

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2011

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CERTIFICATE OF THE BOARD

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Name of School District

PECOS  
County

186-903  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

\_\_\_\_ approved \_\_\_\_ disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such School District  
(Check One)

on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

<Signature on File with TEA>  
Signature of Board Secretary

<Signature on File with TEA>  
Signature of Board President

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

FINANCIAL SECTION



A Limited Liability Partnership

Jerry L. Tinkler, CPA  
Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Independent School District as of and for the year ended August 31, 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 administration. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the administration, 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 Iraan-Sheffield Independent School District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the Iraan-Sheffield Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 34 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the administration regarding the methods of preparing the information and comparing the information for consistency with the administration's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iraan-Sheffield Independent School District's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of the administration and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The fund balance and cash flow calculation worksheet which is marked "Unaudited," has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

*<Signature on File with TEA>*

December 12, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### UNAUDITED

Our discussion and analysis of the Iraan-Sheffield Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2011. It should be read in conjunction with the District's basic financial statements and independent auditors' report.

#### **Financial Highlights**

The District's assets exceeded its liabilities at the end of the current year by \$20,495,692 (net assets). None of this amount may be used to meet the District's ongoing obligations since \$14,448,384 is restricted and \$8,751,804 represents invested in capital assets, net of related debt.

The District's total net assets increased by \$223,007 or 1.1%. This amount consists of a \$149,814 decrease attributable to current year operations and a \$372,821 increase attributable to prior period adjustments described in Note IV., J. to the financial statements. The District's statement of activities shows total revenues of \$22,815,744 and total expenses of \$22,965,558.

The total fund balance of the General Fund was \$6,092,810 which was an increase of \$1,051,693 or 20.9% compared to the prior year.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the District's net assets changed during the current year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### UNAUDITED

#### Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

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

**Proprietary Funds** - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its employee health insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

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

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

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

**UNAUDITED**

**Government-Wide Financial Analysis**

**Net Assets** - A summary of the District's net assets is presented below:

NET ASSETS

	Governmental Activities	
	August 31,	
	2011	2010
Current and Other Assets	\$ 29,698,602	\$ 12,722,782
Capital Assets	14,342,964	14,471,251
Total Assets	\$ 44,041,566	\$ 27,194,033
Long-Term Liabilities Outstanding	\$ 20,304,357	\$ 5,081,000
Other Liabilities	3,241,517	1,840,348
Total Liabilities	\$ 23,545,874	\$ 6,921,348
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 8,751,804	\$ 9,390,251
Restricted	14,448,384	0
Unrestricted (Deficit)	(2,704,496)	10,882,434
Total Net Assets	\$ 20,495,692	\$ 20,272,685

A large portion of the District's net assets (\$8,751,804) reflects the District's investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$14,448,384) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$2,704,496.

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

**UNAUDITED**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities decreased the District's net assets by \$149,814 and \$596,614 for the fiscal years ended August 31, 2011 and 2010, respectively. Key elements of these decreases are as follows:

CHANGES IN NET ASSETS

	Governmental Activities	
	Year Ended August 31,	
	2011	2010
Revenues		
Program Revenues		
Charges for Services	\$ 941,286	\$ 162,185
Operating Grants and Contributions	1,164,196	1,462,923
General Revenues		
Maintenance and Operations Taxes	18,938,938	16,378,984
State Aid - Formula Grants	1,620,362	2,595,899
Grants and Contributions Not Restricted to Specific Programs	666	737
Investment Earnings	65,644	50,933
Other	84,652	43,045
	<u>\$ 22,815,744</u>	<u>\$ 20,694,706</u>
Expenses		
Instruction and Instructional-Related Services	\$ 5,143,107	\$ 5,748,233
Instructional and School Leadership	686,513	780,508
Support Services - Student (Pupil)	1,460,334	1,517,593
Administrative Support Services	690,992	700,977
Support Services - Nonstudent Based	1,538,037	1,547,070
Debt Service	430,391	18,370
Intergovernmental Charges	13,016,184	10,978,569
	<u>\$ 22,965,558</u>	<u>\$ 21,291,320</u>
Increase (Decrease) in Net Assets	\$ (149,814)	\$ (596,614)
Net Assets - Beginning	20,272,685	21,510,427
Prior Period Adjustments	<u>372,821</u>	<u>(641,128)</u>
Net Assets - Ending	<u>\$ 20,495,692</u>	<u>\$ 20,272,685</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### UNAUDITED

#### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$20,546,946, an increase of \$15,497,359 or 75.4% in comparison with the prior year. This fund balance is reported in various governmental funds as follows:

General Fund \$6,092,810. Of this balance \$3,500,000 is committed for equipment purchases and other purposes.

Capital Projects Fund \$14,447,807. This balance is restricted for construction costs.

