

**RICARDO
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2010

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

5934 S. Staples, Suite 201

Corpus Christi, Texas 78413

Ricardo Independent School District
Annual Financial Report
For The Year Ended August 31, 2010

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	14	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	C-3
Statement of Net Assets - Internal Service Fund.....	17	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Internal Service Fund.....	18	D-2
Statement of Cash Flows - Proprietary Funds.....	19	D-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	20	E-1
Notes to the Financial Statements	21	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	30	G-1
<u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	31	H-1
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	36	H-2
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	41	J-1
Indirect Cost Computation Schedule	43	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	44	J-3

Ricardo Independent School District
 Annual Financial Report
 For The Year Ended August 31, 2010

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Budgetary Comparison Schedules Required by the Texas Education Agency: National School Breakfast and Lunch Program.....	45	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46	
Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133.....	48	
Schedule of Findings and Questioned Costs	50	
Summary Schedule of Prior Audit Findings.....	51	
Corrective Action Plan.....	52	
Schedule of Expenditures of Federal Awards	53	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	54	
Schedule of Required Responses to Selected School First Indicators.....	55	K-2

Introductory Section

CERTIFICATE OF BOARD

Ricardo Independent School District
Name of School District

Kleberg
County

137-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA
David Morales CPA
Jerry D. Spence CPA

Professional Associates & Senior Advisor:
Peggy Sidler CPA
Betty Morales CPA
Ryan Johnston
Erika Post
Alex Gonzalez
Dudley Gowland CPA

Independent Auditor's Report on Financial Statements

Board of Trustees
Ricardo Independent School District
Route 2, Box 366
Kingsville, Texas 78363

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ricardo Independent School District as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ricardo Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Ricardo Independent School District as of August 31, 2010, 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.

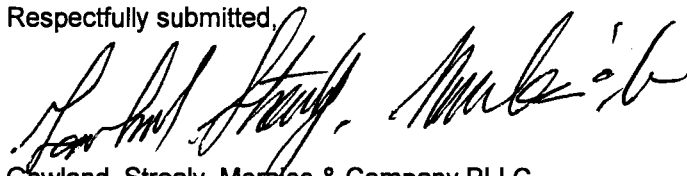
In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of Ricardo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Ricardo Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Gowland, Strey, Morales & Company PLLC

September 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Ricardo Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$ 6,956,393 at August 31, 2010.
- During the year, the District's expenses were \$151,618 less than the \$6,359,153 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased from last year, due to updating several air conditioner units, facility renovating, technology upgrades, and purchasing a new school bus.
- The general fund reported a fund balance this year of \$2,310,566.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the Ricardo Independent School District's Annual Financial Report

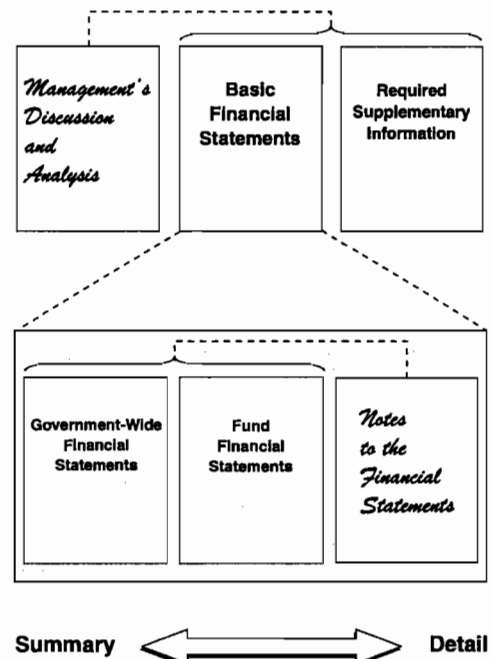


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

Government-wide Statements

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

The two government-wide statements report the District's net assets and how they have changed.

Figure A-2. Major Features of the Ricardo Independent School District's Government-wide and Fund Financial Statements

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

Net assets—the difference between the District's assets and liabilities is one way to measure the District's financial health or *position*.

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

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three (3) kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not

encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- We use *Internal service funds* to report activities that provide supplies and services for the District's other programs and activities—such as the District's Worker's Compensation Fund.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that because of a trust arrangement can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets: Ricardo Independent School District's combined net assets were approximately \$ 6,956,393 at August 31, 2010. (See Table A-1).

	Governmental Activities		Total Change
	2010	2009	2010-2009
Current Assets:			
Cash and Cash Equivalents	\$ 2,491,320	\$ 1,719,855	771,465
Property Taxes Receivable (Net)	98,967	91,969	6,998
Due From Other Governments	236,731	631,477	(394,746)
Other Receivables	24,926	1,699	23,227
Capital Assets:			
Land	210,416	210,416	0
Buildings, Furniture, and Equipment, Net	4,229,518	4,288,001	(58,483)
Total Assets	7,291,878	6,943,417	348,461
Current Liabilities:			
Accounts Payable	19,241	44,532	(25,291)
Accrued Wages Payable	95,467	94,110	1,357
Deferred Revenues	220,777	0	220,777
Total Liabilities	335,485	138,642	196,843
Net Assets:			
Invested in Capital Assets	4,439,934	4,498,417	(58,483)
Restricted for:			
State and Federal Programs	72,385	51,744	20,641
Campus Activities	26,993	19,199	7,794
Unrestricted	2,417,081	2,235,415	181,666
Total Net Assets	\$ 6,956,393	\$ 6,804,775	151,618

The \$2,417,081 of unrestricted net asset represents resources available to fund the programs of the District next year.

