

**Randolph Field
Independent School District**

Annual Financial Report

June 30, 2011

Randolph Field Independent School District

Annual Financial Report

For the Year Ended June 30, 2011

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Introductory Section

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Certificate of Board

Randolph Field Independent School District
Name of School District

Bexar
County

015-906
County District Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) approved _____ disapproved for the year ended June 30, 2011, at a meeting of the Board of Trustees of such school district on the 27 day of October, 2011.



Signature of Board Secretary



Signature of Board President

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

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Financial Section

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Independent Auditors' Report

To the Board of Trustees
Randolph Field Independent School District
Universal City, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Randolph Field Independent School District (the "District") as of and for the year ended June 30, 2011, 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 management. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A(3)(o), the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This change did not have an effect on the financial statements for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over

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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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund information, identified as Required Supplementary Information in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information, as listed in the table of contents, and the accompanying Schedule of Expenditures of Federal Awards, as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked unaudited on which we express no opinion, under Other Supplementary Information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
October 21, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Randolph Field Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

Government-Wide Highlights

- Changes in net assets – The District's total net assets increased by \$391,878 for the year ended June 30, 2011.
- Net assets – The assets of the District exceeded its liabilities at June 30, 2011 by \$31.38 million. Of this amount, \$8.27 million was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the District's ongoing obligations.
- The second year of a three-year grant from the Department of Defense Education Activity ("DoDEA"), in the amount of \$1,282,800, was a success. The District partnered with Solution Tree to help the District create and embody a professional learning community ("PLC"). The PLC atmosphere will aid teachers in closing the academic achievement gaps for mobile military students. The District's goal is to reduce the achievement gap between at-risk students and their peers in commended performance on the state assessment in the areas of mathematics, science, reading/English language arts, and writing. The grant is effective from September 1, 2009 for a period of three years. The District spent approximately \$365,000 in the second year of this grant.
- The District purchased a new 2010 Bluebird 71-passenger school bus with a wheel chair lift. The bus was paid for with American Recovery and Reinvestment Act grant funds that passed through our shared service arrangement with the Military Cooperative, totaling approximately \$98,000.

Fund Statement Highlights

- Fund balances – As of the close of the fiscal year ended June 30, 2011, the District's total Governmental Funds reported a combined ending fund balance of \$10.20 million. This reflects an increase of approximately \$1.09 million in fund balance. The major change that affected this increase was a freeze in all spending except those expenses the campus administrators deemed essential to the classroom.
- General Fund – The General Fund balance increased by approximately \$1.28 million to \$9.85 million, with \$2.20 million unassigned, which is 20% of the total General Fund expenditures for the year.
- Other Governmental Funds – After the use of fund balances for construction and returning the excess fund balance back to the General Fund on closed projects, the Capital Projects Funds ended with approximately \$201,000 in assigned fund balance, which is scheduled to be used for future construction. Special Revenue Funds, which are restricted for specific grants, ended with approximately \$149,000 in fund balance and approximately \$3,300 is included in nonspendable for food service inventory.

Overview of the Financial Statements

This annual report consists of three parts – *management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. Table A-1 shows how the required parts of this annual report are arranged and related to one another. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* 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.
- *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 financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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

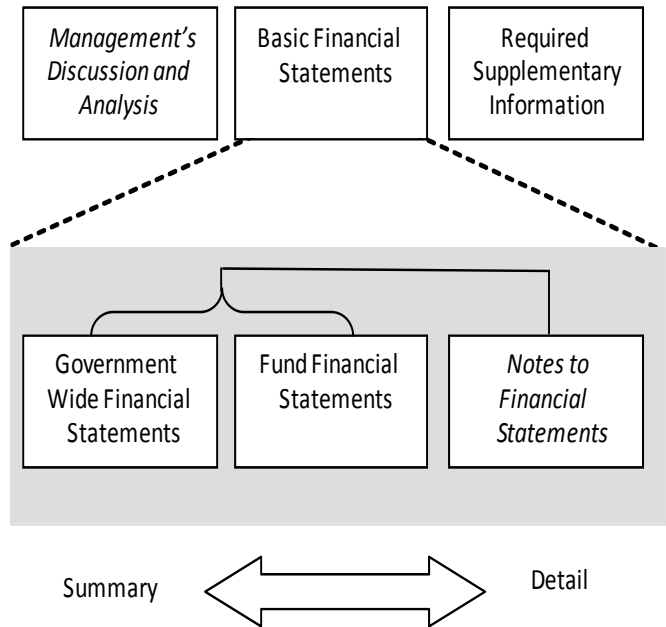


Table A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

**Table A-2
Major Features of the District’s Government-Wide and Fund Financial Statements**

Type of Statements	Fund Statements		
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District’s government (except Fiduciary Funds) and the District’s component units	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the District’s funds do not currently contain capital assets
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the governmental activities’ assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors, such as changes in the Impact Aid Law and changes in enrollment trends.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. State funding, Impact Aid, and other grants finance most of these activities, with charges for services being negligible. The food service function is the only function financed heavily with charges for services, 86.54% in 2011.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- Other funds are also established to control and manage money for particular purposes or to show it is properly using certain grants.

The District has two kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in Governmental Funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

Governmental Funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and the governmental activities. These reconciliations are presented on the page immediately following each Governmental Funds financial statement.

- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for student activity funds. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes. The District’s fiduciary activities are reported in a separate statement of assets and liabilities – fiduciary funds. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule. It provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget, and actual costs for the year.

Government-Wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The District’s combined net assets totaled \$31.38 million at the end of 2011 (see Table A-3).

There are \$21.19 million (67.54%) of net assets that represent capital assets such as buildings, school buses, and other vehicles and equipment – net of related debt. Restricted net assets are approximately \$1.92 million (6.12%), with the remaining balance of \$8.27 million (26.35%) representing unrestricted net assets that may be used to meet the District’s ongoing obligations. Internally imposed designations of resources are not presented as restricted net assets.

Table A-3
The District's Net Assets
(In Millions of Dollars)

	<u>Governmental</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Current and other assets	\$ 11.71	\$ 10.17	15.14%
Capital and noncurrent assets	<u>21.19</u>	<u>21.98</u>	(3.59%)
Total assets	\$ <u>32.90</u>	\$ <u>32.15</u>	2.33%
Current liabilities	\$ 1.51	\$ 1.13	33.63%
Long-term liabilities	<u>0.01</u>	<u>0.03</u>	(66.67%)
Total liabilities	\$ <u>1.52</u>	\$ <u>1.16</u>	31.03%
Net assets:			
Invested in capital assets – net of related debt	\$ 21.19	\$ 21.90	(3.24%)
Restricted for special revenue grants	0.15	0.15	-
Restricted for Department of Education – Impact Aid	1.77	0.00	100.00%
Unrestricted	<u>8.27</u>	<u>8.94</u>	(7.49%)
Total net assets	\$ <u>31.38</u>	\$ <u>30.99</u>	1.26%