#### General Fund Budget

The original budget for the General Fund was \$22,979,305, and the final amended budget was \$23,079,305 which represents a \$100,000 increase in appropriations. Significant variances between the original budget and the final amended budget were caused by an increase in Contracted Instructional Services Between Schools (\$645,000) and a decrease in Instruction (\$609,000).

The District has adopted a budget for the General Fund in the amount of \$23,550,825 for the fiscal year 2012, which is an increase of \$471,520 from the fiscal year 2011.

#### Capital Assets and Debt

**Capital Assets** - The District's investment in capital assets, net of depreciation, for its governmental type activities as of August 31, 2011 and 2010, was \$14,342,964 and \$14,471,251, respectively. This investment in capital assets includes land, buildings and improvements, and furniture and equipment. Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2011.

**Long-Term Debt** - As of August 31, 2011 and 2010, the District had total long-term debt outstanding of \$20,304,357 and \$5,081,000, respectively. Long-term debt includes a maintenance tax note and bonds. Financial statement footnote III., G. discloses the District's debt activity for the year ended August 31, 2011.

#### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kevin Allen, Superintendent, Iraan-Sheffield Independent School District, P.O. Box 486, Iraan, TX 79744-0486.

Basic Financial Statements

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Temporary Investments	\$ 28,962,776
1220 Property Taxes Receivable (Delinquent)	345,334
1230 Allowance for Uncollectible Taxes	(177,500)
1240 Due from Other Governments	248,975
1290 Other Receivables, Net	27,693
1410 Deferred Expenses	25,934
1420 Capitalized Bond and Other Debt Issuance Costs	265,390
Capital Assets:	
1510 Land	24,530
1520 Buildings, Net	12,745,079
1530 Furniture and Equipment, Net	1,157,424
1580 Construction in Progress	415,931
1000 Total Assets	44,041,566
<b>LIABILITIES</b>	
2110 Accounts Payable	351,176
2140 Interest Payable	42,465
2160 Accrued Wages Payable	259,988
2180 Due to Other Governments	841,409
2300 Deferred Revenues	1,746,479
Noncurrent Liabilities	
2501 Due Within One Year	1,977,344
2502 Due in More Than One Year	18,327,013
2000 Total Liabilities	23,545,874
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	8,751,804
3850 Restricted for Debt Service	577
3860 Restricted for Capital Projects	14,447,807
3900 Unrestricted Net Assets (Deficit)	(2,704,496)
3000 Total Net Assets	\$ 20,495,692

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets  Primary Gov. Governmental Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 4,965,601	\$ 772,838	\$ 659,225	\$ (3,533,538)
12 Instructional Resources and Media Services	98,178	-	3,434	(94,744)
13 Curriculum and Instructional Staff Development	79,328	-	26,572	(52,756)
23 School Leadership	686,513	-	30,958	(655,555)
31 Guidance, Counseling, and Evaluation Services	173,161	-	6,702	(166,459)
33 Health Services	95,530	-	3,805	(91,725)
34 Student (Pupil) Transportation	327,623	-	7,033	(320,590)
35 Food Services	350,358	29,758	87,032	(233,568)
36 Extracurricular Activities	513,662	8,115	11,587	(493,960)
41 General Administration	690,992	7,009	20,822	(663,161)
51 Facilities Maintenance and Operations	1,237,847	123,566	294,793	(819,488)
53 Data Processing Services	300,190	-	12,233	(287,957)
72 Debt Service - Interest on Long-Term Debt	430,391	-	-	(430,391)
91 Contracted Instructional Services Between Schools	12,734,729	-	-	(12,734,729)
93 Payments Related to Shared Services Arrangements	161,196	-	-	(161,196)
99 Other Intergovernmental Charges	120,259	-	-	(120,259)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 22,965,558	\$ 941,286	\$ 1,164,196	(20,860,076)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		18,938,938
SF	State Aid - Formula Grants		1,620,362
GC	Grants and Contributions not Restricted		666
IE	Investment Earnings		65,644
MI	Miscellaneous Local and Intermediate Revenue		84,652
TR	Total General Revenues		20,710,262
CN	Change in Net Assets		(149,814)
NB	Net Assets--Beginning		20,272,685
PA	Prior Period Adjustment		372,821
NE	Net Assets--Ending		\$ 20,495,692

