

**SAN FELIPE DEL RIO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2012**

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SAN FELIPE DEL RIO CISD
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2012

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CERTIFICATE OF BOARD

San Felipe Del Rio Consolidated
Independent School District
Name of School District

Val Verde
County

233901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on the _____ day of December, 2012.

Signature of Board Secretary

Signature of Board President

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

(attach list as necessary)

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LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Frank J. Leal, CPA
Roberto Carter, CPA

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San Antonio, Texas 78249-1409
Telephone :(210) 696-6206
Facsimile :(210) 492-6209

Independent Auditor's Report

Board of Trustees
San Felipe Del Rio CISD
San Felipe Del Rio, Texas

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Felipe Del Rio CISD (the District) as of and for the year ended August 31, 2012, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit K-1) is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. The Combining Non-major Governmental Fund financial statements and the Texas Education Agency required schedules is in Exhibits identified in the Table of Contents as J-1 through J-5 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the.

Seal & Carter, P.C.

December 19, 2012

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of San Felipe Del Rio CISD, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2012. Please read it in conjunction with the independent auditors' report beginning on page 2, and the District's Basic Financial Statements which begin on page 13.

COMPARATIVE INFORMATION

The Management Discussion and Analysis (MD&A) is an element of the reporting model prescribed by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Presentation of certain comparative information between the current year and the prior year is provided.

FINANCIAL HIGHLIGHTS

- The District’s total combined net assets increased by \$9,054,732. The total net assets as of August 31, 2012 were \$87,560,772 compared to last year at \$78,506,040. This is discussed in more detail on page 7, under Government Wide Financial Analysis. (Tables I & II, pgs. 9 & 10)
- The General Fund ended this year with an overall fund balance of \$49,627,410. This was an increase of \$7,958,538 over last year. The unreserved and undesignated fund balance is \$48,117,648.
- For the year ended August 31, 2012, the General Fund recorded total revenues of \$69,751,007 and total expenses of \$66,321,876. The excess of revenues over expenses of \$3,429,131 plus a prior period adjustment of \$3,867,276 and other financial sources of \$662,131 total to the \$7,958,538 increase to the General Fund Balance.
- The District’s Internal Service Fund (self-funded health insurance) ended with a Fund Balance of \$3,725,609. This was an increase of \$676,570 compared to last year. For the year ended August 31, 2012, the Internal Service Fund recorded total revenues of \$7,730,700 and total operating expenses of \$6,339,767. The excess of revenues over expenses of \$1,390,933 minus a prior period adjustment of (\$714,366) to the \$676,570 increase to the Internal Service Fund Balance.
- The major governmental capital projects fund bond expenditure of (\$5,290,411) was spent in accordance with the Bond Issue Series 2008 as voted on by the taxpayers in 2004.

USING THIS ANNUAL REPORT

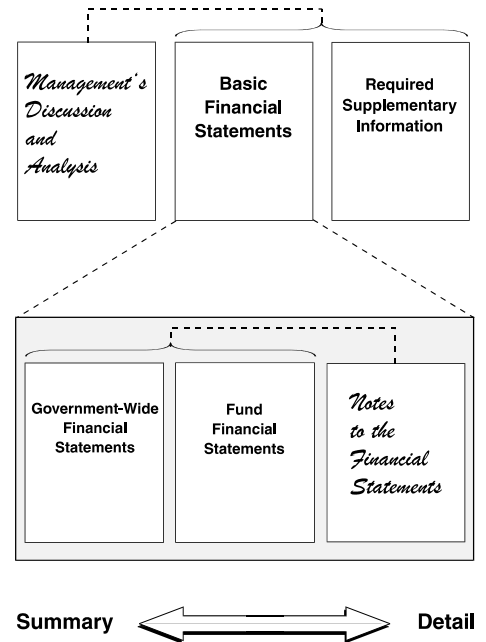
This annual report consists of a series of financial statements and is in three parts — *management’s discussion and analysis* (this section), the *basic financial statements*, and required *supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

**SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS**

The first two statements are *government-wide financial statement*, pages 13 and 14, that provides:

- Information about the activities of the District as a whole and presents a longer-term view of the District’s property and debt obligations and other financial matters. Provides both *long-term* and *short-term* information about the District’s *overall* financial status and reflects the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are the *fund financial statements*, starting on page 15, that focus on *individual parts* of the government, reporting the District’s operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*. The District’s Self-Insurance Fund is reported in this section on pages 19-21.
 - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong. The District’s student activity funds are reported in this section on page 22.

Figure A-1. Required Components of the District’s Annual Financial Report



The notes to the financial statements starting on page 23 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, beginning on page 48, contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules, beginning on page 61 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 13. 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.

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

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.

- 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 15 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. The only internal service fund the District had during 2011-2012, fiscal year was the self-funded health insurance fund.

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by campus and student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 22. 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

The Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Government Wide Statements begin on page 13.

The statement of net assets (Table I), page 9, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets (Table II), page 10, may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Both of the District's government-wide financial statements distinguish the functions of the district as being principally supported by taxes and intergovernmental revenue (*government activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District had no *business-type activity* for the 2011-2012 year. The government-wide financial statements can be found beginning on page 13.

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

The District's total combined assets were \$147,145,325. Capital assets, such as land, buildings and improvements, vehicles, furniture, equipment, and construction in progress comprise \$77,395,434 of this amount. Cash/cash equivalents and current investments comprise \$59,188,699 and \$2,861,644 is Property Taxes Receivable less allowance for uncollectible taxes (Exhibit A-1, page 13). Approximately 2.892% of total assets or \$4,254,833 is in the form of Due from Other Governments.

The total combined liabilities (Table I) were \$59,584,553. The non-current liabilities (Exhibit A-1, page 13) total \$53,085,102; \$2,315,000 of that is due within one year and the long-term liabilities amount is \$50,770,102.

Total assets (Table I) exceeded total liabilities making total net assets of \$87,560,772 as of August 31, 2012. Investment in capital assets (e.g., land, buildings, etc.) less any related debt used to acquire those assets that is still outstanding is \$24,789,582. The District uses these capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the District's net assets (approximately 6.811%) represent resources subject to external restrictions on how they may be used. The remaining balance of \$56,807,278 unrestricted net assets (approximately 64.88%) may be used to meet the District's ongoing

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

obligations. Unrestricted net assets represents any net assets not classified in accounts 3200 (Capital Assets net of related debt and depreciation) and 3800 (Restricted Assets – restricted by a source external to the district).

Net assets of the District's governmental activities increased from \$78,506,040 to \$87,560,772.

Total Program Revenue – Table II and Exhibit C-3

The District's combined governmental funds revenue decreased by (\$4,626,997). This consisted of an increase of \$476,871 in the local and intermediate sources, a decrease of (\$1,334,855) in state and a decrease of (\$3,769,013) in federal revenue. The total combined revenue was \$94,666,172 this year compared to \$99,293,169 last year.

The District's major program revenue is from the general fund, which comprises revenue from local, state, and federal sources and the general fund is the primary operating fund of the District. The District received program revenue in the amount of \$22,992,103 from operating grants and contributions and \$1,332,018 from charges for services. Local taxes comprised 21.87% of the General Fund compared to 21.55% last year. State revenue made up the largest component of the general fund, which was 75.81% compared to 77.57% last year. Another Major Fund in Exhibit C-3 is the Debt Service Fund in the amount of \$4,605,078 (\$2,077,968 of that amount was local tax collections). The major revenue sources of the Non-major Governmental Funds were the National School Breakfast and Lunch Program in the amount of \$5,519,094; Title 1, Part A in the amount of \$3,761,351; Head Start in the amount of \$2,034,933; and IDEA B Formula in the amount of \$1,958,687. The statistical information was taken from Exhibit H-2, page 55-62.

Total Program Expenditure

The District's total combined governmental funds expenditures were \$96,278,348 compared to \$92,849,000 last year. This was an increase in total expenditure of \$3,429,348. This comprised an increase in General Fund expenditures of \$5,283,714 and a decrease of (\$1,854,366) in Capital Projects and all other expenditures from last year. The statistical information was taken from Exhibit C-3, page 17. Instructional related expenditures in the general fund for this year was \$39,619,433 (59.74%) compared to \$35,214,985 (57.69%) for last year. The overall combined expenditure for instructional related activities was \$51,487,859. The instructional and school leadership expenditure in general fund for this year was \$4,500,845 (6.79%) compared to \$4,315,660 (7.07%) for last year. The overall combined expenditure for instructional and school leadership was \$5,262,789.

Support services such as guidance and counseling, social work services, health services, pupil transportation, food services and co-curricular activities expended \$7,159,282 from the general fund, which was 10.79% of the actual general fund budget expenditure. Last year's expenditure was \$7,557,055, which was 12.38% of last year's general fund actual expenditures. Support Services – non-student based - had a general fund expenditure of \$12,308,346 (18.56%) compared to \$11,957,888 (19.59%) last year. Non-student based are programs such as plant maintenance operations, security and monitoring services, and data processing services. Community services, which include parental involvement programs, spent \$163,856 (0.25%) this year compared to \$66,589 (0.11%) last year. Construction costs spent from the general fund were \$2,057,167 (3.10%) this year compared to \$1,361,537 (2.23%) spent last year. This information was taken from Exhibit C-3, page 17.

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

The cost of all governmental activities this year was \$88.5 million compared to \$87.4 million last year. As shown in Table II, page 10 and Exhibit B-1, page 14, the amount that taxpayers financed for these activities through District taxes was \$13.8 million because some of the costs were paid by those who directly benefited from the programs (\$1,332,018) or by other governments and organizations that subsidized certain programs with grants and contributions (\$22,992,103). The remainder was financed with state foundation funds received.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenditure are reported in this statement, page 14, which for some items will only result in cash flow in future fiscal periods. The governmental fund statement of revenue, expenditure and changes in fund balance (Exhibit C-3, page 17) shows a combined deficit in revenue to expenditure of (\$1,612,176). However, the General Fund shows excess revenue in the amount of \$3,429,131. The difference in those two amounts of (\$5,041,307) was a deficit in Other Funds and the Construction Fund. The major portion of the Other Funds deficit is from Construction Funds with a deficit of (\$5,285,903) in the series 2008 Construction Fund (bond money) because the money was received in 2008. This fund has only received interest revenue since that time. Therefore, any expenditure shows a deficit due to lack of revenue; however, the money was available from bond proceeds. The Administration shows an on-going budget in the Construction Funds which shows that Fund Balance is being used to offset any deficit during the year, accordingly, the financial statements report a fund balance of \$1,261,325 in Series 2008 as of August 31, 2012.