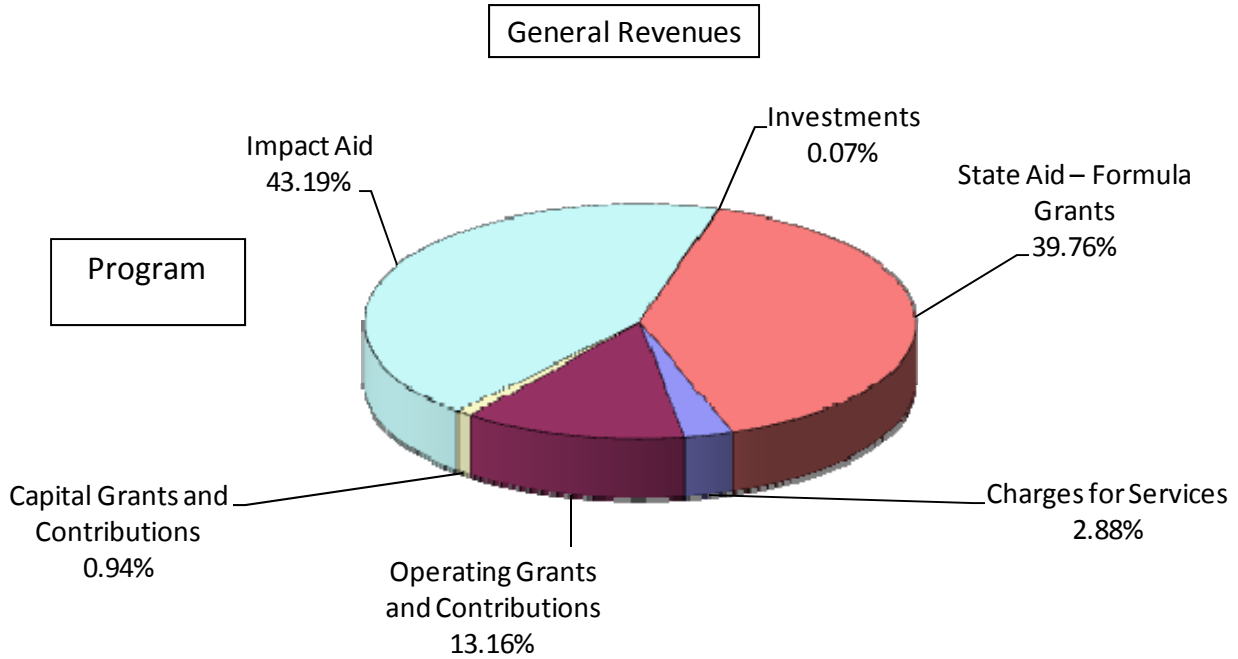
Changes in Net Assets

The District's net assets increased by \$391,878, or 1.26 % from the prior year.

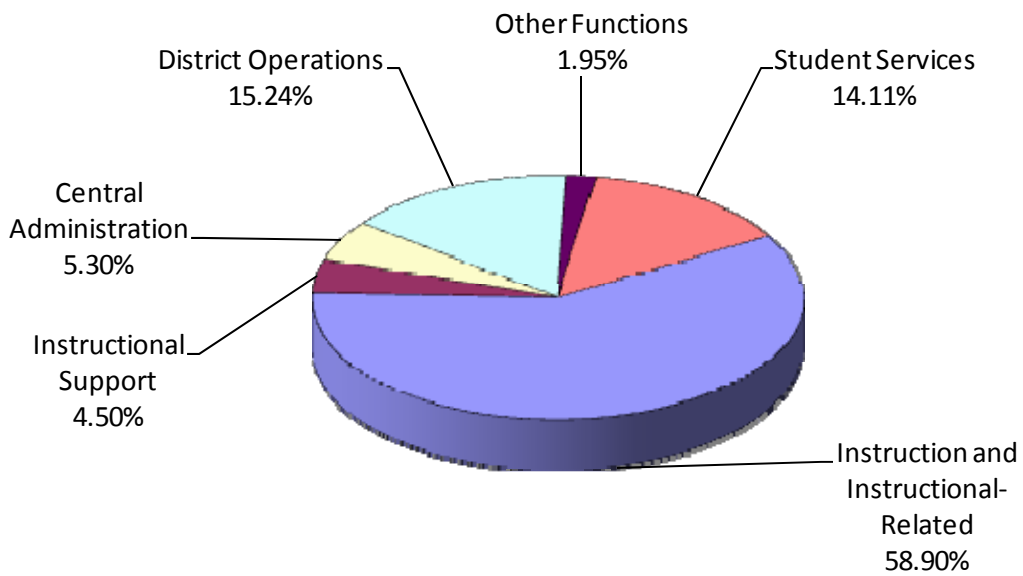
The District's total revenues and other sources totaled \$14.51 million. Approximately 43.19% of the District's revenue came from Impact Aid funds; 39.76% came from State Aid – formula grants; 14.10% came from operating and capital grants; 2.88% relates to charges for services; and .07% came from investment earnings (see Table A-4).

The District's expenses cover a range of services. The largest expense was for direct instructional service. In 2011, governmental activity expenditures totaled \$14.12 million, with \$8.32 million (58.92%) for instruction and instructional-related expenses.

Table A-4
Sources of Revenue



Expenses for Governmental Activities



A comparison of the cost of services by function for the District’s governmental activities is shown below (Table A-5), along with the revenues used to cover the expenses of the governmental activities.

Table A-5
Changes in the District’s Net Assets
(In Millions of Dollars)

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Revenues			
Program revenues:			
Charges for services	\$ 0.42	\$ 0.42	-
Operating grants and contributions	1.90	0.89	113.48%
Capital grants and contributions	0.14	1.36	(89.71%)
General revenues:			
Investment earnings	0.01	0.02	(50.00%)
State Aid – formula grants	5.77	5.57	3.59%
Impact Aid	<u>6.27</u>	<u>6.03</u>	3.98%
Total revenues	<u>14.51</u>	<u>14.29</u>	1.54%
Expenses			
Instruction and instructional-related	8.32	8.39	(0.83%)
School leadership	0.64	0.64	-
Student services	1.99	2.34	(14.96%)
General administration	0.75	0.64	17.19%
Nonstudent services	2.15	1.90	13.16%
Interest on long-term debt	-	0.05	(100.00%)
Payments related to shared services arrangement	<u>0.27</u>	<u>0.15</u>	80.00%
Total expenses	<u>14.12</u>	<u>14.11</u>	0.07%
Increase in net assets	0.39	0.18	116.67%
Net assets at beginning of year	<u>30.99</u>	<u>30.81</u>	0.58%
Net assets at end of year	<u>\$ 31.38</u>	<u>\$ 30.99</u>	1.26%

Governmental Activities

Table A-6 presents the cost of each of the District’s major functions, as well as each function’s *net cost* (total cost less fees generated by the activities and intergovernmental aid). The remaining net cost reflects what was funded by state revenues, as well as Impact Aid dollars.

- The cost of all governmental activities this year was \$14.12 million.
- Charges for services and intergovernmental aid in forms of grants contributed totaled \$2.47 million.
- General revenues composed of State Aid, Impact Aid received in lieu of property taxes, as well as investment earnings, funded the remaining \$11.675 million.