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Temporary Investments	\$ 8,762,740	\$ 14,555,704	\$ 8,500	\$ 23,326,944
1220 Property Taxes - Delinquent	345,334	-	-	345,334
1230 Allowance for Uncollectible Taxes (Credit)	(177,500)	-	-	(177,500)
1240 Due from Other Governments	223,722	-	25,253	248,975
1290 Other Receivables	19,373	-	-	19,373
1410 Deferred Expenditures	25,934	-	-	25,934
1000 Total Assets	<u>\$ 9,199,603</u>	<u>\$ 14,555,704</u>	<u>\$ 33,753</u>	<u>\$ 23,789,060</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 116,389	\$ 107,897	\$ 2,118	\$ 226,404
2160 Accrued Wages Payable	234,682	-	25,306	259,988
2180 Due to Other Governments	841,409	-	-	841,409
2300 Deferred Revenues	1,914,313	-	-	1,914,313
2000 Total Liabilities	<u>3,106,793</u>	<u>107,897</u>	<u>27,424</u>	<u>3,242,114</u>
Fund Balances:				
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	14,447,807	-	14,447,807
3480 Retirement of Long-Term Debt	-	-	577	577
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	1,500,000	-	-	1,500,000
3545 Other Committed Fund Balance	2,000,000	-	5,752	2,005,752
3600 Unassigned Fund Balance	2,592,810	-	-	2,592,810
3000 Total Fund Balances	<u>6,092,810</u>	<u>14,447,807</u>	<u>6,329</u>	<u>20,546,946</u>
4000 Total Liabilities and Fund Balances	<u>\$ 9,199,603</u>	<u>\$ 14,555,704</u>	<u>\$ 33,753</u>	<u>\$ 23,789,060</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2011

<b>Total Fund Balances - Governmental Funds</b>	\$	20,546,946
1 The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net assets.		5,519,379
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities in the governmental activities is to increase (decrease) net assets.		9,471,881
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,006,996
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(818,234)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions and the proceeds of capital appreciation and current interest bonds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(15,231,276)
<b>19 Net Assets of Governmental Activities</b>	<u>\$</u>	<u>20,495,692</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 19,971,601	\$ 24,840	\$ 67,726	\$ 20,064,167
5800 State Program Revenues	1,932,776	-	39,486	1,972,262
5900 Federal Program Revenues	-	-	812,962	812,962
5020 Total Revenues	<u>21,904,377</u>	<u>24,840</u>	<u>920,174</u>	<u>22,849,391</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	3,962,317	-	490,540	4,452,857
0012 Instructional Resources and Media Services	84,539	-	3,853	88,392
0013 Curriculum and Instructional Staff Development	48,839	-	24,097	72,936
0023 School Leadership	606,610	-	-	606,610
0031 Guidance, Counseling, and Evaluation Services	154,132	-	-	154,132
0033 Health Services	84,928	-	8	84,936
0034 Student (Pupil) Transportation	309,990	-	-	309,990
0035 Food Services	-	-	322,628	322,628
0036 Extracurricular Activities	467,612	-	16,518	484,130
0041 General Administration	636,553	-	-	636,553
0051 Facilities Maintenance and Operations	906,599	-	271,063	1,177,662
0053 Data Processing Services	271,708	-	-	271,708
<b>Debt Service:</b>				
0071 Principal on Long-Term Debt	350,982	-	-	350,982
0072 Interest on Long-Term Debt	20,564	-	375,894	396,458
0073 Bond Issuance Cost and Fees	-	189,215	-	189,215
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	90,252	599,695	-	689,947
<b>Intergovernmental:</b>				
0091 Contracted Instructional Services Between Schools	12,734,729	-	-	12,734,729
0093 Payments to Fiscal Agent/Member Districts of SSA	161,196	-	-	161,196
0099 Other Intergovernmental Charges	120,259	-	-	120,259
6030 Total Expenditures	<u>21,011,809</u>	<u>788,910</u>	<u>1,504,601</u>	<u>23,305,320</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>892,568</u>	<u>(764,070)</u>	<u>(584,427)</u>	<u>(455,929)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	14,999,996	-	14,999,996
7915 Transfers In	-	-	582,286	582,286
7916 Premium or Discount on Issuance of Bonds	-	588,329	-	588,329
8911 Transfers Out (Use)	(205,838)	(376,448)	-	(582,286)
8949 Other (Uses)	(7,858)	-	-	(7,858)
7080 Total Other Financing Sources (Uses)	<u>(213,696)</u>	<u>15,211,877</u>	<u>582,286</u>	<u>15,580,467</u>
1200 Net Change in Fund Balances	678,872	14,447,807	(2,141)	15,124,538
0100 Fund Balance - September 1 (Beginning)	5,041,117	-	8,470	5,049,587
1300 Increase (Decrease) in Fund Balance	372,821	-	-	372,821
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,092,810</u>	<u>\$ 14,447,807</u>	<u>\$ 6,329</u>	<u>\$ 20,546,946</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	15,124,538
The District uses an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		(30,357)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,006,996
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(818,234)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(15,432,757)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>(149,814)</b>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2011