Table I
San Felipe Del Rio CISD
NET ASSETS

	Governmental Activities		Percent of Total Assets	
	2012	2011	2012	2011
Current and Other Assets	\$ 69,749,891	\$ 65,964,200	47.40%	47.80%
Capital Assets	77,395,434	72,045,869	52.60%	52.20%
Total Assets	\$ 147,145,325	\$ 138,010,069	100.00%	100.00%
Long-Term Liabilities	\$ 50,770,102	\$ 52,973,459	85.21%	89.02%
Other Liabilities	8,814,451	6,530,570	14.79%	10.98%
Total Liabilities	59,584,553	59,504,029	100.00%	100.00%
Net Assets:				
Invested in Capital Assets, net of related debt	24,789,582	18,422,633	28.31%	23.47%
Restricted	5,963,912	13,246,293	6.81%	16.87%
Unrestricted	56,807,278	46,837,114	64.88%	59.66%
Total Net Assets	\$ 87,560,772	\$ 78,506,040	100.00%	100.00%

The change in net assets was \$9,054,732, with ending net assets in the amount of \$87,560,772, (Tables I & II, pages 9 and 10).

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

Table II
San Felipe Del Rio CISD
CHANGES IN NET ASSETS
in thousands

	Governmental Activities		Percent of Rev/Exp/Net Assets	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 1,332	\$ 1,418	1.41%	1.43%
Operating grants and contributions	22,992	26,770	24.37%	26.92%
General revenues:				
Maintenance and operations taxes	13,874	13,132	14.70%	13.21%
Debt service taxes	2,042	1,864	2.16%	1.87%
State aid formula grants	-	-	0.00%	0.00%
Grants, contributions not restricted to specific functions (including state aid)	54,336	54,671	57.59%	54.98%
Investment earnings	158	159	0.17%	0.16%
Miscellaneous	(350)	1,421	-0.37%	1.43%
Transfers	(31)	12	-0.03%	0.01%
Total revenue and transfers	94,353	99,447	100.00%	100.00%
Expenses:				
Instruction, curriculum and media services	51,400	51,523	58.06%	58.93%
Instructional/school leadership	5,269	5,158	5.95%	5.90%
Guidance, social work, health, transportation	5,902	5,648	6.67%	6.46%
Food services	4,877	4,559	5.51%	5.21%
Co-curricular activities	2,715	2,625	3.07%	3.00%
General administration	2,849	2,591	3.22%	2.96%
Plant maintenance and security	9,379	9,244	10.59%	10.57%
Data processing	980	1,040	1.11%	1.19%
Community services	913	959	1.03%	1.10%
SchDist adm support (ESC)	-	-		
Debt service	3,454	3,444	3.90%	3.94%
Facilities acq and const	275	71	0.31%	0.08%
Other Intergovernmental Changes	513	564	0.58%	0.65%
Total expenses	88,525	87,428	100.00%	100.00%
Increase in net assets before				
Change in Net Assets	5,828	12,020	6.66%	15.31%
Prior Period adjustments	3,227	84	3.69%	0.11%
	-	-	0.00%	0.00%
Increase in net assets	9,055	12,104	10.34%	15.42%
Net assets, beginning of year	78,506	66,402	89.66%	84.58%
Net assets, end of year	\$ 87,561	\$ 78,506	100.00%	100.00%

SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in Exhibit C-1, Balance Sheet, on page 15 reported a combined fund balance of \$56.02 million, which is greater than last year's total of \$53.7 million. This is an overall increase of \$2,332,141. This consists of an increase of \$7,958,538 in the General Fund and a combined decrease of (\$5,626,397) for Capital Projects and Other Funds. This is also shown Exhibit C-3, pages 17.

Over the course of the year, the Board of Trustees revised the District's overall governmental budget several times. The budget amendments fall into three categories: The first category includes amendments and/or budget changes necessary for the daily operational expenditures. The second category includes changes that the staff made during the third quarter to take into account the mid-year increases in funding (carryover funds). The third category involved amendments moving funds from programs that did not need all the resources originally appropriated to the programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had \$77.4 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This was an increase of \$5,349,565 over the previous year of \$72.0 million.

Debt

At year-end, the District had a total Principal of \$50,214,993 of the general obligation bonds outstanding as of August 31, 2012. The amount of \$2,315,000 is due in less than one year and the balance of \$47,899,993 is due in more than one year. This is explained in more detail on pages 37 and 38 in Note G – Long Term Liabilities – Bonds Payable. As reflected in Note G the District's long term liability balance as of August 31, 2012 include deferred amounts on refunding of \$(1,526,506); issuance premiums of \$1,316,291; issuance discounts of \$(55,456) and accreted interest on Capital Appreciation Bonds of \$3,135,780.

The District's general obligation bond rating has been very high since 1998. In 2011, Standard & Poor's Ratings Services affirmed its 'AAA' enhanced rating and 'A' issuer credit rating (ICR) on San Felipe Del Rio Consolidated Independent School District, Texas' general obligation (GO) bonds. The outlook on all ratings is stable.

More detailed information about the District's commitments and contingencies is presented on page 44-45 in Note P to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2011-2012 year, the Board of Trustees approved the tax rate of \$1.04, which is the rate that the District can levy without a Tax Ratification Election.

There were no new bonds issued during the 2011-2012 fiscal year.

**SAN FELIPE DEL RIO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS**

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 San Felipe Del Rio CISD, 205 Memorial Dr., Del Rio, Texas 78840. The District's web address is www.sfdr-cisd.org and telephone number, 830-778-4000.

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Basic Financial Statements

SAN FELIPE DEL RIO CISD
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 59,188,699
1220 Property Taxes Receivable (Delinquent)	3,024,034
1230 Allowance for Uncollectible Taxes	(162,390)
1240 Due from Other Governments	4,254,833
1290 Other Receivables, net	1,923,982
1300 Inventories	1,002,712
1410 Deferred Expenses	38,771
1420 Capitalized Bond and Other Debt Issuance Costs	479,250
Capital Assets:	
1510 Land	3,684,804
1520 Buildings, Net	60,441,767
1530 Furniture and Equipment, Net	3,184,047
1580 Construction in Progress	10,084,816
1000 Total Assets	147,145,325
LIABILITIES	
2110 Accounts Payable	1,038,761
2120 Short Term Debt Payable	1,283,601
2150 Payroll Deductions & Withholdings	137,824
2160 Accrued Wages Payable	1,916,956
2180 Due to Other Governments	309,860
2300 Deferred Revenues	1,812,449
Noncurrent Liabilities	
2501 Due Within One Year	2,315,000
2502 Due in More Than One Year	50,770,102
2000 Total Liabilities	59,584,553
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	24,789,582
3820 Restricted for Federal and State Programs	844,804
3850 Restricted for Debt Service	909,212
3860 Restricted for Capital Projects	4,209,896
3900 Unrestricted Net Assets	56,807,278
3000 Total Net Assets	\$ 87,560,772

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

SAN FELIPE DEL RIO CISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

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
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 48,372,502	\$ 191,318	\$ 12,937,793	\$ (35,243,391)
12 Instructional Resources and Media Services	1,833,772	5,978	181,663	(1,646,131)
13 Curriculum and Staff Development	1,193,561	2,989	494,210	(696,362)
21 Instructional Leadership	1,707,916	2,989	722,611	(982,316)
23 School Leadership	3,561,130	17,935	195,390	(3,347,805)
31 Guidance, Counseling and Evaluation Services	3,098,961	5,978	869,415	(2,223,568)
32 Social Work Services	195,960	-	29,100	(166,860)
33 Health Services	643,157	2,989	101,008	(539,160)
34 Student (Pupil) Transportation	1,964,113	5,978	178,703	(1,779,432)
35 Food Services	4,876,566	832,301	5,250,475	1,206,210
36 Extracurricular Activities	2,715,001	212,744	57,583	(2,444,674)
41 General Administration	2,848,554	8,969	121,385	(2,718,200)
51 Facilities Maintenance and Operations	8,335,148	32,883	1,007,086	(7,295,179)
52 Security and Monitoring Services	1,044,091	2,989	53,693	(987,409)
53 Data Processing Services	979,968	5,978	20,187	(953,803)
61 Community Services	912,762	-	770,247	(142,515)
72 Debt Service - Interest on Long Term Debt	3,398,738	-	-	(3,398,738)
73 Debt Service - Bond Issuance Cost and Fees	55,015	-	-	(55,015)
81 Capital Outlay	275,288	-	1,554	(273,734)
99 Other Intergovernmental Charges	512,947	-	-	(512,947)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 88,525,150	\$ 1,332,018	\$ 22,992,103	(64,201,029)
Data Control Codes	General Revenues:			
MT	Property Taxes, Levied for General Purposes			13,874,294
DT	Property Taxes, Levied for Debt Service			2,041,676
GC	Grants and Contributions not Restricted			54,336,114
IE	Investment Earnings			157,667
MI	Miscellaneous Local and Intermediate Revenue			(350,309)
S2	Special Item - (Use)			(4,639)
FR	Transfers In (Out):			(26,000)
TR	Total General Revenues, Special Items, & Transfers			70,028,803
CN	Change in Net Assets			5,827,774
NB	Net Assets--Beginning			78,506,041
PA	Prior Period Adjustment			3,226,957
NE	Net Assets--Ending			<u>\$ 87,560,772</u>