Changes in net assets

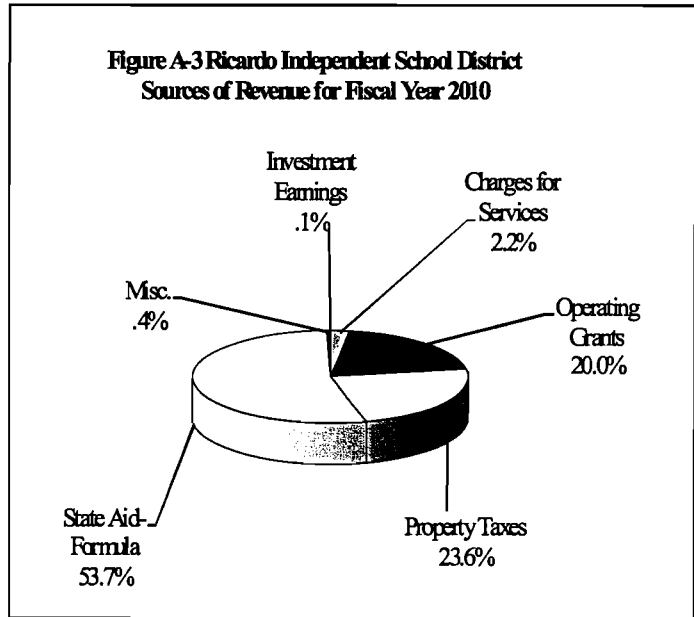
The District's total revenues for fiscal year 2010 were \$6,359,153. (See Table A-2)

23.6% of the District's revenue comes from taxes and 53.7% comes from State Aid – Formula Grants. (See Figure A-3)

The total cost of all programs and services was \$ 6,207,535; Sixty-two percent (62%), of these costs are for instructional, leadership, counseling, and health services.

Governmental Activities

- Property tax rates remained the same at \$1.17.
- The District had no long-term indebtedness.



**Table A-2
Changes in Ricardo School Districts Net Assets**

	Governmental Activities		Total Change
	2010	2009	2010-2009
Program Revenues:			
Charges for Services	\$ 143,027	\$ 150,929	\$ (7,902)
Operating Grants and Contributions	1,273,733	857,142	416,591
General Revenues:			
Property Taxes	1,499,297	1,533,961	(34,664)
Investment Earnings	4,613	15,173	(10,560)
State Aid – Formula	3,413,189	3,647,168	(233,979)
Miscellaneous	<u>25,294</u>	<u>43,031</u>	<u>(17,737)</u>
Total Revenues	<u>6,359,153</u>	<u>6,247,404</u>	<u>111,749</u>
Expenditures:			
Instruction	3,320,385	2,836,482	483,903
Instructional Resources and Media Services	51,511	57,745	(6,234)
Curriculum Dev. And Instructional Staff Dev.	140,166	88,923	51,243
School Leadership	189,129	158,724	30,405
Guidance, Counseling and Evaluation Services	95,212	94,485	727
Health Services	52,171	48,082	4,089
Student (Pupil) Transportation	292,377	326,475	(34,098)
Food Services	302,407	298,958	3,449
Curricular/Extracurricular Activities	156,039	164,701	(8,662)
General Administration	181,458	172,315	9,143
Plant Maintenance & Oper.	794,936	679,912	115,024
Data Processing Services	158,760	158,740	20
Community Services	14,574	15,766	(1,192)
Payments to Fiscal Agent/ Member Dist. – SSA	104,522	148,023	(43,501)
Other Governmental Charges	353,888	423,199	(69,311)
Total Expenses	<u>6,207,535</u>	<u>5,672,530</u>	<u>535,005</u>
Changes in Net Assets	151,618	574,874	(423,256)
Net Assets Beginning	6,804,775	6,229,901	574,874
Net Assets Ending	<u>\$ 6,956,393</u>	<u>\$ 6,804,775</u>	<u>\$ 151,618</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$ 6,207,535.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,499,297.
- Some of the cost was paid by those who directly benefited from the programs \$ 143,027, or
- by grants and contributions \$ 1,273,733

Table A-3
Net Cost of Ricardo Independent School District Functions

	Total Cost of Services			% Change	Net Cost of Services		
	2010	2009			2010	2009	% Change
Expenditures:							
Instruction	\$ 3,320,385	\$ 2,836,482	17.1%	\$ 2,479,786	\$ 2,369,216	4.7%	
School leadership	189,129	158,724	19.2%	177,992	151,758	17.3%	
Plant Maintenance & Operations	794,936	679,912	16.9%	761,858	631,195	20.7%	
Data Processing Services	158,760	158,740	0.0%	151,714	152,109	-0.3%	
Other Intergovernmental Charges	353,888	423,199	-16.4%	338,925	406,561	-16.6%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$6,376,124, an approximate increase of 2.0% from the preceding year. The increase in revenues is primarily due to average daily attendance increase.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget seven times. Even with these adjustments, actual expenditures were \$893,847 below final budget amounts. The most significant positive variance resulted from staffing. Staffing is budgeted for full employment throughout the full year. Another positive variance was budgeted cost differed from actual on fuel cost due to uncertainty of fuel pricing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had invested \$4,439,933 in a broad range of capital assets, including land, buildings and improvements, furniture, equipment and vehicles. (See Table A-4)