EXHIBIT D-1

	Governmental Activities -
	Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Temporary Investments	\$ 5,635,831
Other Receivables	<u>8,320</u>
Total Assets	<u>5,644,151</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	<u>124,772</u>
Total Liabilities	<u>124,772</u>
<b>NET ASSETS</b>	
Unrestricted Net Assets	<u>5,519,379</u>
Total Net Assets	<u><u>\$ 5,519,379</u></u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

	Governmental Activities -
	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Local and Intermediate Sources	\$ 851,521
Total Operating Revenues	851,521
<b>OPERATING EXPENSES:</b>	
Professional and Contracted Services	892,219
Total Operating Expenses	892,219
Operating Income (Loss)	(40,698)
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Earnings from Temporary Deposits and Investments	10,341
Total Nonoperating Revenues (Expenses)	10,341
Change in Net Assets	(30,357)
Total Net Assets - September 1 (Beginning)	5,549,736
Total Net Assets - August 31 (Ending)	\$ 5,519,379

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 851,521
Cash Payments for Other Operating Expenses	(869,684)
Net Cash Used for Operating Activities	<u>(18,163)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>10,341</u>
Net Decrease in Cash and Cash Equivalents	(7,822)
Cash and Cash Equivalents at Beginning of Year	<u>5,643,653</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,635,831</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (40,698)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(1,947)
Increase (Decrease) in Accounts Payable	<u>24,482</u>
Net Cash Used for Operating Activities	<u>\$ (18,163)</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2011

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	Agency Fund
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ASSETS	
Cash and Temporary Investments	\$ 15,845
Total Assets	<u>\$ 15,845</u>
LIABILITIES	
Due to Student Groups	\$ 15,845
Total Liabilities	<u>\$ 15,845</u>

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Iraan-Sheffield Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Iraan-Sheffield Independent School District (the primary government). There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net assets and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net assets.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned,

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as deferred revenues until related and authorized expenditures have been made.

The proprietary funds and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

The government reports the following major governmental funds:

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

The Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a self-insured employee health insurance program.

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

**D. Cash and Cash Equivalents - Proprietary Funds**

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**E. Interfund Receivables and Payables**

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

**F. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

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

**G. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles	12
Furniture and Equipment	12

**H. Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**I. Long-Term Obligations - Continued**

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

**J. Compensated Absences**

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

**K. Fund Balances/Equity**

The District implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are 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 of Trustees has provided otherwise in its commitment or assignment actions.

Unrestricted net assets for proprietary funds represent the net assets available for future operations.

**L. Net Assets on the Statement of Net Assets**

Net assets on the statement of net assets including the following:

Invested in Capital Assets, Net of Related Debt - This component of net assets represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net assets represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**L. Net Assets on the Statement of Net Assets - Continued**

Restricted for Capital Projects - This component of net assets represents the difference between assets and liabilities of the Capital Projects Fund. This consists of this Fund's net assets with constraints placed on their use by creditors.

Unrestricted - The difference between assets and liabilities that is not reported in net assets invested in capital assets, net of related debt, or restricted net assets.

**M. Property Tax Revenues**

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. Taxes are delinquent if not paid by June 30. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**N. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

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

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**A. Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk - Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

**Concentration of Credit Risk:** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2011, all of the District's investments are in external investment pools.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2011, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** The District's investment policy limits its exposure to fair value losses arising from fluctuating interest rates by using final and weighted-average-maturity limits and diversification.

**Foreign Currency Risk:** Not applicable

IRAAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**A. Deposits and Investments - Continued**

The carrying amount of the District's cash and temporary investments at August 31, 2011, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,688,087
Lone Star Investment Pool	18,477,423
TexPool	8,299,583
LOGIC	<u>513,528</u>
Total Cash and Temporary Investments	<u><u>\$ 28,978,621</u></u>

**B. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 109,789	\$ 0	\$ 113,933	\$ 223,722
Special Revenue Funds	<u>0</u>	<u>25,253</u>	<u>0</u>	<u>25,253</u>
Totals	<u><u>\$ 109,789</u></u>	<u><u>\$ 25,253</u></u>	<u><u>\$ 113,933</u></u>	<u><u>\$ 248,975</u></u>

**C. Interfund Transfers**

Interfund transfers consist of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 205,838	Operating Transfers
Capital Projects Fund	Nonmajor Governmental Funds	<u>376,448</u>	Transfer of Bond Interest Proceeds
Total		<u><u>\$ 582,286</u></u>	