Table A-6
Net Cost of Major District Functions
(In Millions of Dollars)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Percentage Change	2011	2010	Percentage Change
Instruction and instructional-related	\$ 8.32	\$ 8.39	(0.83%)	\$ 6.40	\$ 6.21	3.06%
School leadership	0.64	0.64	-	0.64	0.64	-
Student services	1.99	2.34	(14.96%)	1.48	1.85	(20.00%)
General administration	0.75	0.64	17.19%	0.75	0.64	17.19%
Nonstudent services	2.15	1.90	13.16%	2.12	1.90	11.58%
Interest on long-term debt	-	0.05	(100.00%)	-	0.05	(100.00%)
Payments related to shared services arrangement	<u>0.27</u>	<u>0.15</u>	80.00%	<u>0.27</u>	<u>0.15</u>	80.00%
Total expenses	<u>\$ 14.12</u>	<u>\$ 14.11</u>	0.07%	<u>\$ 11.66</u>	<u>\$ 11.44</u>	1.92%

Financial Analysis of the District’s Individual Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District’s Governmental Funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing the District’s financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Governmental Funds reported combined ending fund balances of \$10.20 million, an increase of approximately \$1.09 million in comparison to the prior year. Total unassigned fund balance was \$2.20 million, or 21.54%. The remainder of fund balance is divided into nonspendable, restricted, and assigned categories, as defined in the notes to the financial statements.

The General Fund is the chief operating fund of the District. The fund balance of the District's General Fund increased by \$1.28 million during the current fiscal year. The unassigned fund balance of \$2.20 million represents 20.00% of the total General Fund expenditures. This amount serves as a "rainy day" fund to assist the District when Impact Aid funding may be slow in coming or other funding contingencies.

Revenues from Governmental Funds types totaled \$14.42 million, an increase of approximately \$129,600 from the preceding year. State funds decreased by approximately \$9,900. Local revenues increased by approximately \$18,600, mostly due to an increase in investment earnings. However, there was an increase in federal funds of approximately \$120,900, mainly due to an increase in the Impact Aid local contribution rate of 6.48%.

General Fund Budgetary Highlights

The District amended its budget four times during the fiscal year. These amendments reclassified amounts between functions, but did not change the overall budgeted expenditures. Even with these adjustments, actual expenditures were below final budgeted amounts.

Resources available were approximately \$12.03 million under the final budgeted amount. There were no significant variances in revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the District had invested \$31.02 million in a broad range of capital assets, including buildings, vehicles, and equipment (see Table A-7). This amount represents a net increase (including additions and deductions) of approximately \$268,000, or 0.88% over last year. More detailed information about the District's capital assets is presented in the notes to financial statements.

Table A-7
The District's Capital Assets
(In Millions of Dollars)

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Buildings and improvements	\$ 25.70	\$ 25.51	0.74%
Vehicles and equipment	1.90	1.67	13.77%
Property under capital lease	3.39	3.39	-
Construction in progress	<u>0.03</u>	<u>0.18</u>	(83.33%)
Totals at historical cost	31.02	30.75	0.88%
Total accumulated depreciation	<u>(9.82)</u>	<u>(8.77)</u>	11.97%
Net capital assets	\$ <u>21.20</u>	\$ <u>21.98</u>	(3.55%)

Long-Term Debt

At year-end, the District had no long-term debt from capital leases. The only outstanding debt is attributable to compensated absences as shown in Table A-8. More detailed information about the District's debt is presented in the notes to financial statements.

Table A-8
The District's Long-Term Debt
(In Millions of Dollars)

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Capital leases payable	\$ -	\$ 0.08	(100.00%)
Compensated absences payable	<u>0.02</u>	<u>0.03</u>	(33.33%)
Total leases and other payables	\$ <u>0.02</u>	\$ <u>0.11</u>	(81.82%)

Economic Factors and Next Year's Budgets

- The state funding formula in effect for 2011-2012 will continue to provide similar funding amounts and amounts for teacher mandated salary increases.
- The District's 2012 refined average daily attendance will remain comparable to 2011. The District continues to accept military student transfers from the surrounding area in order to maintain this attendance rate.

- Title VIII – Impact Aid – Impact Aid payments for 2012 will be paid without the Table 9, Housing provision for students. This means the District needs to continue to accept transfer students, which are paid at 55% of the local contribution rate of \$8,345, or \$4,590, for each transfer student, in order to make up the difference for the loss in base housing.
- In estimating expenditures, the assumption is that the District will go back to a spending level that is similar to 2009-2010 fiscal year. The District has worked hard to reduce expenditures, while retaining all employees. The District has budgeted for no salary increases for next year. However, it has received a one-time grant from the American Recovery and Reinvestment Fund – Education Jobs Act in the amount of \$186,501 that has to be used for payroll. The District plans to offer a one-time supplemental pay for all employees in the fall of 2011, which can be funded from this grant, with the exception of central office employees. Central office employee supplemental pay will be paid out of local funds.

These factors were taken into account when adopting the General Fund budget for 2012. Amounts available for appropriation in the General Fund budget are \$12.46 million, an amount comparable to the final 2011 budget.

Expenditures are budgeted at \$12.46 million. The District has added no major new programs or initiatives to the 2012 budget and has taken measures to tighten expenditures. Additionally, the District has restricted fund balance in the amount of \$1.76 million to provide for the Department of Education Impact Aid overpayment contingency and has assigned fund balances of \$4.34 million for Impact Aid late payments, \$1.20 million for future construction, and \$350,000 for capital equipment. The District has a balanced budget for fiscal year 2012.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to: Randolph Field Independent School District, Finance Department, P.O. Box 2217, Universal City, Texas 78148.

Basic Financial Statements

Randolph Field Independent School District

Exhibit A-1 Statement of Net Assets

June 30, 2011

<u>Data Control Codes</u>		<u>1 Governmental Activities</u>
	Assets	
1110	Cash and cash equivalents	\$ 9,169,386
1240	Due from other governments	2,531,082
1300	Inventories – at cost	3,321
1410	Deferred expenditures – prepaid items	4,475
	Capital assets:	
1520	Buildings and improvements – net	18,429,932
1530	Vehicles and equipment – net	590,738
1550	Property under capital lease – net	2,142,355
1580	Construction in progress	<u>30,000</u>
1000	Total assets	<u><u>\$ 32,901,289</u></u>
	Liabilities	
2110	Accounts payable	\$ 60,347
2150	Payroll deductions and withholdings	9,960
2160	Accrued wages payable	844,230
2180	Due to other governments	336,773
2200	Accrued expenses	66,575
2300	Deferred revenues	187,685
	Noncurrent liabilities:	
2502	Due in more than one year	<u>17,730</u>
2000	Total liabilities	<u><u>\$ 1,523,300</u></u>
	Net Assets	
3200	Invested in capital assets – net of related debt	\$ 21,193,025
3820	Restricted for special revenue grants	152,000
3890	Restricted for Department of Education – Impact Aid	1,762,250
3900	Unrestricted	<u>8,270,714</u>
3000	Total net assets	<u><u>\$ 31,377,989</u></u>

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Exhibit B-1 Statement of Activities