Table A-4
Ricardo Independent School District's Capital Assets

	Governmental Activities		Total Change
	2010	2009	2010-2009
Land	\$ 210,416	\$ 210,416	-
Total Capital Assets Not Being Depreciated	<u>210,416</u>	<u>210,416</u>	<u>0</u>
Buildings and Improvements	6,429,758	6,442,959	(13,201)
Furniture, Equipment and Vehicles	719,477	775,353	(55,876)
Total Capital Assets Being Depreciated	<u>7,149,235</u>	<u>7,218,312</u>	<u>(69,077)</u>
Total accumulated depreciation	(2,919,718)	(2,930,312)	10,594
Net Capital Assets	<u>\$ 4,439,933</u>	<u>\$ 4,498,416</u>	<u>(58,483)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2011 budget preparation will be increased approximately \$ 3,194,770.
- General operating fund budgeted spending per student in the 2011 budget approximately increased from \$8,725 to \$9,007.
- The District's 2011 refined average daily attendance is expected to increase from 577.96 to 591.019.
- The District is still allowing student transfers into the district.

These indicators were taken into account when adopting the general fund budget for 2011. State Revenues received by the District could either be positive or adversely affected by increased appraised values dependent on legislative action related to school finance issues. State revenue will increase as the student population grows. The District will use these increases in revenues to finance programs we currently offer.

The largest increments are staffing, and teacher salary schedule adjustments. These competitive salary schedule adjustments allowed the District to open the 2011 school year with no teacher vacancies.

If these estimates are realized, the District's budgetary general fund balance is expected to have a small increase by the close of 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Director of Business.

Basic Financial Statements

RICARDO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2010

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 2,491,320
1225	Property Taxes Receivable (Net)	98,967
1240	Due from Other Governments	236,731
1290	Other Receivables (Net)	24,926
Capital Assets:		
1510	Land	210,416
1520	Buildings and Improvements, Net	3,789,680
1530	Furniture and Equipment, Net	439,838
1000	Total Assets	<u>7,291,878</u>
LIABILITIES:		
2110	Accounts Payable	19,241
2165	Accrued Liabilities	95,467
2300	Unearned Revenue	220,777
2000	Total Liabilities	<u>335,485</u>
NET ASSETS		
3200	Invested in Capital Assets	4,439,934
Restricted For:		
3820	State and Federal Programs	72,385
3870	Campus Activities	26,993
3900	Unrestricted	2,417,081
3000	Total Net Assets	<u>\$ 6,956,393</u>

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 3,320,385	\$ 1,086	\$ 839,513	\$ (2,479,786)
12	<i>Instructional Resources and Media Services</i>	51,511	21	2,715	(48,775)
13	<i>Curriculum and Staff Development</i>	140,166	19	94,297	(45,850)
23	<i>School Leadership</i>	189,129	78	11,059	(177,992)
31	<i>Guidance, Counseling, & Evaluation Services</i>	95,212	40	4,457	(90,715)
33	<i>Health Services</i>	52,171	22	2,597	(49,552)
34	<i>Student Transportation</i>	292,377	112	10,973	(281,292)
35	<i>Food Service</i>	302,407	81,168	236,888	15,649
36	<i>Cocurricular/Extracurricular Activities</i>	156,039	59,801	4,251	(91,987)
41	<i>General Administration</i>	181,458	76	7,474	(173,908)
51	<i>Plant Maintenance and Operations</i>	794,936	335	32,743	(761,858)
53	<i>Data Processing Services</i>	158,760	67	6,979	(151,714)
61	<i>Community Services</i>	14,574	6	600	(13,968)
93	<i>Payments Related to Shared Services Arrangements</i>	104,522	45	4,375	(100,102)
99	<i>Other Intergovernmental Charges</i>	353,888	151	14,812	(338,925)
TG	Total Governmental Activities	<u>6,207,535</u>	<u>143,027</u>	<u>1,273,733</u>	<u>(4,790,775)</u>
TP	Total Primary Government	<u>\$ 6,207,535</u>	<u>\$ 143,027</u>	<u>\$ 1,273,733</u>	<u>(4,790,775)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				1,499,297
IE	<i>Investment Earnings</i>				4,613
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,413,189
MI	<i>Miscellaneous</i>				25,294
TR	Total General Revenues				<u>4,942,393</u>
CN	Change in Net Assets				<u>151,618</u>
NB	Net Assets - Beginning				6,804,775
NE	Net Assets - Ending				<u>\$ 6,956,393</u>

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,402,622	\$ 41,498	\$ 2,444,120
1225	Taxes Receivable, Net	98,967	--	98,967
1240	Due from Other Governments	226,890	9,841	236,731
1260	Due from Other Funds	59,457	32,315	91,772
1290	Other Receivables	9,200	15,725	24,925
1000	Total Assets	\$ 2,797,136	\$ 99,379	\$ 2,896,515
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 1,680	\$ --	\$ 1,680
2150	Payroll Deductions & Withholdings	141	--	141
2160	Accrued Wages Payable	95,326	--	95,326
2170	Due to Other Funds	69,679	1	69,680
2300	Unearned Revenue	319,744	--	319,744
2000	Total Liabilities	486,570	1	486,571
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	--	72,385	72,385
3490	Other Reserves of Fund Balance	--	26,993	26,993
Designated Fund Balance:				
3510	Construction	304,197	--	304,197
3530	Capital Expenditures for Equipment	500,000	--	500,000
3600	Unreserved	1,506,369	--	1,506,369
3000	Total Fund Balances	2,310,566	99,378	2,409,944
4000	Total Liabilities and Fund Balances	\$ 2,797,136	\$ 99,379	\$ 2,896,515