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

SAN FELIPE DEL RIO CISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 47,822,766	\$ 1,194,037	\$ 5,460,187	\$ 54,476,990
1220	Property Taxes - Delinquent	2,566,522	457,512	-	3,024,034
1230	Allowance for Uncollectible Taxes (Credit)	(137,822)	(24,568)	-	(162,390)
1240	Receivables from Other Governments	3,439,724	-	815,109	4,254,833
1260	Due from Other Funds	413,251	-	-	413,251
1290	Other Receivables	1,632,898	291,084	-	1,923,982
1300	Inventories	715,699	-	287,013	1,002,712
1000	Total Assets	<u>\$ 56,453,038</u>	<u>\$ 1,918,065</u>	<u>\$ 6,562,309</u>	<u>\$ 64,933,412</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 703,129	\$ -	\$ 335,632	\$ 1,038,761
2120	Short Term Debt Payable - Current	258,730	-	-	258,730
2150	Payroll Deductions and Withholdings Payable	137,824	-	-	137,824
2160	Accrued Wages Payable	1,638,965	-	277,991	1,916,956
2170	Due to Other Funds	-	-	413,251	413,251
2180	Due to Other Governments	-	284,825	25,035	309,860
2300	Deferred Revenues	4,086,980	724,028	25,473	4,836,481
2000	Total Liabilities	<u>6,825,628</u>	<u>1,008,853</u>	<u>1,077,382</u>	<u>8,911,863</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	715,699	-	261,539	977,238
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	844,804	844,804
3470	Capital Acquisition and Contractual	-	-	4,209,896	4,209,896
3480	Retirement of Long-Term Debt	-	909,212	-	909,212
Committed Fund Balance:					
3510	Construction	587,375	-	-	587,375
3545	Other Committed Fund Balance	206,688	-	-	206,688
3600	Unassigned Fund Balance	48,117,648	-	168,688	48,286,336
3000	Total Fund Balances	<u>49,627,410</u>	<u>909,212</u>	<u>5,484,927</u>	<u>56,021,549</u>
4000	Total Liabilities and Fund Balances	<u>\$ 56,453,038</u>	<u>\$ 1,918,065</u>	<u>\$ 6,562,309</u>	<u>\$ 64,933,412</u>

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

SAN FELIPE DEL RIO CISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2012

Total Fund Balances - Governmental Funds	\$ 56,021,549
1 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.	3,725,609
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$118,278,679 and the accumulated depreciation was \$46,232,810. 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.	18,422,633
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	9,334,351
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(2,967,402)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	3,024,032
19 Net Assets of Governmental Activities	<u>\$ 87,560,772</u>

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

SAN FELIPE DEL RIO CISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 15,252,178	\$ 2,077,968	\$ 1,001,169	\$ 18,331,315
5800 State Program Revenues	52,880,453	2,527,110	1,418,050	56,825,613
5900 Federal Program Revenues	1,618,376	-	17,890,868	19,509,244
5020 Total Revenues	<u>69,751,007</u>	<u>4,605,078</u>	<u>20,310,087</u>	<u>94,666,172</u>
EXPENDITURES:				
Current:				
0011 Instruction	37,256,634	-	11,211,851	48,468,485
0012 Instructional Resources and Media Services	1,634,178	-	187,387	1,821,565
0013 Curriculum and Instructional Staff Development	728,621	-	469,188	1,197,809
0021 Instructional Leadership	1,014,136	-	691,925	1,706,061
0023 School Leadership	3,486,709	-	70,019	3,556,728
0031 Guidance, Counseling and Evaluation Services	2,385,003	-	769,595	3,154,598
0032 Social Work Services	188,107	-	21,762	209,869
0033 Health Services	587,476	-	69,590	657,066
0034 Student (Pupil) Transportation	1,327,070	-	127,404	1,454,474
0035 Food Services	30,965	-	4,886,017	4,916,982
0036 Extracurricular Activities	2,640,661	-	62,324	2,702,985
0041 General Administration	2,818,403	-	42,896	2,861,299
0051 Facilities Maintenance and Operations	7,616,788	-	781,600	8,398,388
0052 Security and Monitoring Services	1,016,288	-	3,068	1,019,356
0053 Data Processing Services	856,867	-	12	856,879
0061 Community Services	163,856	-	762,815	926,671
Debt Service:				
0071 Principal on Long Term Debt	-	1,155,548	-	1,155,548
0072 Interest on Long Term Debt	-	3,287,095	-	3,287,095
0073 Bond Issuance Cost and Fees	-	28,494	-	28,494
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,057,167	-	5,327,882	7,385,049
Intergovernmental:				
0099 Other Intergovernmental Charges	512,947	-	-	512,947
6030 Total Expenditures	<u>66,321,876</u>	<u>4,471,137</u>	<u>25,485,335</u>	<u>96,278,348</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,429,131</u>	<u>133,941</u>	<u>(5,175,248)</u>	<u>(1,612,176)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	38,319	-	-	38,319
7915 Transfers In	781,438	-	11,346	792,784
8911 Transfers Out (Use)	(148,303)	-	(670,481)	(818,784)
8949 Other (Uses)	(4,684)	-	-	(4,684)
7080 Total Other Financing Sources (Uses)	<u>666,770</u>	<u>-</u>	<u>(659,135)</u>	<u>7,635</u>
SPECIAL ITEMS:				
8912 Special Item - (Use)	(4,639)	-	-	(4,639)
1200 Net Change in Fund Balances	4,091,262	133,941	(5,834,383)	(1,609,180)
0100 Fund Balance - September 1 (Beginning)	41,668,872	701,227	11,319,310	53,689,409
1300 Prior Period Adjustment	3,867,276	74,044	-	3,941,320
3000 Fund Balance - August 31 (Ending)	<u>\$ 49,627,410</u>	<u>\$ 909,212</u>	<u>\$ 5,484,927</u>	<u>\$ 56,021,549</u>

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

SAN FELIPE DEL RIO 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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	(1,609,180)
 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		1,390,933
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		9,334,351
 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.		(2,967,402)
 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.		(320,928)
 Change in Net Assets of Governmental Activities	\$	5,827,774

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

SAN FELIPE DEL RIO CISD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2012

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,711,709
Deferred Expenses	<u>38,771</u>
Total Assets	4,750,480
LIABILITIES	
Current Liabilities:	
Short Term Debt Payable	<u>1,024,871</u>
Total Liabilities	1,024,871
NET ASSETS	
Unrestricted Net Assets	<u>3,725,609</u>
Total Net Assets	<u><u>\$ 3,725,609</u></u>

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

SAN FELIPE DEL RIO CISD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 7,730,700
Total Operating Revenues	<u>7,730,700</u>
OPERATING EXPENSES:	
Professional and Contracted Services	581,286
Other Operating Costs	5,758,481
Total Operating Expenses	<u>6,339,767</u>
Operating Income	1,390,933
Total Net Assets - September 1 (Beginning)	3,049,039
Prior Period Adjustment	<u>(714,363)</u>
Total Net Assets - August 31 (Ending)	<u>\$ 3,725,609</u>

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

SAN FELIPE DEL RIO CISD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 7,691,931
Cash Payments for Insurance Claims	(5,650,004)
Cash Payments for Suppliers	(490,602)
Cash Payments for Prior Period Adjustment	(714,366)
Net Cash Provided by Operating Activities	<u>836,959</u>
Net Increase in Cash and Cash Equivalents	836,959
Cash and Cash Equivalents at Beginning of Year	<u>3,874,750</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,711,709</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 1,390,933
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Prior Period Adjustment	(714,363)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Deferred Expenses	51,912
Increase (decrease) in Claims Payable	<u>108,477</u>
Net Cash Provided by Operating Activities	<u>\$ 836,959</u>

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

SAN FELIPE DEL RIO CISD
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2012

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 375,887
Total Assets	<u>\$ 375,887</u>
LIABILITIES	
Due to Student Groups	\$ 375,887
Total Liabilities	<u>\$ 375,887</u>

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

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SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Felipe Del Rio Consolidated Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America that are promulgated by the Governmental Accounting Standards Board (GASB) (specifically GASB No. 34) 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 is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It 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” and is not included in any other governmental reporting entity.

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 the entire District, except for fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by property taxes, State of Texas foundation funds, grants and other intergovernmental revenues.

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. *Program Revenues* include charges for services and grants and contributions. 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, 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. Revenues and other items not classified as program revenue are reported as *general revenue* which is used to support all of the District’s functions. Property taxes are always reported as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other financing sources and 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 internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

B. GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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 the general and the capital project funds as major funds and reports the financial condition and results of operations for each major fund in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and 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 does the proprietary 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 decrease 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 un-matured 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 to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Revenues received from the State are recognized under the susceptible to accrual concept. The District considers these revenues available if they are collectible within 60 days. 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 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 may require the District to refund all or part of the unused amount.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

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

The Proprietary Fund Types 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 Statement of Net Assets. The total net assets is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses. The District reports the following major governmental fund:

General Fund – The general fund is the District's primary operating fund and accounts for all financial resources except those that are accounted for in another fund. Any fund balances are considered resources available for current operations. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Debt Service Funds – The District accounts for servicing long-term debt not being financed by other funds in a debt service fund. The main source of revenue for debt service is the apportionment of local property taxes.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by a grantor in special revenue fund. Federal and State financial assistance generally is accounted for in these funds and unused balances are returned to the grantor at the close of specified projects periods.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

D. FUND ACCOUNTING (Continued)

Capital Projects Funds – The proceeds from other long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects funds.

Capital Project Fund – Series 2006 Bond Issue – The proceeds from the Series 2006 long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in this fund.

Capital Project Fund – Series 2008 Bond Issue – The proceeds from the Series 2008 long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in this fund.

Proprietary Funds:

Internal Service Funds – These funds are conceived to be self-supporting. 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 account for services of its Group Health Insurance Fund.

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Funds.

E. ACCRUAL OF FOUNDATION SCHOOL PROGRAM REVENUES

The State of Texas provides funding to Districts based on instructional days, average daily attendance by fiscal year, and other factors. The academic year for the District typically begins several weeks before the beginning of the fiscal year (September 1). During this period instructional expenditures are incurred that relate directly to revenues earned in the current fiscal year but received in the subsequent fiscal year.