For the Year Ended June 30, 2011

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
	Governmental activities:					
0011	Instruction	\$ 7,598,089	\$ 38,389	\$ 1,847,597	\$ 38,212	\$ (5,673,891)
0012	Instructional resources and media services	520,379	-	-	-	(520,379)
0013	Curriculum development and instructional staff development	199,415	-	-	-	(199,415)
0021	Instructional leadership	88,641	-	-	-	(88,641)
0023	School leadership	546,950	-	-	-	(546,950)
0031	Guidance, counseling, and evaluation services	560,076	-	-	-	(560,076)
0033	Health services	132,195	-	-	-	(132,195)
0034	Student (pupil) transportation	346,329	-	-	98,327	(248,002)
0035	Food services	441,124	362,253	-	-	(78,871)
0036	Cocurricular/extracurricular activities	512,251	17,950	29,000	-	(465,301)
0041	General administration	748,395	-	-	-	(748,395)
0051	Plant maintenance and operations	1,701,141	-	-	-	(1,701,141)
0053	Data processing services	451,331	-	33,839	-	(417,492)
0093	Payments related to shared services arrangement	275,404	-	-	-	(275,404)
TG	Total governmental activities	<u>14,121,720</u>	<u>418,592</u>	<u>1,910,436</u>	<u>136,539</u>	<u>(11,656,153)</u>
TP	Total primary government	<u>\$ 14,121,720</u>	<u>\$ 418,592</u>	<u>\$ 1,910,436</u>	<u>\$ 136,539</u>	<u>(11,656,153)</u>
	General revenues:					
IE	Investment earnings					9,729
GC	Grants and contributions not restricted to specific programs					<u>12,038,302</u>
TR	Total general revenues					<u>12,048,031</u>
CN	Change in net assets					391,878
NB	Net assets at beginning of year					<u>30,986,111</u>
NE	Net assets at end of year					<u>\$ 31,377,989</u>

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Exhibit C-1

Balance Sheet – Governmental Funds

June 30, 2011

<u>Data Control Codes</u>	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
Assets			
1110	\$ 8,853,934	\$ 315,452	\$ 9,169,386
1240	2,203,974	327,108	2,531,082
1300	-	3,321	3,321
1410	4,475	-	4,475
1000	<u>\$ 11,062,383</u>	<u>\$ 645,881</u>	<u>\$ 11,708,264</u>
Liabilities			
2110	\$ 60,300	\$ 47	\$ 60,347
2150	9,960	-	9,960
2160	747,223	97,007	844,230
2180	336,773	-	336,773
2200	58,708	7,867	66,575
2300	-	187,685	187,685
2000	<u>1,212,964</u>	<u>292,606</u>	<u>1,505,570</u>
Fund Balances			
Nonspendable:			
3430	4,475	-	4,475
3450	-	3,321	3,321
Restricted:			
3490	1,762,250	-	1,762,250
3490	-	148,679	148,679
Assigned:			
3590	4,335,384	-	4,335,384
3510	1,200,000	201,275	1,401,275
3590	300,000	-	300,000
3590	50,000	-	50,000
3600	2,197,310	-	2,197,310
3000	<u>9,849,419</u>	<u>353,275</u>	<u>10,202,694</u>
4000	<u>\$ 11,062,383</u>	<u>\$ 645,881</u>	<u>\$ 11,708,264</u>

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Exhibit C-1R

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2011

Total fund balances – Governmental Funds balance sheet	\$ 10,202,694
Amounts reported for governmental activities in the statement of net assets are different because:	
Beginning capital assets net of accumulated depreciation used in governmental activities are not reported in the funds	21,983,058
Beginning balance for payables for capital leases and compensated absences are not reported in the funds	(113,352)
Capital outlays are reported as expenditures in the funds, but capitalized in the statement of net assets	267,465
Depreciation of capital assets used in governmental activities is not reported in the funds	(1,057,498)
Repayment of capital lease principal is an expenditure in the funds, but is a reduction of capital lease payable in the statement of net assets	84,462
Change in compensated absences, which is not due in the current period, are not reported in the funds	<u>11,160</u>
Net assets of governmental activities – statement of net assets	<u>\$ 31,377,989</u>

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Exhibit C-2

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2011

<u>Data Control Codes</u>	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
Revenues			
5700	\$ 47,667	\$ 409,652	\$ 457,319
5800	5,757,387	55,088	5,812,475
5900	<u>6,456,607</u>	<u>1,688,870</u>	<u>8,145,477</u>
5020	<u>12,261,661</u>	<u>2,153,610</u>	<u>14,415,271</u>
Expenditures			
Current:			
0011	6,101,562	1,186,108	7,287,670
0012	520,379	-	520,379
0013	183,063	16,352	199,415
0021	88,641	-	88,641
0023	546,950	-	546,950
0031	473,386	86,690	560,076
0033	132,195	-	132,195
0034	276,331	15,133	291,464
0035	-	448,237	448,237
0036	485,663	30,501	516,164
0041	610,586	-	610,586
0051	1,234,965	250,000	1,484,965
0053	172,961	71,201	244,162
0071	84,462	-	84,462
0081	-	38,212	38,212
0093	<u>75,404</u>	<u>200,000</u>	<u>275,404</u>
6030	<u>10,986,548</u>	<u>2,342,434</u>	<u>13,328,982</u>
1100	<u>1,275,113</u>	<u>(188,824)</u>	<u>1,086,289</u>
1200	1,275,113	(188,824)	1,086,289
0100	<u>8,574,306</u>	<u>542,099</u>	<u>9,116,405</u>
3000	<u>\$ 9,849,419</u>	<u>\$ 353,275</u>	<u>\$ 10,202,694</u>

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Exhibit C-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2011

Net change in fund balances – total Governmental Funds	\$ 1,086,289
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the funds, but capitalized in the statement of net assets	267,465
Depreciation of capital assets is an expense in the statement of activities and not in the funds	(1,057,498)
Repayment of capital lease principal is an expenditure in the funds, but is a reduction of capital lease payable in the statement of net assets	84,462
Change in compensated absences, which is not reported as an expense in the funds	<u>11,160</u>
Change in net assets of governmental activities – statement of activities	<u>\$ 391,878</u>

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Statement of Assets and Liabilities – Fiduciary Funds

June 30, 2011

<u>Data Control Codes</u>		<u>Agency Fund</u>	<u>Student Activity Fund</u>
	Assets		
1110	Cash and cash equivalents	\$ <u>65,928</u>	
1000	Total assets	\$ <u><u>65,928</u></u>	
	Liabilities		
2110	Current liabilities – accounts payable	\$ <u>65,928</u>	
2000	Total liabilities	\$ <u><u>65,928</u></u>	

The accompanying notes are an integral part of this statement.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies

The basic financial statements of Randolph Field Independent School District (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units in conjunction with the Texas Education Agency’s (“TEA”) *Financial Accountability System Resource Guide* (“Resource Guide”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of Trustees (the “Board”), a five-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is appointed and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the TEA or to the state Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by GASB in its Statement No. 14, *The Financial Reporting Entity*, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-Wide Financial Statements: The statement of net assets and statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District’s funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major Governmental Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as nonmajor funds.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

The District reports the following major Governmental Funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Special Revenue Funds – 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. Generally, unused balances are returned to the grantor at the close of specified project periods.

Capital Projects Funds – These funds are used to account for resources and expenditures relating to the acquisition of capital facilities.

