116,536
ESEA, Title I, Part C - Migratory Children	84.011	10615001214901	1,465,265
IDEA - Part B, Formula	84.027	1066000121490166	1,565,582
Career and Technical - Basic Grant	84.048	10420006214901	202,122
Career and Technical - Basic Grant	84.048	11420006214901	6,681
Total CFDA Number 84.048			208,803
IDEA - Part B, Preschool	84.173	1066100121490166	21,445
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10691001214901	62,657
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	96950137110034	184,671
Title II, Part D -Enhancing Ed. Through Technology	84.318	10630001214901	54,486
Reading First	84.357	96455017110047	800,417
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	10696001214901	239,855
Title III, Part A - English Language Acquisition	84.365A	10671001214901	707,842
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501214901	916,796
Title II D Enhancing Ed. Through Technology - ARRA	84.386	10553001214901	78,842
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551001214901	1,079,897
IDEA, Part B, Formula - ARRA	84.391	10554001214901	1,619,061
IDEA, Part B, Preschool - ARRA	84.392	10555001214901	6,121
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001214901	4,101,019
Total Passed Through State Department of Education			\$ 19,334,884
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 19,474,506</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553	214-901	\$ 2,577,608
National School Lunch Program - Cash Assistance*	10.555	214-901	3,898,489
National School Lunch Prog. - Non-Cash Assistance*	10.555	214-901	14,644
Total CFDA Number 10.555			3,913,133
Total Passed Through the State Department of Agriculture			\$ 6,490,741
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 6,490,741</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 25,965,247</b>

\*Clustered Programs as required by Compliance Supplement March, 2010

RIO GRANDE CITY CISD  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2010

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.

SCHOOLS FIRST QUESTIONNAIRE

RIO GRANDE CITY CISD

Fiscal Year 2010

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	2,551,467

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