F. OTHER ACCOUNTING POLICIES

1. *Deposits and investments* – Cash and cash equivalents include cash and highly liquid investments for purposes of the statement of cash flows for the proprietary fund-type. The District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased. Investments are valued at fair value.
2. *Inventories* – Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values provided by the Texas Department of Agriculture 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.

SAN FELIPE DEL RIO CISD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

F. OTHER ACCOUNTING POLICIES (Continued)

3. *Long-term debt* – Long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the government-wide financial statements and in the proprietary fund type financial statements. Bond premiums and discounts 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 on a straight-line basis. Accounting losses resulting from the refunding of bonds are amortized over the term of the new debt on the straight-line basis.

In the fund financial statements, governmental fund types recognized 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. *Compensated Absences* – The District’s policy permits certain employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements not to exceed ten days.
5. *Unrestricted and restricted resources* – The District applies unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available for payment.
6. *Capital Assets* – 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. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

F. OTHER ACCOUNTING POLICIES (Continued)

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

Assets	Years
Buildings	40
Building Improvements	40
Vehicles	10
Office Equipment	5
Computer Equipment	5

7. *Self-Funded Program* – The District sponsors a modified self-funded plan to provide health care benefits for its employees. The District accounts for health care claims in accordance with the GASB 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues” as amended by GASB 30, “Risk Financing Omnibus, an Amendment of GASB Statement 10.”
8. *Data Control Codes* – The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (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 database for policy development and funding plans.
9. *Fund Equity* – In the fund financial statements, governmental funds report reserves of fund balance for amounts that are not available for appropriation or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Designations of fund balance have been eliminated from the Government Wide Financial statements. The unreserved fund balance represents that portion of the fund balance that is available for budgeting in future periods.
10. *Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosure. Accordingly, actual results could differ from those estimates.
11. *Indirect expenses* – School districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.
12. *Arbitrage* – 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’s estimated arbitrage liability as of August 31, 2012 is \$36,000.

SAN FELIPE DEL RIO CISD
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General, Child Nutrition and Debt Service Funds. At a minimum, the District is required to present the final amended budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the basic 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 the 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 by 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, amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by a budget coordinator at the revenue and function/object expenditure level. Budget amounts presented are as amended by the Board. All budget appropriations lapse at year-end.

	Original Budget Appropriation	Increase (Decrease)	Amended Budget Appropriation
General Fund	\$ 73,661,696	\$ (5,431,550)	\$ 68,230,146
Child Nutrition Program Fund	5,480,941	102,037	5,582,978
Debt Service Fund	4,509,643	1,472	4,511,115
	\$ 83,652,280	\$ (5,328,041)	\$ 78,324,239

The decrease in appropriations is due to the District’s efforts to control expenditures based on actual needs and adjustments in the budget. The increase in the Debt Service Fund is due to payment schedules.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

A. BUDGETARY DATA (continued)

A reconciliation of fund balances for both appropriated and non-appropriated budgeted Non-major Governmental Funds at year end is as follows:

Appropriated Budget Funds:	
Child Nutrition Program Fund	\$ 1,027,388
Debt Service Fund	909,212
Non-Appropriated Budget Funds	4,457,539
Total Fund Balances for Non Major Governmental Funds	\$ 6,394,139

5. *Encumbrances* – Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash and cash equivalents at August 31, 2012 are as follows:

Cash in bank or on hand - primary government	\$ 7,182,696
TexPool	\$ 41,799,331
LoneStar	206,672
Total Cash Equivalents	42,006,003
Total Cash and Cash Equivalents	\$ 49,188,699

Deposits

At August 31, 2012, the carrying amount of the District’s deposits (cash and interest-bearing savings accounts included in temporary investments) was \$7,182,696 and the bank balance was \$ 9,143,159. The District’s cash deposits at August 31, 2012 and during the year ended August 31, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

A. DEPOSITS AND INVESTMENTS (Continued)

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: *The Bank & Trust*
- b. The market value of securities pledged as of the date of the highest combine balance on deposit was \$16,954,546.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$13,732,258.08 and occurred during the month of October 2011.
- d. Total amount of FDIC coverage at the time of the highest combine balance was \$500,000.

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 state 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.

The District's had certificates of deposit of \$10,000,000.00 at August 31, 2012 which had maturity dates less than 90 days, as of the end of fiscal year 2012. The Districts Certificates of Deposit were also fully collateralized as of the end of the fiscal year 2012:

SAN FELIPE DEL RIO CISD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

A. DEPOSITS AND INVESTMENTS (Continued)

Investments in Government Investment Pools

The Districts investments in investment pools, none of which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00 (TexPool) and \$.50 (Lone Star), respectively. Accordingly, the fair value of the position in the pools is the same as the number of the shares in the case of the investments held in TexPool and consistent with a net asset value of \$.50 for the shares held in Lone Star.

The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

The Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the Pool. Lone Star employs an independent third party to perform custody and valuation services. American Beacon Advisors and Bank of New York Mellon provide investment management services regarding the investment and reinvestment of the pool's assets. Additionally, a independent third party CAPTRUST Financial Advisors. that reports directly to the Board of Trustees reviews the Pool's daily operations; makes sure investment transactions fit with the Pool's Investment Policy; monitors the custodian bank; and compares the investment advisor's performance with that of peer funds and other benchmarks.

Concentration of Credit Risk and Interest Rate Risk. The District places no limit on the amount the District may invest in any one issuer.

These risks are addressed through separately adopted written investment strategies for each of the funds or group of funds under the Board's control and for each specific investment and expected cash flow. Each investment strategy must describe the investment objectives for the particular fund under the following priorities in order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the Board;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the investment needs to be liquidated before maturity;
5. Diversification of the investment portfolio; and
6. Yield

Credit Risk. In accordance with the District's investment policy investments in mutual funds and investment pools must be rated at least AAA. As of August 31, 2012 all of the District's investments in investment pools were rated AAA by Standards & Poor's.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

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 when they become due or past due and receivable within the current period.

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 RECEIVABLES, PAYABLES AND TRANSFERS

	Due From Other Funds	Due To Other Funds
General Fund	\$ 413,251	\$ -
Other Non-Major Funds:		
Special Revenue Funds	-	413,251
Agency Funds	-	-
Total	\$ 413,251	\$ 413,251

Amounts due the General Fund and Capital Projects Fund from the other Non-Major Special Revenue Funds represent temporary borrowing to cover expenditures that have not yet been reimbursed by various federal grant programs due to the complexity and timing of various banking and accounting transactions between the funds.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

E. DUE FROM OTHER GOVERNMENTS AND OTHER RECEIVABLES

The District receives entitlements from the State through the School Foundation and the Per Capita Programs. In addition to the State programs, the District participates in a variety of other Federal and State programs from which the funds are passed through TEA or other agencies. Amounts due from other governments and other receivables for the year are summarized below.

Due from Other Governments

Fund	State Entitlements	Federal Grant	Other Governments	Total
General Fund	\$ 3,439,721	\$ -	\$ -	\$ 3,439,721
Other Non-Major Funds	-	815,108	-	815,108
Total	\$ 3,439,721	\$ 815,108	\$ -	\$ 4,254,829

Other Receivables

Other receivables as of August 31, 2012, for the District's major and non-major funds consist of Penalties and Interest Receivable for Property Taxes which are fully offset as deferred revenues accordingly collection within one year is not expected. The amounts are comprised as follows:

	General Fund	Other Non-Major Fund	Total
Penalties and Interest Receivable For Delinquent Property Taxes	\$ 1,632,898	\$ 291,084	\$ 1,923,982
Other	-	-	-
Total	\$ 1,632,898	\$ 291,084	\$ 1,923,982

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District's governmental activities for the year ended August 31, 2012 follows.

	Beginning Balance	Additions	Deletions	Transfers		Ending Balance
				In	Out	
<u>Nondepreciable Capital Assets</u>						
Land	\$ 3,684,804	-	-	-	-	\$ 3,684,804
Construction in Progress	22,705,120	-	-	-	(12,620,305)	10,084,815
Total Nondepreciable Assets	26,389,924	-	-	-	(12,620,305)	13,769,619
<u>Depreciable Capital Assets</u>						
Buildings & Improvements	82,299,001	7,129,774	-	12,620,305	-	102,049,080
Vehicles, Furniture & Equipment	9,589,754	1,187,193	532,387	-	-	10,244,560
Total Depreciable Assets	91,888,755	8,316,967	532,387	12,620,305	-	112,293,640
Total	118,278,679	8,316,967	532,387	12,620,305	(12,620,305)	126,063,259
<u>Less Accumulated Depreciation for:</u>						
Buildings	39,606,008	2,001,304	-	-	-	41,607,312
Vehicles, Furniture & Equipment	6,626,802	966,098	532,387	-	-	7,060,513
Total Accumulated Depreciation	46,232,810	2,967,402	532,387	-	-	48,667,825
<u>Capital Assets</u>	\$ 72,045,869	\$ 5,349,565	\$ -	\$ 12,620,305	\$ (12,620,305)	\$ 77,395,434

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 1,819,113
Instructional Resources and Media Services	40,026
Curriculum & Instructional Staff Development	9,661
Instructional Leadership	29,674
School Leadership	60,039
Student (Pupil) Transportation	551,367
Food Services	48,996
Co-curricular/Extracurricular Activities	79,361
General Administration	28,983
Plant Maintenance & Operations	86,949
Security & Monitoring	38,644
Data Processing	154,576
Facilities	20,013
	<u>\$ 2,967,402</u>

SAN FELIPE DEL RIO CISD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

G. LONG-TERM LIABILITIES – BONDS PAYABLE

A summary of changes in bonds payable for the year ended August 31, 2012 follows:

Description	Interest Rates Payable	Amount Original Issue	Amount Outstanding 09/01/11	Issued	Retired/ Refunded	Amount Outstanding 08/31/12
Unlimited Tax Refunding Bonds, Series 2005 (Includes \$254,992 of Principal on Capital Appreciation Bonds)	2.50 - 5%	22,369,992	21,060,548	-	105,548	\$ 20,955,000
Unlimited Tax School Building Bonds, Series 2006	4.00 - 5.25%	21,915,000	12,635,000	-	625,000	\$ 12,010,000
Unlimited Tax Refunding Bonds, Series 2007 (Includes \$339,993 of Principal on Capital Appreciation Bonds)	3.55 - 4.53%	6,469,993	6,099,993	-	85,000	\$ 6,014,993
Unlimited Tax School Building Bonds, Series 2008	4.50 - 5.00%	12,285,000	11,575,000	-	340,000	11,235,000
Plus Amounts Deferred						
On Refunding		-	(1,637,071)	-	110,565	(1,526,506)
Issuance Premiums		-	1,397,338	-	81,047	1,316,291
Issuance Discounts		-	(58,375)	-	2,919	(55,456)
Total Bonds Payable			<u>\$ 51,072,433</u>	<u>\$ -</u>	<u>\$ 1,123,111</u>	<u>49,949,322</u>
Accreted Interest on Capital Appreciation Bonds						<u>3,135,780</u> 53,085,102
Total Bonds Payable						<u>2,315,000</u> <u>\$ 50,770,102</u>
			Less: Amount Due in One Year			<u>2,315,000</u>
			Due in More Than one Year			<u>\$ 50,770,102</u>

SAN FELIPE DEL RIO CISD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

G. LONG-TERM LIABILITIES – BOND PAYABLE (Continued)

Debt service requirements are as follows:

General Obligations			
Year Ending August 31,	Principal	Interest	Total Requirements
2013	2,315,000	2,123,346	4,438,346
2014	2,410,000	2,040,349	4,450,349
2015	2,500,000	1,951,524	4,451,524
2016	2,600,000	1,858,411	4,458,411
2017	2,695,000	1,759,223	4,454,223
2018-2022	15,375,000	6,970,905	22,345,905
2023-2027	13,748,577	4,406,429	18,155,006
2028-2033	8,571,416	2,455,389	11,026,805
Total	\$ 50,214,993	\$ 23,565,576	\$ 73,780,569

The District Issues general obligation bonds for governmental activities to fund the acquisition and construction of major capital facilities. The bonds are supported by a pledge of the District’s full faith and credit. The bond indentures require a levy and collection of taxes without limitation as to rate or amount on all property subject to taxation by the District sufficient in amount to pay the principal and interest on such bonds as they become due. The indentures also require that a debt service fund be created and administered by the District solely for paying principal and interest when due.

Bond indebtedness is reflected in the government-wide financial statements, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

In accordance with the provisions of the Constitution of the State of Texas through the Texas Education Agency each bond issue is guaranteed as to the payment of principal and interest by the Permanent School Fund, created, established and maintained pursuant to Article VII, Section 5, of the Constitution of the State of Texas.

The State of Texas through the Texas Education Agency’s Instructional Facilities Allotment Program (IFA) and Existing Debt Allotment Program (EDA) continued funding in fiscal year 2012 whereby the District received state funds of \$2,482,727 or approximately sixty-seven (66%) percent of it’s general obligation annual debt service requirements. State Statues guarantee IFA state aid for the life of the District’s eligible debt as well as for the EDA program. Payments for the general obligation debt were made from the debt service fund.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

G. LONG-TERM LIABILITIES – BONDS PAYABLE (Continued)

Defeased Bonds Outstanding

In prior years, the District defeased the Series 2000 General Obligation bonds by placing the proceeds of the Series 2005 bonds in an irrevocable trust to provide for all future debt service payments on the old bonds and the District also defeased Series 2006 Unlimited Tax School Building General Obligation Bonds by placing the proceeds of the Series 2007 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 financial statements. On August 31, 2012, \$26,894,993 of refunded bonds considered to be defeased are outstanding.

H. OPERATING LEASES

The District has entered into a lease agreement for the lease of three vehicles for the Drivers Education Program. The lease agreement is a three year payment term with a \$1,000 due at signing and \$199 payment per month for each vehicle. In addition the District has also entered into a new copier lease agreement with Toshiba for the use of 75 copiers. The total lease expense during the current year was \$214,608.

The future minimum lease payments for these leases are as follows:

Year Ending August 31,	Future Minimum Lease Payments
2013	220,975
2014	213,094
2015	212,705
2016	213,094
Total Future Minimum Lease Payment Due	<u>\$ 753,127</u>

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

I. DEFINE BENEFIT PENSION PLAN

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS) which is a pension trust fund that is funded by the member, state, and employer contributions, as well as earnings on the investments of the fund. The TRS retirement plan provides service and disability retirement benefits to employees of the public school systems of Texas and death benefits to their survivors. TRS operates primarily under the provisions of an approved amendment to the Texas Constitution in November of 1936 creating a statewide teacher retirement system and the passage of that amendment enabled legislation in 1937 that officially formed TRS. 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 the Texas Government Code, Title 8, Chapter 821-824. The Texas Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the heading of TRS Publications.

Funding Policy. Contribution requirements are legally established and amended by the Texas State Legislature. The State funding policies are as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than six percent and a state contribution rate in a range of six to ten percent 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 the particular action, the time required to amortize the TRS 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 increase/decreased by such action. The member contribution rate established by the Texas Legislature is 6.4%, and the state contribution rate is 6.4% for 2011-2012. Effective January 2010, the statutory rate was increased to 6.644%. The member contribution rate is applied to the member's eligible monthly compensation, and the state contribution rate is applied to the aggregate eligible compensation of all members during a fiscal year. The state rate is also paid by the employer on compensation paid to new members during the first 90 days of employment; on amounts paid to employees above the statutory minimum amount, and on compensation paid from federal or private funds. The Texas Constitution requires that financing of benefits be based on sound actuarial principles. Effective January 2012 the statutory rate increased to 6.664% for public schools and for the Federal Rate for Grants. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2012, 2011, and 2010 were \$2,689,822, \$2,976,690, and \$2,993,572 respectively. The

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

District paid additional state contributions for the years ended August 31, 2012, 2011, and 2010 in the amount of \$341,092, \$405,425 and \$393,920 respectively, on the portion of the employees' salaries that exceeded the statutory minimum representing 100% of the District's Annual Required Contribution (ARC). Employee contributions for years ended August 31, 2012, 2011, and 2010 were \$3,300,282, \$3,338,423 and \$3,365,262 respectively.

MEDICARE PART D

The Medicare Prescription Drug Improvement and Modernization Act of 2003, which became 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 the Texas Public School Retired Employee Group Insurance Program (TRS-CARE) to receive retiree drug subsidy payments from the Federal Government to offset certain prescription drug expenditures for eligible TRS-Care participants. Contributions made by the Federal Government (for employees funded by Federal Grants) on behalf of the District are recorded in the financial statements as both revenues and expenditures, although the District never receives the revenue. These payments totaled \$79,043, \$76,057 and \$139,623 for the fiscal years 2012, 2011 and 2010 respectively.

K. RISK MANAGEMENT

The District is exposed to risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; injuries to employees, and natural disaster for which the District purchases insurance from the Texas Association of School Boards (TASB). There have been no significant reductions in coverage from the prior year and settlements have not exceeded amounts of coverage in the past three years. The District provides health insurance for and pays the contribution for all employees. The employee pays for any family member coverage. This is provided through a self-insured plan and the District hires Blue Cross Blue Shield to administer the Plan and the District also pays for Stop-Loss coverage. Transactions related to the PLAN are accounted for in an internal service fund, the Health Insurance Fund of the District.

Health Care Coverage

In 2012, the District contributed \$4,716 per year for each employee (\$393 per month) which was deposited into the Health Insurance Fund ("the Fund"). The contribution is deposited monthly into the account and administrative costs are expensed when incurred and reported. The District obtained excess loss insurance (Stop Loss coverage), which limited the amount of claims for any one individual to \$185,000 and an aggregate limit equal to \$6,500,389.

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

Claims payable including an estimate for claims incurred, but not reported at August 31, 2012 are \$941,471 plus \$83,400 for administrative expenses. The plan is funded to discharge liabilities for the Fund as they become due. Changes in the Fund's claims liability amount in fiscal 2010, 2011 and 2012 were:

Year Ending August 31,	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010	653,677	7,189,784	6,266,073	1,577,388
2011	1,577,388	7,536,600	5,778,959	3,335,029
2012	3,335,029	7,730,669	6,294,019	4,771,679

I. DEFERRED REVENUE

Deferred revenue at year-end consisted principally of net property taxes; related principal and interest; and other (including unearned grant revenues in the Non-major Special Revenue Funds) comprised as follows:

Fund	Deferred Property Taxes	Deferred P & I on Taxes	Other	Total
General Fund	\$ 2,428,928	\$ 1,632,898	\$ 25,383	\$ 4,087,209
Other Non-Major Special Revenue Funds	432,944	291,084	25,473	749,501
Total	\$ 2,861,872	\$ 1,923,982	\$ 50,856	\$ 4,836,710

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current fiscal year, revenues from local and intermediate sources in the Governmental Fund Types consisted of the following:

	General Fund	Non Major Governmental Funds	Total
Property Taxes	\$ 14,220,319	\$ 2,016,579	\$ 16,236,898
Penalties, Interest and Other			
Tax Related Income	506,740	57,922	564,662
Investment Income	146,393	13,372	159,765
Food Sales	-	832,301	832,301
Tuition & Fees	52,108	-	52,108
Co-Curricular Student Activities	144,040	152,463	296,503
Other	182,579	6,500	189,079
	<u>\$ 15,252,179</u>	<u>\$ 3,079,137</u>	<u>\$ 18,331,316</u>

During the current fiscal year, revenues from local and intermediate sources in the Proprietary Fund Types consisted of the following:

	Internal Service Fund
Investment Income	\$ 9,882
Insurance Recovery	-
Interfund Provided Self-Insurance	7,719,716
Other	-
	<u>\$ 7,729,598</u>

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

N. REVENUES FROM STATE PROGRAMS

During the current fiscal year, revenue from state program sources in the governmental fund types consisted of the following:

	General Fund	Non Major Governmental Fund	Total
School Program Act Entitlements	\$ 47,860,634	\$ -	\$ 47,860,634
Per Capita Apportionment	2,434,521	-	2,434,521
State Program Revenue - TEA	-	3,052,151	3,052,151
State Program Revenue - State	-	-	-
TRS On-Behalf	2,585,299	104,159	2,689,458
	<u>\$ 52,880,454</u>	<u>\$ 3,156,310</u>	<u>\$ 56,036,764</u>

O. DUE TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Due to other governments consist of amounts due to the State and Federal agencies at year-end for State Entitlements, Federal Arbitrage Liability and State and Federal Grants. The amounts due are summarized as follows:

Fund	State Entitlements	State, Federal Grants	Total
General Fund	\$ -	\$ -	\$ -
Other Non-Major Special Revenue Funds	284,825	25,035	309,860
Total	<u>\$ 284,825</u>	<u>\$ 25,035</u>	<u>\$ 309,860</u>

SAN FELIPE DEL RIO CISD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

P. COMMITMENTS AND CONTINGENCIES

Federal Grants

The District has received grants for specific purposes that are subject to program compliance audits pursuant to the Single Audit Act. The granting agency reserves the right to perform audits in addition to the independent audit as required by the state.

Grant Programs

The District participates in numerous federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2012 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating the compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Leave

Employees are allowed to accrue five days of state personal leave and three and a half to four days of local sick leave each year without limit. State personal and local sick leave do not vest under the District policy and accordingly, employees can only utilize state personal and sick leave, or state personal leave for personal reasons when approved by authorized District personnel. Since the employee's accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Teachers and administrative personnel do not receive paid vacations but are paid only for the number of days they are contractually required to work each year.

Maintenance employees are granted vacation leave in varying amounts depending on service. For one year of service, maintenance employees are allowed five vacation days, and ten annual vacation days in the years thereafter. The District has no liability for unused vacation pay since all vacation leave is used or lost if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

SAN FELIPE DEL RIO CISD
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2012

P. COMMITMENTS AND CONTINGENCIES (Continued)

Construction Contracts

The District's ongoing construction and renovation projects resulted in outstanding commitments as of August 31, 2012. At year end the District's outstanding commitments on remaining contracts consisted of the following amounts:

Lamar Elementary Improvements	\$	169,674
Chavira Elementary Improvements	\$	1,218,552
Del Rio Freshman Gym & Dressing Room	\$	44,423
Del Rio High School Turf & Track Renovation	\$	225,317
Del Rio Middle School Stadium Track Renovation	\$	143,406
	<u>\$</u>	<u>1,801,372</u>

Q. LITIGATION

From time to time, the District is a defendant in lawsuits for claims filed against it. In the best judgment of the District's administration and legal counsel, the accompanying financial statements will not be affected materially by the outcome of any of these proceedings and therefore no loss contingency has been recorded.

R. PRIOR PERIOD ADJUSTMENT

A summary of significant Fund Balance adjustments by fund is as follows:

Proprietary Funds – Self Funded Health Insurance

The District deposits monthly to the Self Health Insurance Fund. In 2012 a prior period adjustment was made that decreased the fund balance in the amount of <\$714,365> or 16.09% which was attributable to an erroneous transfer in May 2006.

Debt Service Fund

In 2012 a prior period adjustment was made that increased the fund balance to Debt Service Fund in the amount of \$74,044 or 8.87% for an incorrect entry to deferred revenue for Instructional Facilities Allotment in August 2008.

General Fund

In 2012 a prior period adjustment was made that increased the fund balance to General Fund in the amount of \$3,867,276 or 8.45%. \$2,545,467 of the adjustment was due to incorrect classification of receipts for state revenue in prior fiscal years. \$1,321,809 of the adjustment was due to erroneous calculation of deferred revenue for state revenue in prior fiscal years.

SAN FELIPE DEL RIO CISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 14,657,618	\$ 15,181,021	\$ 15,252,178	\$ 71,157
5800	State Program Revenues	52,660,131	52,059,045	52,880,453	821,408
5900	Federal Program Revenues	375,000	1,605,676	1,618,376	12,700
5020	Total Revenues	67,692,749	68,845,742	69,751,007	905,265
EXPENDITURES:					
Current:					
0011	Instruction	40,874,884	38,339,314	37,256,634	1,082,680
0012	Instructional Resources and Media Services	1,716,739	1,681,460	1,634,178	47,282
0013	Curriculum and Instructional Staff Development	1,066,664	750,047	728,621	21,426
0021	Instructional Leadership	1,004,824	1,044,898	1,014,136	30,762
0023	School Leadership	3,642,479	3,588,011	3,486,709	101,302
0031	Guidance, Counseling and Evaluation Services	2,289,709	2,456,102	2,385,003	71,099
0032	Social Work Services	231,966	193,520	188,107	5,413
0033	Health Services	635,420	604,229	587,476	16,753
0034	Student (Pupil) Transportation	1,916,494	1,373,483	1,327,070	46,413
0035	Food Services	45,491	31,864	30,965	899
0036	Extracurricular Activities	3,306,133	2,715,414	2,640,661	74,753
0041	General Administration	3,729,849	2,886,044	2,818,403	67,641
0051	Facilities Maintenance and Operations	9,681,139	7,799,241	7,616,788	182,453
0052	Security and Monitoring Services	1,053,322	1,045,440	1,016,288	29,152
0053	Data Processing Services	936,246	881,943	856,867	25,076
0061	Community Services	193,907	169,394	163,856	5,538
Capital Outlay:					
0081	Facilities Acquisition and Construction	520,430	2,141,406	2,057,167	84,239
Intergovernmental:					
0099	Other Intergovernmental Charges	816,000	528,336	512,947	15,389
6030	Total Expenditures	73,661,696	68,230,146	66,321,876	1,908,270
1100	Excess (Deficiency) of Revenues Over Expenditures	(5,968,947)	615,596	3,429,131	2,813,535
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	38,319	38,319
7915	Transfers In	-	-	781,438	781,438
8911	Transfers Out (Use)	-	-	(148,303)	(148,303)
8949	Other (Uses)	-	-	(4,684)	(4,684)
7080	Total Other Financing Sources (Uses)	-	-	666,770	666,770
SPECIAL ITEMS:					
8912	Special Item - (Use)	-	(5,000)	(4,639)	361
1200	Net Change in Fund Balances	(5,968,947)	610,596	4,091,262	3,480,666
0100	Fund Balance - September 1 (Beginning)	-	42,299,808	41,668,872	(630,936)
1300	Prior Period Adjustment	-	-	3,867,276	3,867,276
3000	Fund Balance - August 31 (Ending)	\$ (5,968,947)	\$ 42,910,404	\$ 49,627,410	\$ 6,717,006

COMBINING AND OTHER STATEMENTS

SAN FELIPE DEL RIO CISD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS				
1110	\$ -	\$ -	\$ -	\$ -
1240	117,493	191,171	96,295	153,678
1300	-	-	-	-
1000	<u>\$ 117,493</u>	<u>\$ 191,171</u>	<u>\$ 96,295</u>	<u>\$ 153,678</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 37	\$ -	\$ -	\$ -
2160	66,497	81,670	12,483	66,094
2170	50,959	109,501	83,812	87,584
2180	-	-	-	-
2300	-	-	-	-
2000	<u>117,493</u>	<u>191,171</u>	<u>96,295</u>	<u>153,678</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3470	-	-	-	-
3600	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 117,493</u>	<u>\$ 191,171</u>	<u>\$ 96,295</u>	<u>\$ 153,678</u>

EXHIBITH-1 (Cont'd)

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical- Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	275 Linking Tree Grant
\$ -	\$ 638,482	\$ 78,955	\$ -	\$ -	\$ -	\$ 34,512	\$ -
3,613	127,366	-	1,390	40,386	24,677	-	18,087
-	287,013	-	-	-	-	-	-
<u>\$ 3,613</u>	<u>\$ 1,052,861</u>	<u>\$ 78,955</u>	<u>\$ 1,390</u>	<u>\$ 40,386</u>	<u>\$ 24,677</u>	<u>\$ 34,512</u>	<u>\$ 18,087</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,661	-	-	-	31,483	-	-	-
1,952	-	-	1,390	8,903	24,677	-	18,087
-	-	-	-	-	-	-	-
-	25,473	-	-	-	-	-	-
<u>3,613</u>	<u>25,473</u>	<u>-</u>	<u>1,390</u>	<u>40,386</u>	<u>24,677</u>	<u>-</u>	<u>18,087</u>
-	261,539	-	-	-	-	-	-
-	765,849	78,955	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	34,512	-
<u>-</u>	<u>1,027,388</u>	<u>78,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,512</u>	<u>-</u>
<u>\$ 3,613</u>	<u>\$ 1,052,861</u>	<u>\$ 78,955</u>	<u>\$ 1,390</u>	<u>\$ 40,386</u>	<u>\$ 24,677</u>	<u>\$ 34,512</u>	<u>\$ 18,087</u>

SAN FELIPE DEL RIO CISD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	276 Texas Title I Priority Schools	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I, A Improving Basic Program
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	15,308	-	-
1300	Inventories	-	-	-
1000	Total Assets	\$ 15,308	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	14,567	-	-
2170	Due to Other Funds	741	-	-
2180	Due to Other Governments	-	-	-
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	15,308	-	-
Fund Balances:				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
3600	Unassigned Fund Balance	-	-	-
3000	Total Fund Balances	-	-	-
4000	Total Liabilities and Fund Balances	\$ 15,308	\$ -	\$ -

EXHIBITH-1 (Cont'd)

287 Education Jobs Fund	288 SHARS School Health Services	289 Summer School LEP Revenue Funds	386 Regional Day School for the Deaf	401 Optional Extended Year Program	404 Student Success Initiative	410 State Textbook Fund	415 Kindergarten and Pre-K Grants
\$ -	\$ -	\$ -	\$ 3,536	\$ -	\$ -	\$ -	\$ 25,035
25,645	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 25,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,035</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	3,536	-	-	-	-
25,645	-	-	-	-	-	-	-
-	-	-	-	-	-	-	25,035
-	-	-	-	-	-	-	-
<u>25,645</u>	<u>-</u>	<u>-</u>	<u>3,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,035</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 25,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,035</u>