Agency Fund – This fund is used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds are presented in the fiduciary funds financial statement. However, because their assets are held in a trustee or agent capacity and, therefore, are not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include Impact Aid received in lieu of property taxes, grants, entitlements, and donations. Revenue from Impact Aid received in lieu of property taxes is recognized in the fiscal year for which the funds are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Funds Financial Statements: Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues, other than grants, reported in the Governmental Funds to be available if the revenues are collected within 60 days after year-end. Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred and all eligibility requirements have been met. Impact Aid revenues and

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

revenues received from the state are recognized under the susceptible-to-accrual concept. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments that have a remaining term of one year or less at the time of purchase.

b. Inventories and Deferred Expenditures

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred expenditures.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized. A capitalization threshold of \$5,000 is used.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-30 years
Vehicles	7-10 years
Equipment	5-10 years

d. Receivable and Payable Balances

The District believes sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year-end.

e. Compensated Absences

The District's policies do not provide for accumulation of vacation time, but do provide for accumulation of sick pay, which is payable on retirement or death, for employees retiring under the Teacher Retirement System of Texas ("TRS"). The total liability is \$17,730 at June 30, 2011.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

h. Data Control Codes

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Budgets

The official budget was prepared for adoption for all required Governmental Funds types. The following procedures are followed in establishing the budgetary data:

- (1) Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year that begins July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
- (3) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, several amendments were necessary.

Annual budgets are adopted on a basis consistent with GAAP for the General Fund and the Special Revenue Fund – Food Service. The remaining Special Revenue Funds and Capital Projects Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with GAAP. The budget was properly amended throughout the year by the Board. Such amendments are before the fact and are reflected in the official minutes of the Board.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

	<u>Original Budget</u>	<u>Increase</u>	<u>Amended Budget</u>
General Fund	\$ 12,224,501	\$ -	\$ 12,224,501
Special Revenue Fund – Food Service	<u>455,300</u>	<u>-</u>	<u>455,300</u>
	<u>\$ 12,679,801</u>	<u>\$ -</u>	<u>\$ 12,679,801</u>

j. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

k. Investments

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit ("CDs") are examples of nonparticipating interest-earning investment contracts.

l. Deferred Revenues

Deferred revenues arise principally from monies received that relate to the subsequent fiscal year.

m. Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the state Board of Education and approved by the state auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by the TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

n. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets restricted for special revenue grants are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net assets are comprised of the remainder of net assets that have no restrictions.

o. Fund Balance

Beginning with fiscal year 2011, the District implemented the provisions of GASB Statement No. 54 (“GASB No. 54”), *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB No. 54 provides more clearly defined fund balance classifications. Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the Governmental Funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually are required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. As of June 30, 2011, there were no committed fund balances.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note A – Summary of Significant Accounting Policies (continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In Governmental Funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a District official delegated that authority by the Board or by resolution.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other Governmental Funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board or its delegated official has provided otherwise in its commitment or assignment actions.

Note B – Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violations</u>	<u>Action Taken</u>
None reported	Not applicable

Note C – Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note C – Deposits and Investments (continued)

Cash Deposits

At June 30, 2011, the carrying amount of the District's deposits (cash, CDs, and interest-bearing savings accounts included in temporary investments) was \$2,659,797 and the bank balance was \$2,734,542. The District also had \$50 in petty cash. The District's cash deposits as of and for the year ended June 30, 2011 were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: JPMorgan Chase Bank, N.A.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,345,044.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$4,946,195 and occurred during the month of June 2011.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$3,760,224.

Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act ("PFIA"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for CDs.

PFIA determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies, and the state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; and (9) guaranteed investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and are subject to the provisions of PFIA, Chapter 2256 of the Texas Government Code. In addition to other provisions of this act designed to promote liquidity and safety of principal, this act requires Pools to: (1) have an advisory board composed of participants

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note C – Deposits and Investments (continued)

in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM, or an equivalent rating, by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio. A 2a-7 like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Texas Class Investment Pool ("Texas Class")

Texas Class is an interlocal trust comprised solely of governmental entities and is, therefore, exempt from registration with the SEC. It is organized and run under PFIA. The administrator and investment advisor, MBIA Municipal Investors Service Corporation and MBIA Capital Management, are registered with the SEC as investment advisors.

Lone Star Investment Pool ("Lone Star")

Lone Star is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and PFIA. Lone Star is managed by an 11-member board of trustees and, pursuant to the Investment Agreement, the board of trustees is authorized and directed to adopt and maintain bylaws consistent with the bylaws of the Texas School Cash Management Program. Pursuant to Section 2256.016(g) of PFIA, Lone Star has established an advisory board. The purpose of the advisory board is to gather and exchange information from participants and nonparticipants relating to Lone Star's operations. The advisory board has entered into an agreement with the Texas Association of School Boards ("TASB"), a Texas nonprofit corporation, pursuant to which TASB serves as administrator of Lone Star's operations. The net asset value of the District's investment in Lone Star approximates fair value.

Local Government Investment Cooperative ("LOGIC")

LOGIC operates in a manner consistent with SEC Rule 2a-7 of the Investment Company Act of 1940. LOGIC uses amortized cost rather than market value to report net assets to compute share prices. LOGIC is governed by a six-member board of directors. During the fiscal year, SWS Capital Corporation and Citigroup Asset Management served as LOGIC's general manager and investment manager, respectively.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note C – Deposits and Investments (continued)

Texas Local Government Investment Pool (“TexPool”)

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and PFIA. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller of Public Accounts has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. TexPool is carried at amortized cost, which approximates fair value.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity as of June 30, 2011:

<u>Description</u>	<u>Maturity</u>	<u>Days</u>	<u>Fair Value</u>
Merrill Lynch Institutional Fund	N/A	Daily	\$ 516,759
Texas Class investment pool	N/A	Daily	3,067,066
Lone Star investment pool	N/A	Daily	319,802
LOGIC investment pool	N/A	Daily	2,005,014
TexPool investment pool	N/A	Daily	<u>666,826</u>
Total investments			<u>\$ 6,575,467</u>

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note C – Deposits and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, which is in compliance with the District's investment policy. Presented below is the actual rating as of June 30, 2011 for each investment:

<u>Description</u>	<u>Investment Rating</u>	<u>Rating Organization</u>	<u>Fair Value</u>	<u>Percentage Invested</u>
Merrill Lynch Institutional Fund	A	Standard & Poor's	\$ 516,759	7.9%
Texas Class investment pool	AAAm	Standard & Poor's	3,067,066	46.6%
Lone Star investment pool	AAAm	Standard & Poor's	319,802	4.9%
LOGIC investment pool	AAAm	Standard & Poor's	2,005,014	30.5%
TexPool investment pool	AAAm	Standard & Poor's	<u>666,826</u>	<u>10.1%</u>
Total investments			<u>\$ 6,575,467</u>	<u>100.0%</u>

Concentration of Credit Risk

The District is required to disclose investments in any one issuer that represent 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The District's investments exceeding 5% are excluded from this requirement.

In addition, the investment policy of the District contains limitations on the amount that can be invested in any one issuer beyond that stipulated by PFIA.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note D – Due From Other Governments

The District participates in a variety of federal, state, and local programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal, state, and local governments as of June 30, 2011 are summarized below and are reported on the government-wide statement of net assets as due from other governments.