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2010*

Total fund balances - governmental funds balance sheet	\$ 2,409,944
--	--------------

Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	4,439,934
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	98,967
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	<u>7,548</u>

Net assets of governmental activities - Statement of Net Assets	\$ <u><u>6,956,393</u></u>
---	----------------------------

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,548,048	\$ 141,154	\$ 1,689,202
5800 <i>State Program Revenues</i>	3,618,768	101,880	3,720,648
5900 <i>Federal Program Revenues</i>	--	966,274	966,274
5020 Total Revenues	<u>5,166,816</u>	<u>1,209,308</u>	<u>6,376,124</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	2,536,191	733,361	3,269,552
0012 <i>Instructional Resources and Media Services</i>	50,079	619	50,698
0013 <i>Curriculum and Staff Development</i>	45,545	92,391	137,936
0023 <i>School Leadership</i>	182,710	3,412	186,122
0031 <i>Guidance, Counseling, & Evaluation Services</i>	93,146	558	93,704
0033 <i>Health Services</i>	50,880	467	51,347
0034 <i>Student Transportation</i>	344,709	--	344,709
0035 <i>Food Service</i>	--	297,617	297,617
0036 <i>Cocurricular/Extracurricular Activities</i>	101,574	51,991	153,565
0041 <i>General Administration</i>	178,573	--	178,573
0051 <i>Plant Maintenance and Operations</i>	782,291	--	782,291
0053 <i>Data Processing Services</i>	155,789	458	156,247
0061 <i>Community Services</i>	14,343	--	14,343
0093 <i>Payments to Shared Service Arrangements</i>	104,522	--	104,522
0099 <i>Other Intergovernmental Charges</i>	353,888	--	353,888
6030 Total Expenditures	<u>4,994,240</u>	<u>1,180,874</u>	<u>6,175,114</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>172,576</u>	<u>28,434</u>	<u>201,010</u>
1200 Net Change in Fund Balances	<u>172,576</u>	<u>28,434</u>	<u>201,010</u>
0100 Fund Balances - Beginning	2,137,990	70,944	2,208,934
0000 Fund Balances - Ending	<u>\$ 2,310,566</u>	<u>\$ 99,378</u>	<u>\$ 2,409,944</u>

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010*

Net change in fund balances - total governmental funds	\$ 201,010
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	82,548
The depreciation of capital assets used in governmental activities is not reported in the funds.	(117,061)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(23,969)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	6,998
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>2,092</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 151,618</u>

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

AUGUST 31, 2010

Data Control Codes		Nonmajor Internal Service Fund <u>Workers Compensation Fund</u>
ASSETS:		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 47,200
Receivables:		
1260	Due from Other Funds	<u>22,212</u>
	Total Current Assets	<u>69,412</u>
1000	Total Assets	<u>\$ 69,412</u>
 LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 17,561
2170	Due to Other Funds	<u>44,303</u>
	Total Current Liabilities	<u>61,864</u>
2000	Total Liabilities	<u>61,864</u>
 NET ASSETS:		
3900	Unrestricted Net Assets	7,548
3000	Total Net Assets	<u>\$ 7,548</u>

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes		Nonmajor Internal Service Fund <u>Workers Compensation Fund</u>
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 29,058
5020	Total Revenues	<u>29,058</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	26,966
6030	Total Expenses	<u>26,966</u>
1300	Change in Net Assets	2,092
0100	Total Net Assets - Beginning	5,456
3300	Total Net Assets - Ending	<u>\$ 7,548</u>

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2010

	Enterprise Funds			Internal Service Funds
	Enter Major Fund Name Here	Other Funds	Totals	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ --	\$ --	\$ --	\$ --
Cash Received from Grants	--	--	--	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	--	--	19,936
Cash Payments to Employees for Services	--	--	--	--
Cash Payments to Other Suppliers for Goods and Services	--	--	--	(28,618)
Cash Payments for Grants to Other Organizations	--	--	--	--
Other Operating Cash Receipts (Payments)	--	--	--	--
Net Cash Provided (Used) by Operating Activities	--	--	--	(8,682)
Cash Flows from Non-capital Financing Activities:				
Proceeds (Payments) from (for) Borrowings	--	--	--	--
Transfers From (To) Primary Government	--	--	--	--
Transfers From (To) Other Funds	--	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	--	--	--	--
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Long-term Debt	--	--	--	--
Principal and Interest Paid	--	--	--	--
Contributed Capital	--	--	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	--	--	--	--
Cash Flows from Investing Activities:				
Purchase of Investment Securities	--	--	--	--
Proceeds from Sale and Maturities of Securities	--	--	--	--
Interest and Dividends on Investments	--	--	--	23
Net Cash Provided (Used) for Investing Activities	--	--	--	23
Net Increase (Decrease) in Cash and Cash Equivalents	--	--	--	(8,659)
Cash and Cash Equivalents at Beginning of Year	--	--	--	55,859
Cash and Cash Equivalents at End of Year	\$ --	\$ --	\$ --	\$ 47,200
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ --	\$ --	\$ --	\$ 2,069
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Provision for Uncollectible Accounts	--	--	--	--
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	--	--	--	--
Decrease (Increase) in Interfund Receivables	--	--	--	(12,212)
Decrease (Increase) in Prepaid Expenses	--	--	--	--
Increase (Decrease) in Accounts Payable	--	--	--	(1,652)
Increase (Decrease) in Interfund Payables	--	--	--	3,114
Increase (Decrease) in Accrued Expenses	--	--	--	--
Increase (Decrease) in Unearned Revenue	--	--	--	--
Total Adjustments	--	--	--	(10,750)
Net Cash Provided (Used) by Operating Activities	\$ --	\$ --	\$ --	\$ (8,682)