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2011, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 24,530	\$ 0	\$ 0	\$ 0	\$ 24,530
Buildings and Improvements	19,352,974	274,016	0	0	19,626,990
Furniture and Equipment	2,244,657	0	83,250	0	2,161,407
Construction in Progress	<u>0</u>	<u>415,931</u>	<u>0</u>	<u>0</u>	<u>415,931</u>
Total Capital Assets	<u>\$ 21,622,161</u>	<u>\$ 689,947</u>	<u>\$ 83,250</u>	<u>\$ 0</u>	<u>\$ 22,228,858</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (6,246,597)	\$ (635,314)	\$ 0	\$ 0	\$ (6,881,911)
Furniture and Equipment	<u>(904,313)</u>	<u>(182,920)</u>	<u>(83,250)</u>	<u>0</u>	<u>(1,003,983)</u>
Total Accumulated Depreciation	<u>\$ (7,150,910)</u>	<u>\$ (818,234)</u>	<u>\$ (83,250)</u>	<u>\$ 0</u>	<u>\$ (7,885,894)</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,471,251</u>	<u>\$ (128,287)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,342,964</u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 487,202
Instructional Resources and Media Services	9,453
Curriculum and Instructional Staff Development	6,224
School Leadership	77,312
Guidance, Counseling, and Evaluation Services	18,362
Health Services	10,260
Student (Pupil) Transportation	17,300
Food Services	25,744
Cocurricular/Extracurricular Activities	28,859
General Administration	52,842
Facilities Maintenance and Operations	57,227
Data Processing Services	<u>27,449</u>
Total	<u>\$ 818,234</u>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**E. Deferred Revenues**

Deferred revenues at year end consisted of the following:

	General Fund
Net Delinquent Taxes Receivable	\$ 167,834
State Grants	5,322
Foundation School Program Act Entitlements	1,741,157
Totals	\$ 1,914,313

**F. Commitments Under Noncapitalized Leases**

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2011, as follows:

	Year Ending August 31,
2012	\$ 29,431
2013	29,431
2014	22,377
2015	11,470
2016	2,867
Total Minimum Rentals	\$ 95,576

Rental expenditures during the year ended August 31, 2011, were \$30,384.

**G. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended August 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Maintenance Tax Note	\$ 5,081,000	\$ 0	\$ 350,982	\$ 4,730,018	\$ 357,344
Capital Appreciation Bonds	0	653,614	0	653,614	0
Current Interest Bonds	0	14,375,000	0	14,375,000	1,620,000
Unamortized Bond Premium	0	588,329	42,604	545,725	48,507
Totals	\$ 5,081,000	\$ 15,616,943	\$ 393,586	\$ 20,304,357	\$ 2,025,851

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**G. Long-Term Debt - Continued**

The District's outstanding maintenance tax note payable is as follows:

Iraan-Sheffield Independent School District Maintenance Tax Note, Series 2009. Issued for the purpose of renovation and repair of facilities and to enhance energy conservation, as authorized by Texas Education Code, Section 45.108, in the original amount of \$5,081,000. Due in variable installments through March 15, 2024, payable from the General Fund with an interest rate of .3% . \$ 4,730,018

The District's outstanding bond issue is as follows:

Iraan-Sheffield Independent School District Unlimited Tax School Building Bonds, Series 2010, Capital Appreciation Bonds. Issued for school building construction in the original amount of \$624,997. The bonds are carried at the original amount plus accreted interest of \$28,617, The bonds are payable August 15, 2016, in one payment of \$850,000 which will include accreted interest of \$225,004. The yeild to maturity is 2.48%. \$ 653,614

Iraan-Sheffield Independent School District Unlimited Tax School Building Bonds, Series 2010, Current Interest Bonds. Issued for school building construction in the original amount of \$14,375,000. Due in variable installments through August 15, 2025, with interest rates of 3% to 4%. 14,375,000

Total Bonds Payable \$ 15,028,614

The combined annual debt service requirements are as follows:

Year Ending August 31,	Maintenance Tax Note		Capital Appreciation Bonds		Current Interest Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 357,344	\$ 14,190	\$ 0	\$ 0	\$ 1,620,000	\$ 492,800	\$ 2,484,334
2013	358,416	13,118	0	0	1,670,000	444,200	2,485,734
2014	359,491	12,043	0	0	1,250,000	394,100	2,015,634
2015	360,570	10,964	0	0	1,055,000	356,600	1,783,134
2016	361,651	9,883	624,997	225,003	0	0	1,221,534
2017-2021	1,824,597	33,073	0	0	4,515,000	1,353,000	7,725,670
2022-2025	<u>1,107,949</u>	<u>6,654</u>	<u>0</u>	<u>0</u>	<u>4,265,000</u>	<u>434,800</u>	<u>5,814,403</u>
Totals	<u>\$ 4,730,018</u>	<u>\$ 99,925</u>	<u>\$ 624,997</u>	<u>\$ 225,003</u>	<u>\$ 14,375,000</u>	<u>\$ 3,475,500</u>	<u>\$ 23,530,443</u>

**H. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

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

**I. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 19,048,215	\$ 0	\$ 0	\$ 0	\$ 19,048,215
Other Local Sources	789,786	28,374	23	24,840	843,023
Cocurricular, Enterprising Services, or Activities	8,115	39,329	0	0	47,444
Intermediate Sources	125,485	0	0	0	125,485
Totals	<u>\$ 19,971,601</u>	<u>\$ 67,703</u>	<u>\$ 23</u>	<u>\$ 24,840</u>	<u>\$ 20,064,167</u>

**IV. OTHER INFORMATION**

**A. Pension Plan Obligations**

Plan Description - The Iraan-Sheffield Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by 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 website, [www.tris.state.tx.us](http://www.tris.state.tx.us), under the TRS Publications heading.