	<u>State Grants</u>	<u>Federal Grants</u>	<u>Total Grants</u>
General Fund	\$ 493,386	\$ 1,710,588	\$ 2,203,974
Other Governmental Funds	<u>91,456</u>	<u>235,652</u>	<u>327,108</u>
	<u>\$ 584,842</u>	<u>\$ 1,946,240</u>	<u>\$ 2,531,082</u>

Note E – Interfund Balances and Activities

1. Interfund Receivable and Payables

There are no interfund balances as of June 30, 2011.

2. Transfers To and From Other Funds

There are no transfers to and from other funds at June 30, 2011.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note F – Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Transfers/ Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated – construction in progress	\$ <u>178,612</u>	\$ <u>38,212</u>	\$ <u>(186,824)</u>	\$ <u>30,000</u>
Total capital assets not being depreciated	<u>178,612</u>	<u>38,212</u>	<u>(186,824)</u>	<u>30,000</u>
Capital assets being depreciated:				
Buildings and improvements	25,515,159	186,824	-	25,701,983
Vehicles and equipment	1,668,841	229,253	-	1,898,094
Property under capital lease	<u>3,386,469</u>	<u>-</u>	<u>-</u>	<u>3,386,469</u>
Total capital assets being depreciated	<u>30,570,469</u>	<u>416,077</u>	<u>-</u>	<u>30,986,546</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,460,611)	(811,440)	-	(7,272,051)
Vehicles and equipment	(1,186,812)	(120,544)	-	(1,307,356)
Property under capital lease	<u>(1,118,600)</u>	<u>(125,514)</u>	<u>-</u>	<u>(1,244,114)</u>
Total accumulated depreciation	<u>(8,766,023)</u>	<u>(1,057,498)</u>	<u>-</u>	<u>(9,823,521)</u>
Total capital assets being depreciated – net	<u>21,804,446</u>	<u>(641,421)</u>	<u>-</u>	<u>21,163,025</u>
Governmental activities capital assets – net	<u>\$ 21,983,058</u>	<u>\$ (603,209)</u>	<u>\$ (186,824)</u>	<u>\$ 21,193,025</u>

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note F – Capital Assets (continued)

Depreciation for the year ended June 30, 2011 was charged to functions as follows:

Instruction	\$ 375,881
Student (pupil) transportation	54,864
Food services	9,336
Cocurricular/extracurricular activities	56,263
General administration	137,809
Plant maintenance and operations	216,176
Data processing services	<u>207,169</u>
	<u>\$ 1,057,498</u>

Note G – Deferred Revenues

Deferred revenues at June 30, 2011 consisted of the following:

	Other Governmental Funds
	<hr/>
ARRA – Impact Aid Construction Grant	\$ <u>187,685</u>

Note H – Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note H – Long-Term Obligations (continued)

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital leases payable	\$ 84,462	\$ -	\$ (84,462)	\$ -	\$ -
Compensated absences payable*	28,890	1,560	(12,720)	17,730	-
Total governmental activities	\$ 113,352	\$ 1,560	\$ (97,182)	\$ 17,730	\$ -

*Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

Note I – Revenues From Local and Intermediate Sources

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

	General Fund	Other Governmental Funds	Total
Investment earnings	\$ 9,279	\$ 450	\$ 9,729
Food sales	-	362,253	362,253
Athletic activities	21,406	8,904	30,310
Other	16,982	38,045	55,027
	\$ 47,667	\$ 409,652	\$ 457,319

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note J – General Fund Federal Source Revenues

Federal revenues included in the General Fund for the year ended June 30, 2011 are as follows:

<u>Program or Source</u>	<u>Federal CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
Title VIII – Basic Payment Department of Defense	84.041	\$ 6,268,124	\$ 6,268,124
Supplemental Grant – Section 531	12.999	<u>188,483</u>	<u>188,483</u>
		<u>\$ 6,456,607</u>	<u>\$ 6,456,607</u>

Note K – Risk Management

The District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note L – Pension Plan

1. Plan Description

The District contributes to TRS, a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to TRS's 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, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet web site, www.trs.state.tx.us, under the TRS Publications heading.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note L – Pension Plan (continued)

2. Funding Policy

Contribution requirements are not actuarially determined, but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.00% of the member's annual compensation and a state contribution rate of not less than 6.00% and not more than 10.00% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.40% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.58% for July and August 2009, 6.40% for September to December 2009 and 6.64% for January 2010 through June 2011. In certain instances, the reporting district is required to make all or a portion of the state's contribution for fiscal years 2011, 2010, and 2009. State contributions to TRS made on behalf of the District's employees for fiscal years 2011, 2010, and 2009 were \$613,700, \$613,798, and \$602,113, respectively. The District paid additional state contributions for fiscal years 2011, 2010, and 2009 in the amount of \$5,663, \$5,412, and \$4,912, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

3. Medicare Part D

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows the Texas Public School Retired Employees Group Insurance Program ("TRS-Care") to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$21,760, \$20,378, and \$19,881 for fiscal years 2011, 2010, and 2009, respectively. Revenue and expenditures equal to the amount paid by the federal government were recognized during fiscal years 2011, 2010, and 2009. The recording of the revenue and expenditures paid on behalf of the District would have no effect on previously reported fund balance or net assets.

Note M – School District Retiree Health Plan

1. Plan Description

The District contributes to TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons, and their dependents, who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS board of trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note M – School District Retiree Health Plan (continued)

includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The state of Texas and active public school employee contribution rates were 1.00% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. According to Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For fiscal years 2011, 2010, and 2009, the state's contributions to TRS-Care were \$82,123, \$73,081, and \$70,634, respectively; the active member contributions were \$53,381, \$53,790, and \$45,906, respectively; and the District's contributions were \$45,168, \$45,513, and \$38,844, respectively, which equaled the required contributions each year.

Note N – Health Care Coverage

During the year ended June 30, 2011, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$375 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid into the state health insurance plan administered by TRS.

Note O – Contingencies

1. Contingencies

The District participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

On June 30, 2011, the District received a notice from the Department of Education Impact Aid Office (the "Department") that the District had received an overpayment of Impact Aid funds in the fiscal year 2009 in the amount of approximately \$1.7 million, based on a recalculation of Table 9, Housing. It is the District's position

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note O – Contingencies (continued)

that Table 9, Housing on impact application 53-TX-2009-0202 dated January 28, 2008 was completed to the best of its knowledge and belief based on the Department's audits performed. The Department changed the methodology and standard practice related to Table 9, Housing sometime during 2009. Since this was a standard operating procedure change by the Department, it held a meeting titled "Table 9 Review" at the National Association of Federally Impacted Schools fall conference on October 5, 2009. This meeting was held to discuss its change in the methodology and standard practice it was using to compute Table 9, Housing eligible students, as related to demolished housing. Due to these factors, it is the District's belief that the District's overpayment will be forgiven by the Department; therefore, a related liability has not been recorded; however, the District has classified the \$1.7 million as a restricted fund balance until this matter is resolved. In the opinion of the District, there are no reportable contingent liabilities, except as described above, relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at June 30, 2011.

Note P – Shared Services Arrangement ("SSA")

1. SSA – Fiscal Agent

The District participates in a SSA for Special Education under Texas Education Code ("TEC"), Section 29.007, with two other school districts. Although 33% of the activity of the SSA is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Fort Sam Houston Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is not accumulating significant financial resources or fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note P – Shared Services Arrangement (“SSA”) (continued)

Presented below are the revenues and expenditures attributable to the District’s participation.