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2010

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 20,797	
1000	Total Assets	<u>\$ 20,797</u>	
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 20,797	
2000	Total Liabilities	<u>20,797</u>	
	NET ASSETS		
3000	Total Net Assets	<u>\$</u>	

The accompanying notes are an integral part of this statement.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Delinquent Property Taxes Receivable	\$	218,891
Allowance for Uncollectible Taxes		(119,924)
Property Taxes Receivable (Net)	\$	<u>98,967</u>

c. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	75
Building Improvements	10-20
Vehicles	25
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

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 of year end.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

f. **Compensated Absences**

On retirement or death of certain employees, the District pays any accrued vacation leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

g **Interfund Activity**

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

h. **Use of Estimates**

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

i. **Data Control Codes**

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

B. Compliance and Accountability

1. **Finance-Related Legal and Contractual Provisions**

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

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

2. **Deficit Fund Balance or Fund Net Assets of Individual Funds**

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

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. **Cash Deposits:**

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$433,130 and the bank balance was \$608,480. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

The bank's core processor experienced operational issues from September 24, 2009 through September 25, 2009 that caused their Online Banking service to be unavailable. During the downtime, the core processor continued to accept and process ACH transactions; however, balances were not available for customer or internal viewing. During end of day processing on September 25, 2009, the Bank processed two large ACH deposits totaling \$1,176,797. These ACH transactions increased Ricardo ISD balances to an amount in excess of the pledged securities used to collateralize them. Upon the start of the next business day, September 28, 2009, Kleberg Bank recognized the pledging deficiency and immediately took corrective action.

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

- a. Depository: Kleberg Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,110,262.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$1,579,017 and occurred during the month of September, 2009.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

2. **Investments:**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	\$ 1,699,514
Lone Star Investment Pool		379,473
Total Investments		\$ <u>2,078,987</u>

3. **Analysis of Specific Deposit and Investment Risks**

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. **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 year end, the District was not significantly exposed to credit risk.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

At August 31, 2010, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TexPool	AAAm
Lone Star Investment Pool	AAAm

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 210,416	\$ —	\$ —	\$ 210,416
Total capital assets not being depreciated	210,416	—	—	210,416

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

D. Capital Assets (Continued)

Capital assets being depreciated:

Buildings and improvements	6,442,958	--	13,200	6,429,758
Equipment	34,665	--	--	34,665
Vehicles	740,688	82,548	138,424	684,812
Total capital assets being depreciated	<u>7,218,311</u>	<u>82,548</u>	<u>151,624</u>	<u>7,149,235</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,563,374)	(85,945)	(9,240)	(2,640,079)
Equipment	(31,330)	(900)	--	(32,230)
Vehicles	(335,608)	(30,216)	(118,415)	(247,409)
Total accumulated depreciation	<u>(2,930,312)</u>	<u>(117,061)</u>	<u>(127,655)</u>	<u>(2,919,718)</u>
Total capital assets being depreciated, net	4,287,999	(34,513)	23,969	4,229,517
Governmental activities capital assets, net	<u>\$ 4,498,415</u>	<u>\$ (34,513)</u>	<u>\$ 23,969</u>	<u>\$ 4,439,933</u>

Depreciation was charged to functions as follows:

Instruction	\$ 52,925
Instructional Resources and Media Services	813
Curriculum and Staff Development	2,230
School Leadership	3,007
Guidance, Counseling, & Evaluation Services	1,508
Health Services	824
Student Transportation	30,216
Food Services	4,790
Extracurricular Activities	2,474
General Administration	2,885
Plant Maintenance and Operations	12,645
Data Processing Services	2,513
Community Services	231
	<u>\$ 117,061</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2010, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund - Payroll	\$ 51,877	Short-term loans
General Fund	Internal Service Fund	7,579	Short-term loans
General Fund	Agency Fund	1	Short-term loans
Other Governmental Funds	Internal Service Fund	24,512	Short-term loans
Other Governmental Funds	General Fund	7,802	
Internal Service Fund	General Fund	22,212	
	Total	<u>\$ 113,983</u>	

All amounts due are scheduled to be repaid within one year.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, 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.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

G. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$213,962, \$185,348 and \$196,123, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$24,666, \$23,236 and \$17,376, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$205,079 for the year ended August 31, 2010.