SAN FELIPE DEL RIO CISD
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2012

Data Control Codes	429 Dist Awards Teacher Excellence	461 Campus Activity Funds	482 Loss Prevention Grant	483 Project Lead The Way	
ASSETS					
1110	Cash and Cash Equivalents	\$ 23	\$ 132,948	\$ -	\$ 1,205
1240	Receivables from Other Governments	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 23</u>	<u>\$ 132,948</u>	<u>\$ -</u>	<u>\$ 1,205</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3600	Unassigned Fund Balance	23	132,948	-	1,205
3000	Total Fund Balances	<u>23</u>	<u>132,948</u>	<u>-</u>	<u>1,205</u>
4000	Total Liabilities and Fund Balances	<u><u>\$ 23</u></u>	<u><u>\$ 132,948</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,205</u></u>

484 Texas Music Educators Assco	Total Nonmajor Special Revenue Funds	616 Capital Projects- 2000 Bond	617 Capital Projects- 2006 Bond	618 Capital Projects- 2008 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 914,696	\$ 92,757	\$ 2,855,814	\$ 1,596,920	\$ 4,545,491	\$ 5,460,187
-	815,109	-	-	-	-	815,109
-	287,013	-	-	-	-	287,013
<u>\$ -</u>	<u>\$ 2,016,818</u>	<u>\$ 92,757</u>	<u>\$ 2,855,814</u>	<u>\$ 1,596,920</u>	<u>\$ 4,545,491</u>	<u>\$ 6,562,309</u>
\$ -	\$ 37	\$ -	\$ -	\$ 335,595	\$ 335,595	\$ 335,632
-	277,991	-	-	-	-	277,991
-	413,251	-	-	-	-	413,251
-	25,035	-	-	-	-	25,035
-	25,473	-	-	-	-	25,473
-	741,787	-	-	335,595	335,595	1,077,382
-	261,539	-	-	-	-	261,539
-	844,804	-	-	-	-	844,804
-	-	92,757	2,855,814	1,261,325	4,209,896	4,209,896
-	168,688	-	-	-	-	168,688
-	1,275,031	92,757	2,855,814	1,261,325	4,209,896	5,484,927
<u>\$ -</u>	<u>\$ 2,016,818</u>	<u>\$ 92,757</u>	<u>\$ 2,855,814</u>	<u>\$ 1,596,920</u>	<u>\$ 4,545,491</u>	<u>\$ 6,562,309</u>

SAN FELIPE DEL RIO CISD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	2,034,933	3,761,351	957,828	1,958,687
5020 Total Revenues	<u>2,034,933</u>	<u>3,761,351</u>	<u>957,828</u>	<u>1,958,687</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,300,181	2,190,786	462,526	1,665,664
0012 Instructional Resources and Media Services	57,728	54,081	-	-
0013 Curriculum and Instructional Staff Development	52,842	262,115	432	33,586
0021 Instructional Leadership	164,099	244,882	209,317	50,940
0023 School Leadership	-	25,209	4,814	-
0031 Guidance, Counseling and Evaluation Services	84,972	468,935	-	208,497
0032 Social Work Services	-	-	-	-
0033 Health Services	45,735	6,019	3,927	-
0034 Student (Pupil) Transportation	50,277	53,839	23,251	-
0035 Food Services	22,931	-	-	-
0036 Extracurricular Activities	2,044	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	100,481	56,160	42,837	-
0052 Security and Monitoring Services	-	520	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	152,089	398,805	210,724	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,554	-	-	-
6030 Total Expenditures	<u>2,034,933</u>	<u>3,761,351</u>	<u>957,828</u>	<u>1,958,687</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	275 Linking Tree Grant
\$ -	\$ 832,254	\$ 2,146	\$ -	\$ -	\$ -	\$ -	\$ -
-	36,166	-	-	-	-	-	-
40,176	4,650,674	92,912	155,485	819,255	176,186	15,962	53,616
40,176	5,519,094	95,058	155,485	819,255	176,186	15,962	53,616
40,176	-	-	155,385	684,522	160,940	-	-
-	-	-	-	-	-	-	-
-	-	-	-	119,401	800	-	-
-	-	-	-	7,793	13,858	-	-
-	-	-	-	-	-	-	-
-	-	-	100	-	-	-	-
-	-	-	-	-	-	-	18,259
-	-	-	-	-	-	13,199	-
-	-	-	-	-	-	-	-
-	4,789,805	71,243	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	7,539	-	-	35,357
-	562,276	16,500	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	588	-	-
-	-	-	-	-	-	-	-
40,176	5,352,081	87,743	155,485	819,255	176,186	13,199	53,616
-	167,013	7,315	-	-	-	2,763	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	167,013	7,315	-	-	-	2,763	-
-	860,375	71,640	-	-	-	31,749	-
\$ -	\$ 1,027,388	\$ 78,955	\$ -	\$ -	\$ -	\$ 34,512	\$ -

SAN FELIPE DEL RIO CISD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	276 Texas Title I Priority Schools	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I, A Improving Basic Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,475,891	880	733	9,380
5020 Total Revenues	<u>1,475,891</u>	<u>880</u>	<u>733</u>	<u>9,380</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,431,408	-	-	9,380
0012 Instructional Resources and Media Services	1,116	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	25,245	-	-	-
0031 Guidance, Counseling and Evaluation Services	5,478	880	733	-
0032 Social Work Services	3,491	-	-	-
0033 Health Services	710	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	2,026	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	3,272	-	-	-
0052 Security and Monitoring Services	2,536	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	609	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>1,475,891</u>	<u>880</u>	<u>733</u>	<u>9,380</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SAN FELIPE DEL RIO CISD
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	429 Dist Awards Teacher Excellence	461 Campus Activity Funds	482 Loss Prevention Grant	483 Project Lead The Way
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 152,463	\$ 1,500	\$ -
5800 State Program Revenues	409,607	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>409,607</u>	<u>152,463</u>	<u>1,500</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	408,597	36,884	1,206	-
0012 Instructional Resources and Media Services	-	74,462	-	-
0013 Curriculum and Instructional Staff Development	-	-	12	-
0021 Instructional Leadership	987	-	49	-
0023 School Leadership	-	14,751	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	12	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	37	-
0035 Food Services	-	-	12	-
0036 Extracurricular Activities	-	60,206	74	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	74	-
0052 Security and Monitoring Services	-	-	12	-
0053 Data Processing Services	-	-	12	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>409,584</u>	<u>186,303</u>	<u>1,500</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23</u>	<u>(33,840)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	(26,000)	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(26,000)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	23	(59,840)	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>192,788</u>	<u>-</u>	<u>1,205</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 23</u>	<u>\$ 132,948</u>	<u>\$ -</u>	<u>\$ 1,205</u>

484 Texas Music Educators Assco	Total Nonmajor Special Revenue Funds	616 Capital Projects- 2000 Bond	617 Capital Projects- 2006 Bond	618 Capital Projects- 2008 Bond	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 5,000	\$ 993,363	\$ 130	\$ 3,168	\$ 4,508	\$ 7,806	\$ 1,001,169
-	1,418,050	-	-	-	-	1,418,050
-	17,890,868	-	-	-	-	17,890,868
<u>5,000</u>	<u>20,302,281</u>	<u>130</u>	<u>3,168</u>	<u>4,508</u>	<u>7,806</u>	<u>20,310,087</u>
5,000	11,211,851	-	-	-	-	11,211,851
-	187,387	-	-	-	-	187,387
-	469,188	-	-	-	-	469,188
-	691,925	-	-	-	-	691,925
-	70,019	-	-	-	-	70,019
-	769,595	-	-	-	-	769,595
-	21,762	-	-	-	-	21,762
-	69,590	-	-	-	-	69,590
-	127,404	-	-	-	-	127,404
-	4,886,017	-	-	-	-	4,886,017
-	62,324	-	-	-	-	62,324
-	42,896	-	-	-	-	42,896
-	781,600	-	-	-	-	781,600
-	3,068	-	-	-	-	3,068
-	12	-	-	-	-	12
-	762,815	-	-	-	-	762,815
-	1,554	722	35,195	5,290,411	5,326,328	5,327,882
<u>5,000</u>	<u>20,159,007</u>	<u>722</u>	<u>35,195</u>	<u>5,290,411</u>	<u>5,326,328</u>	<u>25,485,335</u>
-	143,274	(592)	(32,027)	(5,285,903)	(5,318,522)	(5,175,248)
-	11,346	-	-	-	-	11,346
-	(670,481)	-	-	-	-	(670,481)
-	(659,135)	-	-	-	-	(659,135)
-	(515,861)	(592)	(32,027)	(5,285,903)	(5,318,522)	(5,834,383)
-	1,790,892	93,349	2,887,841	6,547,228	9,528,418	11,319,310
<u>\$ -</u>	<u>\$ 1,275,031</u>	<u>\$ 92,757</u>	<u>\$ 2,855,814</u>	<u>\$ 1,261,325</u>	<u>\$ 4,209,896</u>	<u>\$ 5,484,927</u>

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T.E.A. REQUIRED SCHEDULES

SAN FELIPE DEL RIO CISD
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ 810,052,393
2004	1.380000	0.06550	854,970,805
2005	1.440000	0.07270	889,217,661
2006	1.440000	0.07200	913,238,222
2007	1.316800	0.11500	1,001,913,955
2008	1.040000	0.09900	1,110,627,675
2009	1.040000	0.12670	1,271,453,258
2010	1.040000	0.15940	1,263,758,458
2011	1.040000	0.15940	1,332,854,958
2012 (School year under audit)	1.040000	0.14870	1,366,457,781
100 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 574,882	\$ -	\$ 32,838	\$ 2,270	\$ (247,665)	\$ 292,109
163,190	-	11,290	1,563	(23)	150,314
193,400	-	18,318	2,539	(244)	172,299
209,537	-	30,463	4,231	6,499	181,342
206,380	-	44,338	6,199	7,007	162,850
215,264	-	59,067	8,231	6,384	154,350
343,893	-	104,308	14,559	8,091	233,117
525,110	-	178,891	24,958	9,955	331,216
913,305	-	364,035	50,451	(19,252)	479,567
-	16,243,357	13,375,766	1,901,579	(99,142)	866,870
<u>\$ 3,344,961</u>	<u>\$ 16,243,357</u>	<u>\$ 14,219,314</u>	<u>\$ 2,016,580</u>	<u>\$ (328,390)</u>	<u>\$ 3,024,034</u>

SAN FELIPE DEL RIO CISD
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2012

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	PAYROLLCOSTS	\$ 16	\$ -	\$ 319,522	\$ 1,636,255	\$ 312,801	\$ -	\$ 2,268,594
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	2,350	-	-	2,350
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	341,046	-	-	-	-	-	341,046
6212	Audit Services	-	-	-	63,400	-	-	63,400
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	657,493	-	-	-	-	657,493
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	19,230	-	-	19,230
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	1,581	-	1,581
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	1,142	12,066	2,064	-	15,272
6290	Miscellaneous Contr.	42,652	-	1,210	119,775	230	-	163,867
6320	Textbooks and Reading	1,255	-	1,598	1,212	-	-	4,065
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	9,052	-	2,611	176,418	10,913	-	198,994
6410	Travel, Subsistence, Stipends	24,187	-	6,383	30,802	4,058	-	65,430
6420	Ins. and Bonding Costs	-	-	23,117	-	639	-	23,756
6430	Election Costs	24,092	-	-	-	-	-	24,092
6490	Miscellaneous Operating	21,237	-	18,063	23,617	634	-	63,551
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 463,537	\$ 657,493	\$ 373,646	\$ 2,085,125	\$ 332,920	\$ -	\$ 3,912,721

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 85,692,034

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 3,184,246
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	8,382,608
Food (Function 35, 6341 and 6499)	(13)	2,228,499
Stipends (6413)	(14)	53,899
Column 4 (above) - Total Indirect Cost		2,085,125

SubTotal: 15,934,377

Net Allowed Direct Cost \$ 69,757,657

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 101,628,537
Historical Cost of Building over 50 years old	(16)	\$ 24,509,756
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 10,244,561
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 153,942
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$552,015 in Function 53 expenditures are included in this report on administrative costs.

\$512,947 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SAN FELIPE DEL RIO CISD
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2012

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 49,627,410
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 715,699	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	794,063	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	11,915,311	
7	Estimate of two month's average cash disbursements during the fiscal	13,574,946	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	3,625,885	
10	Estimate of delayed payments from federal sources (59xx)	1,413,447	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		32,039,351
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		\$ 17,588,059

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

A minimum of Undesignated Fund Balance to operate is set for at least 45 days to 3 months.

SAN FELIPE DEL RIO CISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAPBASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 870,950	\$ 872,935	\$ 832,254	\$ (40,681)
5800	State Program Revenues	40,000	40,000	36,166	(3,834)
5900	Federal Program Revenues	4,109,668	4,109,668	4,650,674	541,006
5020	Total Revenues	5,020,618	5,022,603	5,519,094	496,491
EXPENDITURES:					
0035	Food Services	4,818,038	4,916,054	4,789,805	126,249
0051	Facilities Maintenance and Operations	662,903	666,924	562,276	104,648
6030	Total Expenditures	5,480,941	5,582,978	5,352,081	230,897
1200	Net Change in Fund Balances	(460,323)	(560,375)	167,013	727,388
0100	Fund Balance - September 1 (Beginning)	-	860,375	860,375	-
3000	Fund Balance - August 31 (Ending)	\$ (460,323)	\$ 300,000	\$ 1,027,388	\$ 727,388

SAN FELIPE DEL RIO CISD
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAPBASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,024,700	\$ 2,026,171	\$ 2,077,968	\$ 51,797
5800	State Program Revenues	2,450,318	2,450,318	2,527,110	76,792
5020	Total Revenues	4,475,018	4,476,489	4,605,078	128,589
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,287,095	1,155,548	1,155,548	-
0072	Interest on Long Term Debt	1,155,548	3,287,095	3,287,095	-
0073	Bond Issuance Cost and Fees	67,000	68,472	28,494	39,978
6030	Total Expenditures	4,509,643	4,511,115	4,471,137	39,978
1200	Net Change in Fund Balances	(34,625)	(34,626)	133,941	168,567
0100	Fund Balance - September 1 (Beginning)	-	701,227	701,227	-
1300	Prior Period Adjustment	-	-	74,044	74,044
3000	Fund Balance - August 31 (Ending)	\$ (34,625)	\$ 666,601	\$ 909,212	\$ 242,611

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**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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*

Board of Trustees
San Felipe Del Rio CISD
San Felipe Del Rio, Texas

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Felipe Del Rio CISD (the District) as of and for the year ended August 31, 2012. These collectively comprise the District's basic financial statements. We have issued our report on them dated December 17, 2012.

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

Management of the District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District's trustees, 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.

Seal & Carter, P.C.

December 19, 2012

LEAL & CARTER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
San Felipe Del Rio CISD
San Felipe Del Rio, Texas

Members of the Board:

Compliance

We have audited the compliance of San Felipe Del Rio CISD (the District) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2012. 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 the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended for the information and use of the District's trustees, the 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.

Seal & Carter, P.C.

December 19, 2012

SAN FELIPE DEL RIO CISD
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2012

SECTION I -SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

Material weakness identified? *None*

Significant deficiencies identified that are not considered to be material weakness? *None*

Noncompliance material to financial statements noted? *None*

Federal Awards

Internal control over major programs:

Material weakness (es) identified? *None*

Significant deficiencies identified that are not considered to be material weakness(es)? *None*

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? *None*

Federal major programs:

CFDA NUMBER	Program
84.41	Education Jobs Fund - ARRA
10.55X	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$546,211

Auditee qualified as low-risk auditee? *Yes*

SAN FELIPE DEL RIO CISD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

There was no financial statement findings required to be reported in accordance with *Government Auditing standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs required to be reported in accordance with OMB Circular A-133.

SAN FELIPE DEL RIO CISD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

There were no prior audit findings reported in 2011.

SAN FELIPE DEL RIO CISD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041		\$ 409,087
Total Direct Programs			\$ 409,087
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101233901	\$ 3,182
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610104233901001	17,071
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101233901	3,494,421
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101233901	77,848
*ESEA, Title I, Part D - Delinquent Programs	84.010A	12610103233901	19,753
*ESEA, Title I, Part D - Delinquent Programs	84.010A	13610103233901	969
*ESEA, Title I - Improvement Program	84.010A	12610104233901001	125,856
*ESEA, Title I - School Improv Efft Strategies	84.010A	12610110233901001	22,250
Total CFDA Number 84.010A			3,761,350
Total Title I, Part A Cluster			3,761,350
ESEA, Title I, Part C - Migratory Children	84.011	11615001233901	1,354
ESEA, Title I, Part C - Migratory Children	84.011	12615001233901	943,991
ESEA, Title I, Part C - Migratory Children	84.011	13615001233901	12,483
Total CFDA Number 84.011			957,828
Total Special Education Cluster (IDEA)			957,828
*IDEA - Part B, Formula	84.027	116600012339016600	436
*IDEA - Part B, Formula	84.027	126600012339016600	1,887,525
*IDEA - Part B, Formula	84.027	136600012339016600	70,726
Total CFDA Number 84.027			1,958,687
Total Educational Technology State Grants Cluster			1,958,687
Career and Technical - Basic Grant	84.048	12420006233901	154,129
Career and Technical - Basic Grant	84.048	13420006233901	1,356
Total CFDA Number 84.048			155,485
Total Child Nutrition Cluster			155,485
*IDEA - Part B, Preschool	84.173	126610012339016610	38,434
*IDEA - Part B, Preschool	84.173	136610012339016610	1,742
Total CFDA Number 84.173			40,176
School Dropout Prevention	84.360A	Q215M100001	53,616
Title III, Part A - English Language Acquisition	84.365A	12671001233901	176,186
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501233901	6,049
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501233901	781,724
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501233901	31,483
Total CFDA Number 84.367A			819,256
Title I SIP Academy Grant	84.377A	116107047110039	1,460,956
Title I SIP Academy Grant	84.377A	126107047110031	14,936
Total CFDA Number 84.377A			1,475,892
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389A	10551001233901	5,518
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389A	11551004233901001	3,862
Total CFDA Number 84.389A			9,380

SAN FELIPE DEL RIO CISD
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2012

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Summer School LEP	84.369A	69551102	5,549
Education Jobs Fund- ARRA	84.410	11550101233901	1,681,369
*IDEA, Part B, Formula - ARRA	84.391	10554001233901	880
*IDEA, Part B, Preschool - ARRA	84.392	10555001233901	733
Total Special Education Cluster (IDEA)			1,613
Total Passed Through State Department of Education			\$ 11,096,387
TOTAL DEPARTMENT OF EDUCATION			\$ 11,505,474
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 15,962
Total Passed Through Texas Dept of Human Services			\$ 15,962
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH6041/40	\$ 1,917,440
Head Start	93.600	06CH6041/41	117,493
Total CFDA Number 93.600			2,034,933
Total Passed Through State Department of Education			\$ 2,034,933
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 2,050,895
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 1,280,569
*National School Lunch Program - Cash Assistance	10.555		3,290,078
*National School Lunch Prog. - Non-Cash Assistance	10.555		80,027
Total CFDA Number 10.555			3,370,105
Total Child Nutrition Cluster			4,650,674
Total Passed Through the State Department of Agriculture			\$ 4,650,674
TOTAL DEPARTMENT OF AGRICULTURE			\$ 4,650,674
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,207,043

*Clustered Programs

SAN FELIPE DEL RIO CISD

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2012

1. 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.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types 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. All federal grant funds with the exception of the Impact Aid and indirect cost revenues were accounted for in a Special Revenue Fund, which is a Governmental Fund type.

The modified accrual basis of accounting is used for the Governmental Fund types. 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.

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.

3. 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.
4. Expenditures for the National School Lunch and Breakfast Program, and the Medicaid Administrative Claiming program are not specifically attributable to a federal revenue source and are shown on this schedule in an amount equal to revenue earned.

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