Revenues:

5812 – State Foundation Program Revenue distributed by TEA	\$ <u>275,404</u>
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Expenditures:

6100 – Payroll costs	\$ 168,404
6200 – Professional and contracted services	80,248
6300 – Supplies and materials	9,126
6400 – Other operating costs	15,126
6600 – Capital outlay	<u>2,500</u>
	<u>\$ 275,404</u>

Note Q – Property/Casualty Program

During the year ended June 30, 2011, the District participated in the Property Casualty Alliance of Texas (“PCAT”) with coverages in auto liability, auto physical damage, band equipment, crime, equipment breakdown, general liability, legal liability, and property programs. PCAT is a risk-sharing pool created under the appropriate Texas statutes. All members participating in PCAT execute interlocal agreements that define the responsibilities of the parties. PCAT purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for most lines of coverage. The terms and limits of the stop-loss program vary by line of coverage. PCAT uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves.

Based on information available as of today, for the year ended June 30, 2011, the District will have no additional liability beyond the contractual obligations for payment of contributions.

PCAT engages the services of an independent auditor to conduct a financial audit after the close of each plan year. The audit is approved by PCAT’s board of trustees.

Note R – Unemployment Compensation Pool

During the year ended June 30, 2011, the District provided unemployment compensation coverage to its employees through participation in the Texas Association of School Boards Risk Management Fund (the “TASB Fund”). The TASB Fund was created, and is operated under, the provisions of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code. The TASB Fund’s Unemployment Compensation Program is authorized by Section 22.005 of the TEC and Chapter 172 of the Texas Local Government Code. All members participating in the TASB Fund execute interlocal agreements that define the responsibilities of the parties.

Randolph Field Independent School District

Notes to Financial Statements

June 30, 2011

Note R – Unemployment Compensation Pool (continued)

The TASB Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for unemployment compensation pool members.

The TASB Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on June 30. The audit is approved by the TASB Fund's board of trustees in February of the following year. The TASB Fund's most recent audited financial statements are available at TASB offices and have been filed with the Texas Department of Insurance in Austin.

Note S – Workers' Compensation Pool

During the year ended June 30, 2011, the District met its statutory workers' compensation obligations through participation in the Texas Workers' Compensation Solutions ("TWCS"). TWCS is a modified self-funded workers' compensation program created in accordance with Article 8309h, Section 2.4, of Vernon's Annotated Texas statutes. All claims are managed by Edwards Claims Administration. All districts participating in the plan execute an interlocal agreement that defines the responsibilities of the parties. The plan provides statutory workers' compensation benefits to its members and their injured employees.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

Randolph Field Independent School District

Exhibit G-1 Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Revenues					
5700	Local and intermediate sources	\$ 62,000	\$ 62,000	\$ 47,667	\$ (14,333)
5800	State program revenues	5,910,357	5,910,357	5,757,387	(152,970)
5900	Federal program revenues	<u>6,056,596</u>	<u>6,056,596</u>	<u>6,456,607</u>	<u>400,011</u>
5020	Total revenues	<u>12,028,953</u>	<u>12,028,953</u>	<u>12,261,661</u>	<u>232,708</u>
Expenditures					
Current:					
Instruction and instructional-related services:					
0011	Instruction	7,132,864	6,772,164	6,101,562	670,602
0012	Instructional resources and media services	482,110	532,110	520,379	11,731
0013	Curriculum development and instructional staff development	<u>231,425</u>	<u>231,425</u>	<u>183,063</u>	<u>48,362</u>
	Total instruction and instructional-related services	<u>7,846,399</u>	<u>7,535,699</u>	<u>6,805,004</u>	<u>730,695</u>
Instructional and school leadership:					
0021	Instructional leadership	84,711	104,711	88,641	16,070
0023	School leadership	<u>522,145</u>	<u>557,145</u>	<u>546,950</u>	<u>10,195</u>
	Total instructional and school leadership	<u>606,856</u>	<u>661,856</u>	<u>635,591</u>	<u>26,265</u>
Support services – student (pupil):					
0031	Guidance, counseling, and evaluation services	502,117	502,117	473,386	28,731
0033	Health services	130,402	145,402	132,195	13,207
0034	Student (pupil) transportation	268,964	288,964	276,331	12,633
0036	Cocurricular/extracurricular activities	<u>500,487</u>	<u>531,188</u>	<u>485,663</u>	<u>45,525</u>
	Total support services – student (pupil)	<u>1,401,970</u>	<u>1,467,671</u>	<u>1,367,575</u>	<u>100,096</u>
Administrative support services:					
0041	General administration	<u>577,366</u>	<u>617,366</u>	<u>610,586</u>	<u>6,780</u>
	Total administrative support services	<u>577,366</u>	<u>617,366</u>	<u>610,586</u>	<u>6,780</u>

Randolph Field Independent School District

Exhibit G-1 Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2011

(Continued)

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Expenditures (continued)					
Current: (continued)					
Support services – nonstudent based:					
0051	Plant maintenance and operations	\$ 1,168,928	\$ 1,318,927	\$ 1,234,965	\$ 83,962
0053	Data processing services	278,520	278,520	172,961	105,559
	Total support services – nonstudent based	<u>1,447,448</u>	<u>1,597,447</u>	<u>1,407,926</u>	<u>189,521</u>
Debt service:					
0071	Principal on long-term debt	84,462	84,462	84,462	-
Intergovernmental charges:					
0093	Payments related to shared services arrangement	260,000	260,000	75,404	184,596
	Total intergovernmental charges	<u>260,000</u>	<u>260,000</u>	<u>75,404</u>	<u>184,596</u>
6030	Total expenditures	<u>12,224,501</u>	<u>12,224,501</u>	<u>10,986,548</u>	<u>1,237,953</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(195,548)</u>	<u>(195,548)</u>	<u>1,275,113</u>	<u>1,470,661</u>
1200	Net change in fund balance	(195,548)	(195,548)	1,275,113	1,470,661
0100	Fund balance at beginning of year	<u>8,574,306</u>	<u>8,574,306</u>	<u>8,574,306</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 8,378,758</u>	<u>\$ 8,378,758</u>	<u>\$ 9,849,419</u>	<u>\$ 1,470,661</u>

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Other Supplementary Information Section

This section includes financial information and disclosures that are not required by the Governmental Accounting Standards Board and are not considered a part of the basic financial statements. It may, however, include information that is required by other entities.