H. Retiree Health Care Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$34,312, \$33,203, and \$31,798, respectively, the active member contributions were \$22,303, \$21,582, and \$20,669, respectively, and the District's contributions were \$18,872, \$18,262, and \$17,489, respectively, which equaled the required contributions each year.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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 the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$8,190, \$6,963, and \$7,030, respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$170 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

J. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent 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 basic financial statements for such contingencies.

K. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for IDEA - B Special Education with the following school districts:

Member Districts

Kingsville
Sarita

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Required Supplementary Information

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

RICARDO INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 1,483,497	\$ 1,647,090	\$ 1,548,048	\$ (99,042)		
5800	State Program Revenues	3,969,342	3,892,818	3,618,768	(274,050)		
5900	Federal Program Revenues	--	1,500	--	(1,500)		
5020	Total Revenues	<u>5,452,839</u>	<u>5,541,408</u>	<u>5,166,816</u>	<u>(374,592)</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,777,808	2,961,579	2,536,191	425,388		
0012	Instructional Resources and Media Services	57,742	65,742	50,079	15,663		
0013	Curriculum and Staff Development	51,660	49,089	45,545	3,544		
	Total Instruction & Instr. Related Services	<u>2,887,210</u>	<u>3,076,410</u>	<u>2,631,815</u>	<u>444,595</u>		
Instructional and School Leadership:							
0023	School Leadership	196,461	200,461	182,710	17,751		
	Total Instructional & School Leadership	<u>196,461</u>	<u>200,461</u>	<u>182,710</u>	<u>17,751</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	89,880	96,880	93,146	3,734		
0033	Health Services	90,358	69,358	50,880	18,478		
0034	Student (Pupil) Transportation	464,097	493,645	344,709	148,936		
0036	Cocurricular/Extracurricular Activities	99,311	118,446	101,574	16,872		
	Total Support Services - Student (Pupil)	<u>743,646</u>	<u>778,329</u>	<u>590,309</u>	<u>188,020</u>		
Administrative Support Services:							
0041	General Administration	274,615	281,615	178,573	103,042		
	Total Administrative Support Services	<u>274,615</u>	<u>281,615</u>	<u>178,573</u>	<u>103,042</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	672,173	828,673	782,291	46,382		
0053	Data Processing Services	155,415	186,280	155,789	30,491		
	Total Support Services - Nonstudent Based	<u>827,588</u>	<u>1,014,953</u>	<u>938,080</u>	<u>76,873</u>		
Ancillary Services:							
0061	Community Services	23,319	23,319	14,343	8,976		
	Total Ancillary Services	<u>23,319</u>	<u>23,319</u>	<u>14,343</u>	<u>8,976</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	95,000	108,000	104,522	3,478		
0099	Other Intergovernmental Charges	405,000	405,000	353,888	51,112		
	Total Intergovernmental Charges	<u>500,000</u>	<u>513,000</u>	<u>458,410</u>	<u>54,590</u>		
6030	Total Expenditures	<u>5,452,839</u>	<u>5,888,087</u>	<u>4,994,240</u>	<u>893,847</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	--	(346,679)	172,576	519,255		
1200	Net Change in Fund Balance	--	(346,679)	172,576	519,255		
0100	Fund Balance - Beginning	2,137,990	2,137,990	2,137,990	--		
3000	Fund Balance - Ending	<u>\$ 2,137,990</u>	<u>\$ 1,791,311</u>	<u>\$ 2,310,566</u>	<u>\$ 519,255</u>		

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

RICARDO INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	255 ESEA Title II Training & Recruiting
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ 31,883	\$ --
1240	Due from Other Governments	--	8,187	--
1260	Due from Other Funds	--	32,315	--
1290	Other Receivables	--	--	--
1000	Total Assets	\$ --	\$ 72,385	\$ --
LIABILITIES:				
Current Liabilities:				
2170	Due to Other Funds	\$ --	\$ --	\$ --
2000	Total Liabilities	--	--	--
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	--	72,385	--
3490	Other Reserves of Fund Balance	--	--	--
3000	Total Fund Balances	--	72,385	--
4000	Total Liabilities and Fund Balances	\$ --	\$ 72,385	\$ --

262 Enhancing Education through Technology	266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part. Improving Basic Programs - ARRA
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	415 Kindergarten and Prekindergarten Grants	426 Texas Educator Excellence Award Program	429 State Funded Special Revenue Fund
\$ --	\$ (15,725)	\$ --	\$ --
--	--	--	--
--	15,725	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

RICARDO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2010

Data Control Codes	461 Campus Activity Funds	499 Texas A&M Professional Development	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 26,994	\$ --	\$ 41,498
1240	Due from Other Governments	--	--	9,841
1260	Due from Other Funds	--	--	32,315
1290	Other Receivables	--	--	15,725
1000	Total Assets	\$ 26,994	\$ --	\$ 99,379
LIABILITIES:				
Current Liabilities:				
2170	Due to Other Funds	\$ 1	\$ --	\$ 1
2000	Total Liabilities	1	--	1
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	--	--	72,385
3490	Other Reserves of Fund Balance	26,993	--	26,993
3000	Total Fund Balances	26,993	--	99,378
4000	Total Liabilities and Fund Balances	\$ 26,994	\$ --	\$ 99,379

RICARDO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	255 ESEA Title II Training & Recruiting
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 81,219	\$ 151	\$ --
5800 <i>State Program Revenues</i>	--	2,565	--	--
5900 <i>Federal Program Revenues</i>	284,109	229,002	5,321	50,825
5020 Total Revenues	<u>284,109</u>	<u>312,786</u>	<u>5,472</u>	<u>50,825</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	284,109	--	--	24,036
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	26,789
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	292,145	5,472	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0053 <i>Data Processing Services</i>	--	--	--	--
6030 Total Expenditures	<u>284,109</u>	<u>292,145</u>	<u>5,472</u>	<u>50,825</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	20,641	--	--
1200 Net Change in Fund Balances	--	20,641	--	--
0100 Fund Balances - Beginning	--	51,744	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 72,385</u>	<u>\$ --</u>	<u>\$ --</u>

262 Enhancing Education through Technology	266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part. Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
2,386	207,495	6,117	4,808	152,623
<u>2,386</u>	<u>207,495</u>	<u>6,117</u>	<u>4,808</u>	<u>152,623</u>
1,987	202,495	6,117	4,808	91,808
--	--	--	--	--
399	5,000	--	--	57,403
--	--	--	--	3,412
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>2,386</u>	<u>207,495</u>	<u>6,117</u>	<u>4,808</u>	<u>152,623</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

RICARDO INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	289 Distance Learning and Telemedicine Grant	401 Optional Extended Year Program	404 Student Success Initiative
REVENUES:			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	1,673	14,868
5900 Federal Program Revenues	23,588	-	-
5020 Total Revenues	<u>23,588</u>	<u>1,673</u>	<u>14,868</u>
EXPENDITURES:			
Current:			
0011 Instruction	23,588	1,673	14,868
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Staff Development	-	-	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling, & Evaluation Services	-	-	-
0033 Health Services	-	-	-
0035 Food Service	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-
0053 Data Processing Services	-	-	-
6030 Total Expenditures	<u>23,588</u>	<u>1,673</u>	<u>14,868</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	-	-	-
1200 Net Change in Fund Balances	-	-	-
0100 Fund Balances - Beginning	-	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	415 Kindergarten and Prekindergarten Grants	426 Texas Educator Excellence Award Program	429 State Funded Special Revenue Fund
\$ -	\$ -	\$ -	\$ -
20,848	19,065	40,000	61
<u>20,848</u>	<u>19,065</u>	<u>40,000</u>	<u>61</u>
20,848	19,065	37,959	--
--	--	558	61
--	--	--	--
--	--	558	--
--	--	467	--
--	--	--	--
--	--	--	--
<u>20,848</u>	<u>19,065</u>	<u>40,000</u>	<u>61</u>
--	--	--	--
--	--	--	--
--	--	--	--
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

RICARDO INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	461 Campus Activity Funds	499 Texas A&M Professional Development	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700	\$ 59,784	\$ --	\$ 141,154
5800	--	2,800	101,880
5900	--	--	966,274
5020	<u>59,784</u>	<u>2,800</u>	<u>1,209,308</u>
EXPENDITURES:			
Current:			
0011	--	--	733,361
0012	--	--	619
0013	--	2,800	92,391
0023	--	--	3,412
0031	--	--	558
0033	--	--	467
0035	--	--	297,617
0036	51,991	--	51,991
0053	--	--	458
6030	<u>51,991</u>	<u>2,800</u>	<u>1,180,874</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	7,793	--	28,434
1200	<u>7,793</u>	<u>--</u>	<u>28,434</u>
0100	19,200	--	70,944
3000	<u>\$ 26,993</u>	<u>\$ --</u>	<u>\$ 99,378</u>

Other Supplementary Information

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

RICARDO INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2010*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2001 and Prior Years						
2002		1.40		--		65,139,248
2003		1.40		--		90,970,374
2004		1.40		--		163,406,253
2005		1.40		--		135,226,595
2006		1.40		--		120,731,988
2007		1.281		--		129,245,530
2008		1.17		--		117,166,950
2009		1.17		--		122,441,180
2010 (School Year Under Audit)		1.17		--		127,924,063
1000 Totals						
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code						

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 61,759	\$ --	\$ 4,594	\$ --	\$ (2,465)	\$ 54,700
5,882	--	250	--	--	5,632
4,997	--	547	--	--	4,450
5,938	--	971	--	--	4,967
10,587	--	2,994	--	(63)	7,530
13,867	--	5,402	--	204	8,768
17,126	--	6,416	--	213	10,922
31,811	--	12,391	--	177	19,597
67,001	--	32,279	--	(24)	34,697
--	1,466,601	1,388,572	--	(10,402)	67,627
<u>\$ 219,088</u>	<u>\$ 1,466,601</u>	<u>\$ 1,454,418</u>	<u>\$ --</u>	<u>\$ (12,360)</u>	<u>\$ 218,891</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

RICARDO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2010

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 40,244	\$ 56,864	\$ --	\$ --	\$ 97,108
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	9,941	--	--	--	--	--	9,941
6212	Audit Services	--	--	--	11,470	--	--	11,470
6213	Tax Appraisal and Collection	--	34,248	--	--	--	--	34,248
621X	Other Prof. Services	1,292	--	--	12,492	--	--	13,784
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	4,207	--	--	4,207
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	--	--	--
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	198	--	--	198
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	743	--	141	12,167	--	--	13,051
6410	Travel, Subsistence, Stipends	7,107	--	7,725	9,379	--	--	24,211
6420	Ins. and Bonding Costs	1,099	--	--	--	--	--	1,099
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	14	--	6,059	2,794	--	--	8,867
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 20,196 \$ 34,248 \$ 54,169 \$ 109,571 \$ -- \$ -- \$ 218,184

Total Expenditures for General and Special Revenue Funds (9) \$ 6,175,114

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 82,548
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 782,291
Food (Function 35, 6341 and 6499)	(13)	\$ 137,466
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 109,571

Subtotal 1,111,876

Net Allowed Direct Cost \$ 5,063,238

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,429,758
Historical Cost of Buildings over 50 years old	(16)	1,583,620
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	719,477
Historical Cost of Furniture & Equipment over 16 years old	(19)	260,550
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$11,507 in Function 53 expenditures and \$28,104 in Function 99 expenditures are included in this report on administrative costs.

RICARDO INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2010

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>2,310,566</u>
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>—</u>
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>804,197</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>—</u>
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	<u>864,691</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	<u>—</u>
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>—</u>
8	Estimate of delayed payments from federal sources (59XX)	<u>—</u>
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>—</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>1,668,888</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	<u>\$ <u>641,678</u></u>

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive

Undesignated Unreserved General Fund Fund Balance:

The excess funds will be needed for the summer months and the beginning of the school year.

RICARDO INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 149,207	\$ 81,219	\$ (67,988)
5800 State Program Revenues	11,582	2,565	(9,017)
5900 Federal Program Revenues	248,443	220,002	(19,441)
5020 Total Revenues	<u>409,232</u>	<u>312,786</u>	<u>(96,446)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	367,281	292,145	75,136
Total Support Services - Student (Pupil)	<u>367,281</u>	<u>292,145</u>	<u>75,136</u>
Support Services - Nonstudent Based:			
0051 Plant Maintenance and Operations	41,951	-	41,951
Total Support Services - Nonstudent Based	<u>41,951</u>	<u>-</u>	<u>41,951</u>
6030 Total Expenditures	<u>409,232</u>	<u>292,145</u>	<u>117,087</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	-	20,641	20,641
1200 Net Change in Fund Balance	-	20,641	20,641
0100 Fund Balance - Beginning	51,744	51,744	-
3000 Fund Balance - Ending	<u>\$ 51,744</u>	<u>\$ 72,385</u>	<u>\$ 20,641</u>

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA
David Morales CPA
Jerry D. Spence CPA

Professional Associates & Senior Advisor:
Peggy Sidler CPA
Betty Morales CPA
Ryan Johnston
Erika Post
Alex Gonzalez
Dudley Gowland CPA

Independent Auditor's Report

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
Ricardo Independent School District
Route 2, Box 366
Kingsville, Texas 78363

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ricardo Independent School District as of and for the year ended August 31, 2010, which collectively comprise the Ricardo Independent School District's basic financial statements and have issued our report thereon dated September 28, 2010. 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 Ricardo 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 Ricardo Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ricardo Independent School District's internal control over financial reporting.

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

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

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 Ricardo 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*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and 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.

Respectfully submitted,



Gowland, Streaty, Morales & Company PLLC

September 28, 2010

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA
David Morales CPA
Jerry D. Spence CPA

Professional Associates & Senior Advisor:
Peggy Sidler CPA
Betty Morales CPA
Ryan Johnston
Erika Post
Alex Gonzalez
Dudley Gowland CPA

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Ricardo Independent School District
Route 2, Box 366
Kingsville, Texas 78363

Members of the Board of Trustees:

Compliance

We have audited the compliance of Ricardo Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. Ricardo Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ricardo Independent School District's management. Our responsibility is to express an opinion on Ricardo 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 Ricardo 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 Ricardo Independent School District's compliance with those requirements.

In our opinion, Ricardo Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

Internal Control Over Compliance

Management of Ricardo 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 Ricardo Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ricardo Independent School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

Respectfully submitted,



Gowland, Streatly, Morales & Company PLLC

September 28, 2010

RICARDO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Title I Cluster:	
84.010	ESEA Title I - Part A
84.389	ESEA Title I - Part A SSA

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

RICARDO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

NONE REQUIRED

RICARDO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010

NONE REQUIRED

RICARDO INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010*

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>Distance Learning and Telemedicine Grant</i>	10.855	TX752-A16	\$ 23,588
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010a	10610101137902	284,109
<i>Title II Part D Enhancing Education Through Technology</i>	84.318x	106300001137902	2,386
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	S358A093138	6,117
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	10694501137902	50,825
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Techn</i>	84.386	10553001137902	4,808
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs</i>	84.389	10551001137902	152,623
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund</i>	84.394	10557001137902	207,495
Total Passed Through State Department of Education			<u>731,951</u>
Total U. S. Department of Education			<u>731,951</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	137-902	46,891
National School Lunch Program *	10.555	137-902	155,864
National School Lunch Program (Non-cash) *	10.555	137-902	26,247
Total CFDA Number 10.555			<u>182,111</u>
Summer Food Service Program *	10.559	137-902	5,321
Total Passed Through State Department of Education			<u>234,323</u>
Total U. S. Department of Agriculture			<u>234,323</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 966,274</u>

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

The accompanying notes are an integral part of this schedule.

RICARDO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ricardo Independent School District and is presented on the modified 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 general purpose financial statements.

RICARDO INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2010**

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