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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009 and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the District is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the Iraan-Sheffield Independent School District's employees for the years ended August 31, 2011, 2010, and 2009, were \$314,320, \$311,455, and \$305,080, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009, in the amount of \$64,337, \$81,270, and \$79,455, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**A. Pension Plan Obligations - Continued**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments totaled \$12,701, \$12,862, and \$10,836 for the years ended August 31, 2011, 2010, and 2009, respectively. The total on-behalf payments made by the State of Texas and the federal government amounted to \$327,021, \$324,317, and \$315,916 for the years ended August 31, 2011, 2010, and 2009, respectively.

**B. Retiree Health Plan**

**Plan Description** - The Iraan-Sheffield Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by 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 website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**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% 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. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$48,298, \$51,445, and \$50,164, respectively, the active member contributions were \$31,394, \$33,439, and \$32,606, respectively, and the District's contributions were \$26,564, \$28,295, and \$27,590, respectively, which equaled the required contributions each year.

**C. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

**D. Health Care Coverage**

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Internal Service Fund. The District makes contributions for staff members' coverage, and staff members are required to make contributions for dependent coverage. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended August 31, 2011, to \$35,000 for any individual participant and an aggregate limit equal to \$825,868.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**D. Health Care Coverage - Continued**

Estimates of claims payable and of claims incurred, but not reported at August 31, 2011, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2011	2010
Unpaid Claims - Beginning	\$ 79,506	\$ 75,829
Incurred Claims	613,248	879,310
Claim Payments	(611,531)	(875,633)
Unpaid Claims - Ending	\$ 81,223	\$ 79,506

**E. Property and Liability Coverage**

During the year ended August 31, 2011, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Program with coverage in general liability, property, and school professional legal liability.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. Based on information we have available as of today, for the year ended August 31, 2011, the District will have no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB's offices.

**F. Unemployment Compensation Coverage**

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB's offices.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**G. Workers' Compensation Insurance**

During the year ended August 31, 2011, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2011, the Fund carries a discounted reserve of \$73,157,884 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2011, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB's offices.

**H. Contingencies**

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

**I. Shared Services Arrangement**

The District participates in a shared services arrangement for special education with four other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The McCamey Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. The District expended \$161,196 to the shared services arrangement during the current year.

**J. Adjustments to Fund Balances/Net Assets**

The fund balance of the General Fund has been increased (decreased) by the following adjustments:

To Record Settle Up of Prior Year's State Foundation Revenues	\$ 370,078
To Record Settle Up of Prior Year's Recapture Payments	(6,166)
To Record an Adjustment of Prior Year's Accounts Payable	15,000
To Record Final Settle Up of Prior Year's Insurance Costs	<u>(6,091)</u>
Total	<u><u>\$ 372,821</u></u>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2011

**IV. OTHER INFORMATION - Continued**

**K. Economic Concentration**

The District receives more than half of its ad valorem tax revenues from an oil company and three wind farm companies.

**L. Commitment**

During the fiscal year ended August 31, 2011, the District began Phase 1 of an extensive renovation of various District facilities to be funded with the proceeds of bonds issued in the amount of \$14,999,997 as explained further in footnote III., G.

At the fiscal year end, the District had an uncompleted construction project for renovations to the Junior High main building, Junior High gymnasium, and the interior of the Auditorium. The estimated total cost of this phase of the renovation project is \$5,227,140, and the remaining commitment on this phase of the project is approximately \$5,333,000. The District will fund the project with bond proceeds as work is performed.

**M. Subsequent Events**

The District's administration has evaluated subsequent events through December 12, 2011, the date which the financial statements were available for issue.

Required Supplementary Information

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 19,404,500	\$ 19,404,500	\$ 19,971,601	\$ 567,101
5800 State Program Revenues	1,286,500	1,286,500	1,932,776	646,276
5020 Total Revenues	20,691,000	20,691,000	21,904,377	1,213,377
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,829,178	4,220,178	3,962,317	257,861
0012 Instructional Resources and Media Services	99,285	134,285	84,539	49,746
0013 Curriculum and Instructional Staff Development	64,010	99,010	48,839	50,171
0023 School Leadership	679,655	652,655	606,610	46,045
0031 Guidance, Counseling, and Evaluation Services	195,915	213,915	154,132	59,783
0033 Health Services	96,655	134,655	84,928	49,727
0034 Student (Pupil) Transportation	399,820	426,820	309,990	116,830
0036 Extracurricular Activities	574,695	597,695	467,612	130,083
0041 General Administration	887,445	782,445	636,553	145,892
0051 Facilities Maintenance and Operations	1,225,640	1,065,640	906,599	159,041
0053 Data Processing Services	309,920	349,920	271,708	78,212
Debt Service:				
0071 Principal on Long-Term Debt	371,535	401,335	350,982	50,353
0072 Interest on Long-Term Debt	20,552	20,752	20,564	188
Capital Outlay:				
0081 Facilities Acquisition and Construction	75,000	141,000	90,252	50,748
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	12,500,000	13,145,000	12,734,729	410,271
0093 Payments to Fiscal Agent/Member Districts of SSA	200,000	219,000	161,196	57,804
0099 Other Intergovernmental Charges	150,000	175,000	120,259	54,741
6030 Total Expenditures	22,679,305	22,779,305	21,011,809	1,767,496
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,988,305)	(2,088,305)	892,568	2,980,873
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(300,000)	(292,142)	(205,838)	86,304
8949 Other (Uses)	-	(7,858)	(7,858)	-
7080 Total Other Financing Sources (Uses)	(300,000)	(300,000)	(213,696)	86,304
1200 Net Change in Fund Balances	(2,288,305)	(2,388,305)	678,872	3,067,177
0100 Fund Balance - September 1 (Beginning)	5,041,117	5,041,117	5,041,117	-
1300 Increase (Decrease) in Fund Balance	-	-	372,821	372,821
3000 Fund Balance - August 31 (Ending)	\$ 2,752,812	\$ 2,652,812	\$ 6,092,810	\$ 3,439,998

Other Supplementary Information

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.500000	0.125000	756,645,580
2004	1.500000	0.000000	725,343,530
2005	1.500000	0.000000	742,826,810
2006	1.500000	0.000000	981,952,913
2007	1.370000	0.000000	1,190,688,630
2008	1.040000	0.000000	1,326,240,780
2009	1.040000	0.000000	1,832,831,737
2010	1.040000	0.000000	1,618,532,692
2011 (School year under audit)	1.040000	0.000000	1,871,571,154
1000 TOTALS			

Adjustment for 2011 reflects discounts allowed for early payment.

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 131,223	\$ -	\$ 2,844	\$ -	\$ (8,378)	\$ 120,001
20,473	-	658	-	-	19,815
24,318	-	1,041	-	-	23,277
12,108	-	1,292	-	-	10,816
16,525	-	1,251	-	-	15,274
13,283	-	2,114	-	-	11,169
10,802	-	2,665	-	-	8,137
49,224	-	36,267	-	-	12,957
104,766	-	80,966	-	2,947	26,747
-	19,464,340	18,843,486	-	(523,713)	97,141
<u>\$ 382,722</u>	<u>\$ 19,464,340</u>	<u>\$ 18,972,584</u>	<u>\$ -</u>	<u>\$ (529,144)</u>	<u>\$ 345,334</u>

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2011

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 209,149	\$ 260,709	\$ -	\$ -	\$ 469,858
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	53,388	-	-	-	-	-	53,388
6212	Audit Services	-	-	-	18,089	-	-	18,089
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	171,213	-	-	-	-	171,213
621X	Other Professional Services	4,549	-	-	-	-	-	4,549
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	400	500	-	-	900
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	7,467	5,076	-	-	12,543
6290	Miscellaneous Contr.	-	-	-	9,762	-	-	9,762
6320	Textbooks and Reading	-	-	357	-	-	-	357
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,298	-	3,745	3,325	-	-	9,368
6410	Travel, Subsistence, Stipends	13,194	-	12,925	4,884	-	-	31,003
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	1,577	-	-	-	-	-	1,577
6490	Miscellaneous Operating	23,250	-	4,473	11,793	-	-	39,516
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 98,256</b>	<b>\$ 171,213</b>	<b>\$ 238,516</b>	<b>\$ 314,138</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 822,123</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 22,140,516

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 90,252
Total Debt & Lease(6500)	(11)	371,546
Plant Maintenance (Function 51, 6100-6400)	(12)	1,177,662
Food (Function 35, 6341 and 6499)	(13)	94,586
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>314,138</u>

SubTotal: 2,048,184

Net Allowed Direct Cost \$ 20,092,331

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 19,626,990
Historical Cost of Building over 50 years old	(16)	\$ 354,000
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,161,407
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 76,727
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$65,311 in Function 53 expenditures are included in this report on administrative costs.  
 \$120,259 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUNDS AS OF AUGUST 31, 2011

EXHIBIT G-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 6,092,810
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	3,500,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	750,000	
7	Estimate of two month's average cash disbursements during the fiscal year.	1,725,000	
8	Estimate of delayed payments from state sources (58xx).	25,000	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>6,000,000</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 92,810</u></u>

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

The District is concerned about the status of state funding and is attempting to maintain an adequate fund balance.

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 25,000	\$ 25,000	\$ 29,758	\$ 4,758
5800 State Program Revenues	8,500	8,500	1,266	(7,234)
5900 Federal Program Revenues	77,500	77,500	85,766	8,266
5020 Total Revenues	111,000	111,000	116,790	5,790
<b>EXPENDITURES:</b>				
0035 Food Services	404,210	404,210	322,628	81,582
6030 Total Expenditures	404,210	404,210	322,628	81,582
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(293,210)	(293,210)	(205,838)	87,372
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	300,000	300,000	205,838	(94,162)
7080 Total Other Financing Sources (Uses)	300,000	300,000	205,838	(94,162)
1200 Net Change in Fund Balances	6,790	6,790	-	(6,790)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ 6,790	\$ 6,790	\$ -	\$ (6,790)

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 23	\$ 23
5020	Total Revenues	-	-	23	23
<b>EXPENDITURES:</b>					
Debt Service:					
0072	Interest on Long-Term Debt	450,000	450,000	375,894	74,106
6030	Total Expenditures	450,000	450,000	375,894	74,106
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(450,000)	(450,000)	(375,871)	74,129
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	350,000	350,000	376,448	26,448
7080	Total Other Financing Sources (Uses)	350,000	350,000	376,448	26,448
1200	Net Change in Fund Balances	(100,000)	(100,000)	577	100,577
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ (100,000)	\$ (100,000)	\$ 577	\$ 100,577

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

Jerry L. Tinkler, CPA  
Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iraan-Sheffield Independent School 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 Iraan-Sheffield Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iraan-Sheffield Independent School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow the administration 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iraan-Sheffield Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees  
Page 2

This report is intended solely for the information and use of the administration, the Board of Trustees, others within the District, the Texas Education Agency, 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.

*<Signature on File with TEA>*

December 12, 2011



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(325) 944-3571  
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Iraan-Sheffield Independent School District  
P.O. Box 486  
Iraan, TX 79744-0486

Compliance

We have audited the Iraan-Sheffield Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Iraan-Sheffield Independent School District's major federal programs for the year ended August 31, 2011. The Iraan-Sheffield Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Iraan-Sheffield Independent School District's administration. Our responsibility is to express an opinion on the Iraan-Sheffield Independent School District's compliance based on our audit.

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

In our opinion, the Iraan-Sheffield Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

The administration of the Iraan-Sheffield Independent School 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 Iraan-Sheffield Independent School 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 the administration 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 the administration, the Board of Trustees, others within the District, the Texas Education Agency, 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.

*<Signature on File with TEA>*

December 12, 2011

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2011

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Iraan-Sheffield Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Iraan-Sheffield Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Iraan-Sheffield Independent School District expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Iraan-Sheffield Independent School District.
7. The programs tested as major programs included:

CFDA Number 84.010A	ESEA, Title I, Part A - Improving Basic Programs
CFDA Number 84.389	ESEA, Title I, Part D - Subpart 2 - ARRA - Improving Basic Programs
CFDA Number 84.394	Title XIV, State Fiscal Stabilization Fund - ARRA
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Iraan-Sheffield Independent School District was not determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**D. Findings - State Compliance**

None

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Rural Education Achievement Program	84.358A		\$ 32,111
Total Direct Programs			\$ 32,111
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11-610101186903	\$ 255,246
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12-610101186903	15,968
Total CFDA Number 84.010A			271,214
*ESEA, Title I, D-Subpart 2-ARRA-Improv Basic Prog	84.389	11-551001186903	1,302
Total Title I, Part A Cluster			272,516
*Title II D Enhancing Ed Through Technology - ARRA	84.386	11-553001186903	102
ESEA, Title II, Part A-Teacher/Principal Training	84.367A	11-694501186903	24,097
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001186903	271,063
Education Jobs Fund	84.410	11-550101186903	127,307
Total Passed Through State Department of Education			\$ 695,085
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 727,196</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	11-186903	\$ 20,464
*National School Lunch Program - Cash Assistance	10.555	11-186903	55,200
*National School Lunch Prog. - Non-Cash Assistance	10.555	11-186903	10,102
Total CFDA Number 10.555			65,302
Total Child Nutrition Cluster			85,766
Total Passed Through the State Department of Agriculture			\$ 85,766
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 85,766</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 812,962</b>

\*Clustered Programs

IRAAN-SHEFFIELD INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2011

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Iraan-Sheffield Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.