Randolph Field Independent School District

Exhibit J-1

Schedule of Expenditures for Computation of Indirect Cost for 2011-2012 – General and Special Revenue Funds

For the Year Ended June 30, 2011

Function 41 and Related Function 53 – General Administration

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt.'s Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll costs	\$ -	\$ -	\$ 307,574	\$ 251,026	\$ -	\$ -	\$ 558,600
6149	Fringe benefits – unused leave for separating employees in Function 41 and related Function 53	-	-	-	-	-	-	-
6149	Fringe benefits – unused leave for separating employees in all functions except Function 41 and related Function 53	-	-	-	-	-	-	-
6211	Legal services	700	-	7,148	-	-	-	7,848
6212	Audit services	-	-	-	40,000	-	-	40,000
6213	Tax appraisal and collection	-	-	-	-	-	-	-
621X	Other professional services	-	-	850	8,210	-	-	9,060
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	30,327	-	-	30,327
6240	Construction, maintenance, and repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	3,360	3,360
6290	Miscellaneous construction	-	-	-	-	-	-	-
6310	Operational supplies and materials	-	-	-	-	-	-	-
6320	Textbooks and reading	-	-	5,251	326	-	-	5,577
6330	Testing materials	-	-	-	-	-	-	-
63XX	Other supplies and materials	-	-	4,419	1,478	-	-	5,897
6410	Travel, subsistence, and stipends	4,021	-	9,342	8,037	-	-	21,400
6420	Insurance and bonding costs	3,403	-	-	-	-	-	3,403
6430	Election costs	-	-	-	-	-	-	-
6490	Miscellaneous operating	7,522	-	14,429	6,935	-	-	28,886
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	10,874	10,874
6490	Total	<u>\$ 15,646</u>	<u>\$ -</u>	<u>\$ 349,013</u>	<u>\$ 346,339</u>	<u>\$ -</u>	<u>\$ 14,234</u>	<u>\$ 725,232</u>

Total expenditures for General and Special Revenue Funds (9) \$ 13,079,032

Less deductions of unallowable costs

Fiscal Year

Total capital outlay (6600)	(10) \$ 267,465
Total debt and lease (6500)	(11) \$ 84,462
Plant maintenance (Function 51, 6100-6400)	(12) \$ 1,472,841
Food (Functions 35, 6341, and 6499)	(13) \$ 180,975
Stipends (6413)	(14) \$ -
Column 4 (above) – total indirect cost	<u>\$ 346,339</u>
Subtotal	<u>2,352,082</u>
Net allowed direct cost	<u>\$ 10,726,950</u>

Cumulative

Total cost of buildings before depreciation (1520)	(15) \$ 25,701,983
Historical cost of buildings over 50 years old	(16) \$ -
Amount of federal money in building cost (net of #16)	(17) \$ 10,101,923
Total cost of furniture and equipment before depreciation (1530 and 1540)	(18) \$ 590,738
Historical cost of furniture and equipment over 16 years old	(19) \$ -
Amount of federal money in furniture and equipment (net of #19)	(20) \$ 251,463

(8) Note A – \$114,646 in Function 53 expenditures is included in this report as administrative costs.

Randolph Field Independent School District

Exhibit J-2

Budgetary Comparison Schedule Required by the Texas Education Agency – National School Breakfast and Lunch Program

For the Year Ended June 30, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Revenues					
5700	Local and intermediate sources	\$ 355,365	\$ 355,365	\$ 362,253	\$ 6,888
5800	State program revenues	14,435	14,435	15,429	994
5900	Federal program revenues	<u>85,500</u>	<u>85,500</u>	<u>68,335</u>	<u>(17,165)</u>
5020	Total revenues	<u>455,300</u>	<u>455,300</u>	<u>446,017</u>	<u>(9,283)</u>
Expenditures					
Current:					
Support services – student (pupil):					
0035	Food services	<u>455,300</u>	<u>455,300</u>	<u>448,237</u>	<u>7,063</u>
	Total support services – student (pupil)	<u>455,300</u>	<u>455,300</u>	<u>448,237</u>	<u>7,063</u>
6030	Total expenditures	<u>455,300</u>	<u>455,300</u>	<u>448,237</u>	<u>7,063</u>
1100	Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(2,220)</u>	<u>(2,220)</u>
1200	Net change in fund balance	-	-	(2,220)	(2,220)
0100	Fund balance at beginning of year	<u>73,453</u>	<u>73,453</u>	<u>73,453</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 73,453</u>	<u>\$ 73,453</u>	<u>\$ 71,233</u>	<u>\$ (2,220)</u>

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Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards*

To the Board of Trustees
Randolph Field Independent School District
Universal City, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Randolph Field Independent School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal controls 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, and the Public Funds Investment Act, 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* or the Public Funds Investment Act.

We noted certain matters that we reported to management of the District in a separate letter, dated October 21, 2011.

This report is intended solely for the information and use of management, others within the District, the Board of Trustees, the federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
October 21, 2011

Independent Auditors' 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

To the Board of Trustees
Randolph Field Independent School District
Universal City, Texas

Compliance

We have audited Randolph Field Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' 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 management. 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 Nonprofit 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

The 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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the District, the Board of Trustees, the federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratmann & Co., L.L.P.

Certified Public Accountants
October 21, 2011

Randolph Field Independent School District

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

2. Federal Awards

Type of auditors' report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041	Title VIII – Basic Payment
84.394A	ARRA Title XIV – State Fiscal Stabilization Fund
84.404	ARRA – Impact Aid Construction Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

B. Financial Statement Findings: None

C. Federal Award Findings and Questioned Costs: None

Randolph Field Independent School District

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	-	No prior year findings

Randolph Field Independent School District

Corrective Action Plan

For the Year Ended June 30, 2011

Program	Corrective Action Plan
None	No current year findings

Randolph Field Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

<u>Data Control Codes</u>	<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Defense:</u>				
Passed Through Direct Program:				
497	Department of Defense Supplemental Grant – Section 531	12.999	N/A	\$ 188,483
497	DoDEA Grant – Promoting Student Achievement Grant	12.030	HE12600910008	<u>364,553</u>
Total United States Department of Defense				<u>553,036</u>
<u>United States Department of Education:</u>				
Passed Through State Department of Education:				
211	ESEA Title I Part A – Improving Basic Programs	84.010A	11610101015906	61,318
255	ESEA Title II – Teacher and Principal Training	84.367A	427104	<u>16,352</u>
Total Passed Through State Department of Education				<u>77,670</u>
Passed Through Direct Programs:				
311	Title VIII – Basic Payment*	84.041	53-TX-2011-0202	6,268,124
266	ARRA Title XIV – State Fiscal Stabilization Fund	84.394A	11557001015906	1,140,101
567	ARRA – Impact Aid Construction Grant*	84.404	S404A090160	<u>38,212</u>
Total Passed Through Direct Programs				<u>7,446,437</u>
Total United States Department of Education				<u>7,524,107</u>
<u>United States Department of Agriculture:</u>				
Passed Through State Department of Education:				
559	National School Breakfast Program*	10.553	2011IN109946	7,248
240	National School Lunch Program*	10.555	2011IN109946	51,348
495	Commodity Supplemental Food Program	10.565	015906	<u>9,738</u>
Total Passed Through State Department of Education				<u>68,334</u>
Total United States Department of Agriculture				<u>68,334</u>
Total Expenditures of Federal Awards				<u>\$ 8,145,477</u>

*Indicates clustered program under *OMB Circular A-133 Compliance Supplement*.

Randolph Field Independent School District

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

1. The District utilizes the fund types specified in the TEA's 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. As a general practice, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Agency Funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Funds, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Government 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, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences, claims, and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. Commodity Supplement Food Program (CFDA #10.565) received like-kind goods, and no grant revenue received was reported on the schedule for the monetary value of these goods.
4. The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingency.

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Randolph Field Independent School District

Exhibit L-1

Schedule of Required Responses to Selected School First Indicators

June 30, 2011

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -