

**CLIFTON INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2008

CLIFTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2008

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	1
Independent Auditor's Report	3
Management's Discussion and Analysis	5-9
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Assets	11
B-1 Statement of Activities	12
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13
C-2 Reconciliation for C-1	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	15
C-4 Reconciliation for C-3	16
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	17
Notes to the Financial Statements	19-28
 <u>Required Supplementary Information</u>	
G-1 Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual-General Fund	30
Notes to Required Supplementary Information	31
 <u>Combining Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	34
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	38
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	42
J-2 Schedule of Expenditures for Computation of Indirect Cost	44
J-3 Fund Balance and Cash Flow Calculation Worksheet	45
J-4 Budgetary Comparison Schedule - Child Nutrition Fund	46
J-5 Budgetary Comparison Schedule - Debt Service Fund	47
 <u>Reports on Compliance, Internal Control, and Federal Awards</u>	
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>	49
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	51
K-1 Schedule of Expenditures of Federal Awards	53
Notes to Schedule of Expenditures of Federal Awards	54
Schedule of Findings and Questioned Costs	55
Schedule of Status of Prior Findings	56
Corrective Action Plan	57

CERTIFICATE OF BOARD

Clifton Independent School District
Name of School District

Bosque
County

018901
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, 2008 at a meeting of the Board of Trustees of such school district on the 15th day of December, 2008.

Signature of Board Secretary

Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY



CHEATHAM & LANSFORD

Certified Public Accountants

Service, Solutions, Stability

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of Trustees
Clifton Independent School District
1102 Key Avenue
Clifton, Texas 76634

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clifton Independent School District (the District) as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clifton Independent School District as of August 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and major special revenue funds with legally adopted budgets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 30 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Clifton Independent School District's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephenville, Texas
November 19, 2008

A handwritten signature in cursive script that reads "Cheatham & Langford". The signature is written in black ink and is positioned in the lower right quadrant of the page.

CLIFTON INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2008

Our discussion and analysis of Clifton Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2008. Please read it in conjunction with the District's financial statements, which begun on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$8.2 million (net assets). Of this amount, \$5.4 million (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$0.74 million.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5.8 million, an increase of \$ 400 thousand in comparison with the prior year.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$3.4 million, or 41% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds are presented immediately following the required supplementary information and contain even more information about the District's individual funds. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity:

Governmental Activities – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental funds.

Governmental Funds – The District reports most of its basic services in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 17. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Net assets of the District's governmental activities increased slightly from the prior year. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$5.0 million at August 31, 2008.

The increase in governmental net assets was the net result of the following factors. The District's revenues increased primarily due to an increase in state funding. This funding increased due to a slight increase in students and state legislation. Expenditures increased by \$609 thousand, or 6.8%, as compared to the prior year, primarily due to an increase in salaries.

Table 1
Clifton Independent School District

NET ASSETS

	Governmental <u>Activities</u>	
	2008	2007
Current and other assets	\$ 6,273,405	\$ 5,753,808
Capital assets	7,211,451	7,620,879
Total assets	<u>13,484,856</u>	<u>13,374,687</u>
Long term liabilities	5,022,364	5,361,657
Other liabilities	238,770	135,708
Total liabilities	<u>5,261,134</u>	<u>5,497,365</u>
Net Assets:		
Restricted	616,587	590,689
Invested in capital assets net of related debt	2,189,087	2,259,222
Unrestricted	5,418,048	5,027,411
Total net assets	<u>\$ 8,223,722</u>	<u>\$ 7,877,322</u>

Table 2
Clifton Independent School District
CHANGES IN NET ASSETS

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues:		
Charges for services	\$ 307,784	\$ 307,247
Operating grants and contributions	1,350,989	1,340,335
General Revenues:		
Maintenance and operations taxes	4,270,293	4,992,397
Debt service taxes	568,778	577,985
State aid formula grants	4,189,550	2,691,108
Investment revenue	227,412	336,258
Miscellaneous	68,972	96,305
Total Revenue	<u>10,983,779</u>	<u>10,341,635</u>
Expenses:		
Instruction	5,832,994	5,276,787
Instructional resources and media services	125,153	154,701
Curriculum and staff development	8,299	9,502
Instructional leadership	189,203	117,345
School leadership	472,719	438,878
Guidance, counseling and evaluation services	211,276	141,213
Health services	32,529	28,404
Student (pupil) transportation	269,013	286,919
Food services	583,556	541,310
Co-curricular/extracurricular activities	436,912	396,971
General administration	263,065	388,262
Plant maintenance and operations	1,178,264	1,070,528
Security and monitoring services	46,788	250,938
Data processing services	87,031	68,509
Community services	-	5,142
Debt service	290,834	310,770
Other intergovernmental charges	135,711	-
Facilities acquisition and construction	83,716	10,738
Total Expenses	<u>10,247,063</u>	<u>9,496,917</u>
Increase in net assets	736,716	844,718
Net assets, beginning	7,877,322	7,127,882
Prior period adjustment	(390,316)	(95,278)
Net assets, ending	<u>\$ 8,223,722</u>	<u>\$ 7,877,322</u>

The cost of all governmental activities this year was \$10.2 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities through District taxes was only \$4.8 million because some of the cost was paid by those who directly benefited from the programs (\$307 thousand), by other governments and organizations that subsidized certain programs with operating grants and contributions (\$1.3 million) or by state equalization funding other nonrestricted grants and contributions (\$4.2 million).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$5.8 million, which is greater than last year's total of \$5.4 million. The primary reason for the increase was an increase in state foundation revenue.

Over the course of the year, the Board of Trustees amended the District's budget several times. The amendments were to reallocate funds from categories having available funds to categories where funds were more needed.

The District's General Fund balance of \$5.2 million reported on pages 15 and 30 is approximately the same as the General Fund's budgetary fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008 the District had \$7.5 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

Additional detailed information about the District's capital assets is presented in Note II C to the financial statements.

Debt

At year-end, the District had approximately \$5.0 million in bonds and loans outstanding versus approximately \$5.2 million last year. Long-term debt decreased due to scheduled principal payment. The District's general obligation bond rating continues to carry the highest rating possible, a rating that has been assigned by national rating agencies. Additional detailed information about the District's long-term liabilities is presented in Note II E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2009 budget and tax rates. The District expects tax revenue to increase modestly for fiscal year 2009. Continued growth in the tax base is expected to be the driving force in increased collections. The District also expects expenditures to grow.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administration office, at 1102 Key Avenue, Clifton, Texas 76634.

BASIC FINANCIAL STATEMENTS

CLIFTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2008

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,998,009
1220 Property Taxes Receivable (Delinquent)	263,256
1230 Allowance for Uncollectible Taxes	(71,013)
1240 Due from Other Governments	1,083,153
Capital Assets:	
1510 Land	261,926
1520 Buildings, Net	6,357,100
1530 Furniture and Equipment, Net	592,425
1000 Total Assets	13,484,856
LIABILITIES	
2110 Accounts Payable	74,895
2140 Interest Payable	10,374
2150 Payroll Deductions & Withholdings	5,194
2300 Deferred Revenues	148,308
Noncurrent Liabilities	
2501 Due Within One Year	341,057
2502 Due in More Than One Year	4,681,307
2000 Total Liabilities	5,261,134
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	2,189,087
3820 Restricted for Federal and State Programs	231,498
3850 Restricted for Debt Service	385,089
3900 Unrestricted Net Assets	5,418,048
3000 Total Net Assets	\$ 8,223,722

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

CLIFTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 5,832,994	\$ 69,136	\$ 873,507	\$ (4,890,351)
12 Instructional Resources and Media Services	125,153	-	8,817	(116,337)
13 Curriculum and Instructional Staff Development	8,299	-	-	(8,299)
21 Instructional Leadership	189,203	-	22,173	(167,030)
23 School Leadership	472,719	-	21,034	(451,685)
31 Guidance, Counseling and Evaluation Services	211,276	-	11,258	(200,018)
33 Health Services	32,529	-	1,683	(30,846)
34 Student (Pupil) Transportation	269,013	-	7,457	(261,556)
35 Food Services	583,556	207,610	360,782	(15,164)
36 Extracurricular Activities	436,912	31,038	8,423	(397,451)
41 General Administration	263,065	-	7,914	(255,151)
51 Plant Maintenance and Operations	1,178,264	-	23,388	(1,154,876)
52 Security and Monitoring Services	46,788	-	-	(46,788)
53 Data Processing Services	87,031	-	4,555	(82,476)
72 Debt Service - Interest on Long Term Debt	290,188	-	-	(290,188)
73 Debt Service - Bond Issuance Cost and Fees	646	-	-	(646)
81 Facilities Acquisition and Construction	83,716	-	-	(83,716)
99 Other Intergovernmental Charges	135,711	-	-	(135,711)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 10,247,063</u>	<u>\$ 307,784</u>	<u>\$ 1,350,989</u>	<u>(8,588,290)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	4,270,293
DT	Property Taxes, Levied for Debt Service	568,778
GC	Grants and Contributions not Restricted	4,189,550
IE	Investment Earnings	227,412
MI	Miscellaneous Local and Intermediate Revenue	68,972
TR	Total General Revenues	<u>9,325,005</u>
CN	Change in Net Assets	736,716
NB	Net Assets--Beginning	7,877,322
PA	Prior Period Adjustment	(390,316)
NE	Net Assets--Ending	<u>\$ 8,223,722</u>

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

CLIFTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2008

Data Control Codes	10 General Fund	Fund 428 High School Allotment	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 4,439,551	\$ 125,370	\$ 433,088	\$ 4,998,009
1220 Property Taxes - Delinquent	233,849	-	29,407	263,256
1230 Allowance for Uncollectible Taxes (Credit)	(60,806)	-	(10,207)	(71,013)
1240 Due from Other Governments	1,069,704	-	13,449	1,083,153
1260 Due from Other Funds	143,003	-	195,349	338,352
1000 Total Assets	<u>\$ 5,825,301</u>	<u>\$ 125,370</u>	<u>\$ 661,086</u>	<u>\$ 6,611,757</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 72,311	\$ -	\$ 2,584	\$ 74,895
2150 Payroll Deductions and Withholdings Payable	5,194	-	-	5,194
2170 Due to Other Funds	199,654	101,677	37,021	338,352
2300 Deferred Revenues	326,199	-	18,214	344,413
2000 Total Liabilities	<u>\$ 603,358</u>	<u>\$ 101,677</u>	<u>\$ 57,819</u>	<u>\$ 762,854</u>
Fund Balances:				
Reserved For:				
3420 Retirement of Long Term Debt	\$ -	\$ -	\$ 395,462	\$ 395,462
3450 Food Service	-	-	134,279	134,279
Unreserved Designated For:				
3510 Construction	1,808,933	-	-	1,808,933
Unreserved and Undesignated:				
3600 Reported in the General Fund	3,413,010	-	-	3,413,010
3610 Reported in Special Revenue Funds	-	23,693	73,526	97,219
3000 Total Fund Balances	<u>\$ 5,221,943</u>	<u>\$ 23,693</u>	<u>\$ 603,267</u>	<u>\$ 5,848,903</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,825,301</u>	<u>\$ 125,370</u>	<u>\$ 661,086</u>	<u>\$ 6,611,757</u>

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

CLIFTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2008

Total Fund Balances - Governmental Funds	\$	5,848,903
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,027,506 and the accumulated depreciation was \$5,406,627. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		2,259,222
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase net assets.		339,483
3 The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(409,618)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		185,732
19 Net Assets of Governmental Activities	\$	8,223,722

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

CLIFTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	10 General Fund	Fund 428 High School Allotment	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,632,961	\$ -	\$ 797,400	\$ 5,430,361
5800 State Program Revenues	4,560,147	93,661	118,327	4,772,135
5900 Federal Program Revenues	7,919	-	760,485	768,404
5020 Total Revenues	9,201,027	93,661	1,676,212	10,970,900
EXPENDITURES:				
Current:				
0011 Instruction	4,708,330	69,968	884,562	5,662,860
0012 Instructional Resources and Media Services	131,339	-	3,261	134,600
0013 Curriculum and Instructional Staff Development	8,299	-	-	8,299
0021 Instructional Leadership	174,010	-	15,193	189,203
0023 School Leadership	469,084	-	-	469,084
0031 Guidance, Counseling and Evaluation Services	209,845	-	-	209,845
0033 Health Services	32,529	-	-	32,529
0034 Student (Pupil) Transportation	375,087	-	2,276	377,363
0035 Food Services	-	-	543,689	543,689
0036 Extracurricular Activities	345,674	-	-	345,674
0041 General Administration	246,730	-	-	246,730
0051 Facilities Maintenance and Operations	1,084,001	-	84,008	1,168,009
0052 Security and Monitoring Services	58,446	-	-	58,446
0053 Data Processing Services	87,031	-	-	87,031
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	300,000	300,000
0072 Debt Service - Interest on Long Term Debt	-	-	290,188	290,188
0073 Debt Service - Bond Issuance Cost and Fees	-	-	646	646
Capital Outlay:				
0081 Facilities Acquisition and Construction	298,813	-	-	298,813
Intergovernmental:				
0099 Other Intergovernmental Charges	135,711	-	-	135,711
6030 Total Expenditures	8,364,929	69,968	2,123,823	10,558,720
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	836,098	23,693	(447,611)	412,180
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	447,006	447,006
8911 Transfers Out (Use)	(447,006)	-	-	(447,006)
7080 Total Other Financing Sources (Uses)	(447,006)	-	447,006	-
1200 Net Change in Fund Balances	389,092	23,693	(605)	412,180
0100 Fund Balance - September 1 (Beginning)	4,841,375	-	603,872	5,445,247
1300 Increase (Decrease) in Fund Balance	(8,524)	-	-	(8,524)
3000 Fund Balance - August 31 (Ending)	\$ 5,221,943	\$ 23,693	\$ 603,267	\$ 5,848,903

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

CLIFTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	412,180
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase net assets.		721,275
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(409,618)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		12,879
Change in Net Assets of Governmental Activities	\$	736,716

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

CLIFTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2008

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 90,435
Total Assets	<u>\$ 90,435</u>
LIABILITIES	
Due to Student Groups	\$ 90,435
Total Liabilities	<u>\$ 90,435</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

CLIFTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clifton Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, include programs supported by taxes, state foundation funds, grants and other intergovernmental revenue. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers the governmental General Fund as major and reports its financial condition and results of operations in a separate column.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenue and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which it becomes both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenue available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible to accrual concept. Miscellaneous revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds:

Agency Funds – These custodial funds are used to account for activities of student groups. Financial resources for the Agency Funds are recorded as assets and liabilities; therefore, these funds do not include revenue and expenditures and have no fund equity. If the student groups declare any unused resources surplus, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

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

D. **Assets, Liabilities, and Net Assets or Equity**

1. *Deposits and Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of leading/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes receivable are shown net of an allowance for uncollectible. The property tax receivable allowance is based on the District's historical experience in collecting property taxes.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended August 31, 2008, the rates were \$1.030 and \$0.14, respectively, per \$100 of assessed value.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental or business-type activities columns in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	39
Vehicles	10
Furniture and equipment	3-7

4. *Long-term Obligations*

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

5. *Compensated Absences*

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated, but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Reserves are as indicated on the balance sheet.

7. *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

8. *Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

9. *Data Control Codes*

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2008, the District had the following investments:

<u>Investment Type</u>	<u>Years</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool – investment pool	\$ 4,857,806	35
Logic - investment pool	<u>6,879</u>	41
Total Fair value	<u>\$ 4,864,685</u>	

Portfolio weighted average maturity (days) 35

The District’s investment pools are 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of bank failure, the District’s deposits may not be returned to it. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance. As of August 31, 2008, \$399,509 of the District’s \$499,509 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$100,000, was covered by FDIC insurance.

Credit Risk

It is the District’s policy to limit its investments to investment quality determined by a nationally recognized investment rating firm not less than A or its equivalent. The District’s investment pools were rated AAAM by Standard and Poor’s Investors Service.

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

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2007, are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal/State Programs</u>
General	\$ 1,069,704	\$ -
Nonmajor governmental funds	-	13,449
	<u>\$ 1,069,704</u>	<u>\$ 13,449</u>

C. Capital Assets

Capital asset activity for the year ended August 31, 2008, was as follows:

<u></u>	<u>Beginning Balance 09/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance 08/31/08</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 261,926	\$ -	\$ -	\$ -	\$ 261,926
Total capital assets not being depreciated	<u>261,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,926</u>
Capital assets being depreciated:					
Buildings	10,724,620	207,209		95,907	11,027,736
Furniture and equipment	2,040,960	174,773		(694,011)	1,521,722
Total capital assets being depreciated	<u>12,765,580</u>	<u>381,982</u>	<u>-</u>	<u>(598,105)</u>	<u>12,549,458</u>
Less accumulated depreciation for:					
Buildings	(4,308,676)	(297,090)		(64,870)	(4,670,636)
Furniture and equipment	(1,097,951)	(112,528)		281,182	(929,298)
Total accumulated depreciation	<u>(5,406,627)</u>	<u>(409,618)</u>	<u>-</u>	<u>216,312</u>	<u>(5,599,933)</u>
Net depreciable capital assets	<u>7,358,953</u>	<u>(27,636)</u>	<u>-</u>	<u>(381,792)</u>	<u>6,949,524</u>
Net governmental activities capital assets	<u>\$ 7,620,879</u>	<u>\$ (27,636)</u>	<u>\$ -</u>	<u>\$ (381,792)</u>	<u>\$ 7,211,450</u>

Adjustments to capital asset amounts are due to a restatement of capital assets and equity pertaining to prior year activity.

Depreciation expense was charge to governmental functions as follows:

Governmental activities:	
Instruction	\$ 170,134
Instructional Resources and Media Services	9,491
School Leadership	3,635
Guidance, Counseling and Evaluation Services	1,431
Student (Pupil) Transportation	39,597
Food Services	39,867
Co-curricular/Extracurricular	91,238
General Administration	16,335
Plant Maintenance and Operations	10,255
Security and Monitoring	<u>27,635</u>
Total Depreciation Expense – Governmental activities	<u>\$409,618</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of August 31, 2008, is as follow:

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue	\$ 143,004
Special revenue	General fund	5,648
Debt service	General	<u>189,700</u>
Total		<u>\$ 338,352</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 447,006

The transfer was to move unrestricted revenues collected in the General Fund to subsidize expenditures for technology.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (General Fund)	\$ 190,191
Delinquent property taxes receivable (Debt Service)	18,214
Deferred revenue from State (General Fund)	<u>136,008</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 344,413</u>

E. Long-term Liabilities

A summary of changes in governmental long-term liabilities payable for the year ended August 31, 2008, is as follows:

Description	Original Issue Amount	Interest Rate	Amounts Outstanding 09/01/07	Issued	Retired	Amounts Outstanding 08/31/08	Amount Due Within One Year
General obligations:							
1997 School Building	5,800,000	5.25% - 7.25%	5,175,000	-	300,000	4,875,000	300,000
Total general obligations			5,175,000	-	300,000	4,875,000	300,000
Capital lease:							
Key Government-Equipment	208,713	3.30%	186,657	-	39,293	147,364	41,057
Total capital lease			186,657	-	39,293	147,364	41,057
Total governmental long term liabilities			\$ 5,361,657	\$ -	\$ 339,293	\$ 5,022,364	\$ 341,057

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2008.

Presented below is a summary of general obligation bond requirements to maturity:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total Requirements
2009	\$ 300,000	\$ 268,438	\$ 568,438
2010	325,000	246,688	571,688
2011	350,000	223,125	573,125
2012	375,000	204,750	579,750
2013	400,000	185,063	585,063
2014-2018	2,350,000	584,064	2,934,064
2019-2020	775,000	52,501	827,501
Totals	\$ 4,875,000	\$ 1,764,629	\$ 6,639,629

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge full faith in credit of the District. Current principal and interest requirements are payable solely from the future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings.

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of telephone equipment. These leases qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Approximately \$208 thousand of equipment has been leased under these agreements as of August 31, 2008. Capital leases bear interest at 3.3% and mature in 2012. The total interest paid in 2008 for capital leases was \$7,284. Annual requirements to satisfy these obligations are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 40,907	\$ 5,670	\$ 46,577
2010	42,743	3,834	46,577
2011	44,662	1,916	46,578
2012	19,052	212	19,264
Totals	<u>\$ 147,364</u>	<u>\$ 11,632</u>	<u>\$ 158,996</u>

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description. Clifton Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8; Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2006, 2007 and 2008, a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances, the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; and (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of Clifton Independent School District's employees for the years ended August 31, 2006, 2007 and 2008, were \$359,712, \$347,791, and \$373,509 respectively. Clifton Independent School District paid additional state contributions for the years ended August 31, 2006, 2007, and 2008, in the amount of \$21,584, \$33,029, and \$25,799 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

B. Risk Management

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Such insurance is consistent with the prior year, and no losses were sustained in excess of the coverage over the past three fiscal years.

C. Commitments and 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 combined financial statements for such contingencies.

D. Prior Period Adjustment

During 2008 the District contracted with an agency to perform an inventory of all capital assets. The inventory included computation of depreciation. Adjustments are required to match the amounts on the books to the physical inventory.

REQUIRED SUPPLEMENTARY INFORMATION

CLIFTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,615,139	\$ 4,612,787	\$ 4,632,961	\$ 20,174
5800	State Program Revenues	4,839,133	4,839,133	4,560,147	(278,986)
5900	Federal Program Revenues	25,000	25,000	7,919	(17,081)
5020	Total Revenues	9,479,272	9,476,920	9,201,027	(275,893)
EXPENDITURES:					
Current:					
0011	Instruction	4,908,455	4,861,455	4,708,330	153,125
0012	Instructional Resources and Media Services	145,365	145,365	131,339	14,026
0013	Curriculum and Instructional Staff Development	17,450	17,450	8,299	9,151
0021	Instructional Leadership	180,776	180,776	174,010	6,766
0023	School Leadership	451,447	471,447	469,084	2,363
0031	Guidance, Counseling and Evaluation Services	221,673	222,673	209,845	12,828
0033	Health Services	33,184	33,184	32,529	655
0034	Student (Pupil) Transportation	280,335	379,335	375,087	4,248
0036	Extracurricular Activities	357,077	371,829	345,674	26,155
0041	General Administration	247,811	253,361	246,730	6,631
0051	Facilities Maintenance and Operations	1,105,714	1,109,114	1,084,001	25,113
0052	Security and Monitoring Services	56,900	65,300	58,446	6,854
0053	Data Processing Services	79,832	89,832	87,031	2,801
Capital Outlay:					
0081	Facilities Acquisition and Construction	94,750	315,350	298,813	16,537
Intergovernmental:					
0099	Other Intergovernmental Charges	136,000	136,000	135,711	289
6030	Total Expenditures	8,316,769	8,652,471	8,364,929	287,542
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,162,503	824,449	836,098	11,649
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(447,006)	(447,006)	(447,006)	-
7080	Total Other Financing Sources (Uses)	(447,006)	(447,006)	(447,006)	-
1200	Net Change in Fund Balances	715,497	377,443	389,092	11,649
0100	Fund Balance - September 1 (Beginning)	4,832,851	4,832,851	4,841,375	8,524
1300	Prior Period Adjustment	-	-	(8,524)	(8,524)
3000	Fund Balance - August 31 (Ending)	\$ 5,548,348	\$ 5,210,294	\$ 5,221,943	\$ 11,649

CLIFTON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2008

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Fund. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds, and compares the final amended budget to actual revenue and expenditures. The District presented the General Fund budgetary comparison schedule as required supplementary information, and the debt Service Fund and Nation School Breakfast and Lunch Fund budgetary comparison schedules are presented as required TEA schedules.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved it can only be amended at the function and fund level by approval of a majority of the members of the Board.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods ore purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING STATEMENTS

CLIFTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 128,837
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	2,894	-	-	8,026
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 2,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,863</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 2,584
2170	Due to Other Funds	2,894	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>2,894</u>	<u>-</u>	<u>-</u>	<u>2,584</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
3450	Food Service	-	-	-	134,279
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,279</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,863</u>

255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	269 Title V, Pt.A Innovative Programs	288 Title V Delinquency Program	289 Other Federal Special Revenue Funds	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment
\$ -	\$ -	\$ -	\$ 25,949	\$ -	\$ -	\$ -	\$ 73,526
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	375	2,154	-
5,649	-	-	-	-	-	-	-
<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,949</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 2,154</u>	<u>\$ 73,526</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,649	-	-	25,949	-	375	2,154	-
-	-	-	-	-	-	-	-
<u>5,649</u>	<u>-</u>	<u>-</u>	<u>25,949</u>	<u>-</u>	<u>375</u>	<u>2,154</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	73,526
-	-	-	-	-	-	-	73,526
<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,949</u>	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 2,154</u>	<u>\$ 73,526</u>

CLIFTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2008

Data Control Codes	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	\$ 228,312	\$ 204,776	\$ 433,088
1220	-	29,407	29,407
1230	-	(10,207)	(10,207)
1240	13,449	-	13,449
1260	5,649	189,700	195,349
1000	<u>\$ 247,410</u>	<u>\$ 413,676</u>	<u>\$ 661,086</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110	\$ 2,584	\$ -	\$ 2,584
2170	37,021	-	37,021
2300	-	18,214	18,214
2000	<u>39,605</u>	<u>18,214</u>	<u>57,819</u>
Fund Balances:			
Reserved For:			
3420	-	395,462	395,462
3450	134,279	-	134,279
Unreserved and Undesignated:			
3610	73,526	-	73,526
3000	<u>207,805</u>	<u>395,462</u>	<u>603,267</u>
4000	<u>\$ 247,410</u>	<u>\$ 413,676</u>	<u>\$ 661,086</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CLIFTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 214,286
5800 State Program Revenues	412	7,948	-	44,801
5900 Federal Program Revenues	189,732	216,650	4,994	302,199
5020 Total Revenues	<u>190,144</u>	<u>224,598</u>	<u>4,994</u>	<u>561,286</u>
EXPENDITURES:				
Current:				
0011 Instruction	188,338	208,935	4,994	-
0012 Instructional Resources and Media Services	-	-	-	-
0021 Instructional Leadership	-	15,193	-	-
0034 Student (Pupil) Transportation	1,806	470	-	-
0035 Food Services	-	-	-	543,689
0051 Facilities Maintenance and Operations	-	-	-	84,008
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>190,144</u>	<u>224,598</u>	<u>4,994</u>	<u>627,697</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(66,411)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	(66,411)
0100 Fund Balance - September 1 (Beginning)	-	-	-	200,690
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,279</u>

255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	269 Title V, Pt.A Innovative Programs	288 Title V Delinquency Program	289 Other Federal Special Revenue Funds	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	3,755	21,538	39,873
42,493	1,608	1,653	-	1,156	-	-	-
42,493	1,608	1,653	-	1,156	3,755	21,538	39,873
42,493	-	-	-	1,156	3,755	21,538	413,353
-	1,608	1,653	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
42,493	1,608	1,653	-	1,156	3,755	21,538	413,353
-	-	-	-	-	-	-	(373,480)
-	-	-	-	-	-	-	447,006
-	-	-	-	-	-	-	447,006
-	-	-	-	-	-	-	73,526
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,526

CLIFTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 214,286	\$ 583,114	\$ 797,400
5800 State Program Revenues	118,327	-	118,327
5900 Federal Program Revenues	760,485	-	760,485
5020 Total Revenues	<u>1,093,098</u>	<u>583,114</u>	<u>1,676,212</u>
EXPENDITURES:			
Current:			
0011 Instruction	884,562	-	884,562
0012 Instructional Resources and Media Services	3,261	-	3,261
0021 Instructional Leadership	15,193	-	15,193
0034 Student (Pupil) Transportation	2,276	-	2,276
0035 Food Services	543,689	-	543,689
0051 Facilities Maintenance and Operations	84,008	-	84,008
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	300,000	300,000
0072 Debt Service - Interest on Long Term Debt	-	290,188	290,188
0073 Debt Service - Bond Issuance Cost and Fees	-	646	646
6030 Total Expenditures	<u>1,532,989</u>	<u>590,834</u>	<u>2,123,823</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(439,891)</u>	<u>(7,720)</u>	<u>(447,611)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	447,006	-	447,006
7080 Total Other Financing Sources (Uses)	<u>447,006</u>	<u>-</u>	<u>447,006</u>
1200 Net Change in Fund Balance	7,115	(7,720)	(605)
0100 Fund Balance - September 1 (Beginning)	<u>200,690</u>	<u>403,182</u>	<u>603,872</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 207,805</u>	<u>\$ 395,462</u>	<u>\$ 603,267</u>

T.E.A. REQUIRED SCHEDULES

CLIFTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2008

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1999 and prior years	Various	Various	\$ Various
2000	1.128400	0.284400	209,533,032
2001	1.210950	0.281860	238,200,873
2002	1.326000	0.196800	314,782,781
2003	1.354900	0.168200	383,478,701
2004	1.295700	0.116600	355,187,777
2005	1.426200	0.140000	372,431,227
2006	1.426200	0.140000	380,869,384
2007	1.304600	0.152000	400,652,328
2008 (School year under audit)	1.030000	0.140000	479,815,381
100 TOTALS			

(10) Beginning Balance 9/1/2007	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2008
\$ 40,176	\$ -	\$ 236	\$ 41	\$ (2,316)	\$ 37,583
5,706	-	-	-	(230)	5,476
6,605	-	19	4	(227)	6,355
5,915	-	117	17	(495)	5,286
7,996	-	427	53	(271)	7,245
12,317	-	1,660	149	(301)	10,207
18,963	-	3,085	303	(3,442)	12,133
34,315	-	20,376	2,000	2,863	14,802
133,772	-	84,646	9,895	(3,799)	35,432
-	4,825,427	4,149,259	553,906	6,475	128,737
<u>\$ 265,765</u>	<u>\$ 4,825,427</u>	<u>\$ 4,259,825</u>	<u>\$ 566,368</u>	<u>\$ (1,743)</u>	<u>\$ 263,256</u>

CLIFTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2009-2010
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2008

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 162,314	\$ 93,014	\$ -	\$ -	\$ 255,328
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	7,869	-	7,869
6212	Audit Services	-	-	-	18,950	-	-	18,950
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	135,711	-	-	-	-	135,711
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	12,539	-	-	12,539
6240	Contr. Maint. and Repair	-	-	-	-	1,263	-	1,263
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,502	-	-	5,502
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,546	-	832	7,827	-	-	10,205
6410	Travel, Subsistence, Stipends	2,234	-	921	490	-	-	3,645
6420	Ins. and Bonding Costs	-	107	-	-	-	-	107
6430	Election Costs	1,405	-	-	-	-	-	1,405
6490	Miscellaneous Operating	7,768	-	1,510	4,436	966	-	14,680
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 12,953	\$ 135,818	\$ 165,577	\$ 142,758	\$ 10,098	\$ -	\$ 467,204

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 9,963,593

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 381,982
Total Debt & Lease(6500)	(11)	46,577
Plant Maintenance (Function 51, 6100-6400)	(12)	1,168,009
Food (Function 35, 6341 and 6499)	(13)	194,193
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		142,758

SubTotal:

1,933,519

Net Allowed Direct Cost

\$ 8,030,074

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 10,724,620
Historical Cost of Building over 50 years old	(16)	\$ 292,664
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,040,960
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 36,671
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$84,763 in Function 53 expenditures are included in this report on administrative costs.

\$135,711 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CLIFTON INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2008

UNAUDITED

1	Total General Fund Balance as of 8/31/08 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 5,221,943
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	1,808,933	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).	880,000	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	1,069,704	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>3,758,637</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ 1,463,306</u>

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

The District plans to use the net positive fund balance for unexpected costs that may arise beyond the estimated needs for one month.

CLIFTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 214,286	\$ 214,286	\$ 214,286	\$ -
5800	State Program Revenues	44,859	44,859	44,801	(58)
5900	Federal Program Revenues	294,635	294,635	302,199	7,564
5020	Total Revenues	553,780	553,780	561,286	7,506
EXPENDITURES:					
0035	Food Services	543,689	543,689	543,689	-
0051	Facilities Maintenance and Operations	14,008	84,008	84,008	-
6030	Total Expenditures	557,697	627,697	627,697	-
1200	Net Change in Fund Balances	(3,917)	(73,917)	(66,411)	7,506
0100	Fund Balance - September 1 (Beginning)	200,690	200,690	200,690	-
3000	Fund Balance - August 31 (Ending)	\$ 196,773	\$ 126,773	\$ 134,279	\$ 7,506

CLIFTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 578,267	\$ 578,267	\$ 583,114	\$ 4,847
5020	Total Revenues	578,267	578,267	583,114	4,847
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	300,000	300,000	300,000	-
0072	Debt Service - Interest on Long Term Debt	290,188	290,188	290,188	-
0073	Debt Service - Bond Issuance Cost and Fees	1,500	1,500	646	854
6030	Total Expenditures	591,688	591,688	590,834	854
1200	Net Change in Fund Balances	(13,421)	(13,421)	(7,720)	5,701
0100	Fund Balance - September 1 (Beginning)	403,182	403,182	403,182	-
3000	Fund Balance - August 31 (Ending)	\$ 389,761	\$ 389,761	\$ 395,462	\$ 5,701

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



CHEATHAM & LANSFORD

Certified Public Accountants

Service, Solutions, Stability

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Independent Auditor's Report

Board of Trustees
Clifton Independent School District
Clifton, Texas

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clifton Independent School District (the District) as of and for the year ended August 31, 2008. These collectively comprise the District's basic financial statements. We have issued our report on them dated November 19, 2008.

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 Clifton Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Clifton Independent School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Clifton Independent School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

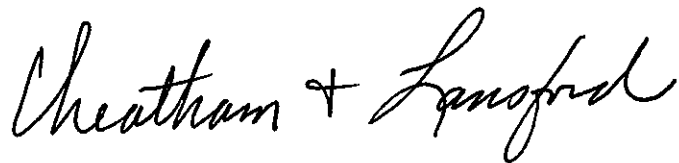
identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are identified in the Schedule of Findings and Questioned Costs as items 2008-1, 2008-2, and 2008-3.

Clifton Independent School District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Stephenville, Texas
November 19, 2008

A handwritten signature in black ink that reads "Cheatham + Langford". The signature is written in a cursive, flowing style.



CHEATHAM & LANSFORD

Certified Public Accountants

Service, Solutions, Stability

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees
1102 Key Avenue
Clifton, Texas 76634

Members of the Board:

Compliance

We have audited the compliance of Clifton 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, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clifton Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clifton 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 Clifton Independent School District's compliance with those requirements.

In our opinion, Clifton 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, 2008.

Internal Control Over Compliance

The administration of Clifton Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations,

contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Stephenville, Texas
November 19, 2008

A handwritten signature in black ink, appearing to read "Cheatham & Langford". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

CLIFTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2008

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	08610101018901	\$ 186,922
IDEA - Part B, Formula	84.027	086600010189016600	222,574
IDEA - Part B, Preschool	84.173	086610010189016610	4,994
Title V, Part A - Innovative Programs	84.298	08685001018901	1,653
Title II, Part D -Enhancing Ed. Through Technology	84.318	08630001018901	1,608
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	08694501018901	36,472
Total Passed Through State Department of Education			\$ 454,223
TOTAL DEPARTMENT OF EDUCATION			\$ 454,223
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555	71300701	\$ 302,199
Total Passed Through the State Department of Agriculture			\$ 302,199
TOTAL DEPARTMENT OF AGRICULTURE			\$ 302,199
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 756,422

*Clustered Programs as required by Compliance Supplement March, 2008

CLIFTON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2008

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

CLIFTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2008

I. Summary of the Auditor's Results:

1. The type of report issued on the financial statements of the Clifton Independent School District was an unqualified opinion.
2. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which are material to the financial statements of the auditee.
4. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. The type of report the auditor issued on compliance for major programs was an unqualified opinion.
6. There were no audit findings which the auditor is required to report under Section __.510(a).
7. Major programs were: Title I, Part A, National School Lunch Program, and School Breakfast Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000
9. The auditee did not qualify as a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards. (Use reference numbers to identify each finding.)

Finding 2008-1:

- a) Criteria: Accounting duties should be properly segregated for control purposes.
- b) Deficiency: We found one position which has overlapping duties.
- c) Context: All employees in business office and administration.
- d) Effect: Controls are not as effective as they could be.
- e) Cause: No one had analyzed this before.
- f) Recommendation: We recommend the District investigate the best way to revise job descriptions in order to better segregate duties and strengthen internal controls.
- g) Views and planned corrective actions of responsible officials:
The District plans to re-assign duties to take advantage of additional control resulting from better segregation of duties.

Finding 2008-2:

- a) Criteria: Payroll must be accrued according to TEA's Financial Accounting and Reporting Guide..
- b) Deficiency: We found payroll had not been accrued for August 2008.
- c) Context: Two weeks payroll for professional employees..
- d) Effect: Expenditures reported in 2009 that should have been in 2008.
- e) Cause: District did not know to do this.
- f) Recommendation: We recommend the District amend the 2009 budget for the additional amount that will need to be accrued in August 2009 and post the accrual.
- g) Views and planned corrective actions of responsible officials:
The District plans to amend the Budget for 2009 and post the accrual from August 2009 forward.

III. Findings and Questioned Costs for Federal Awards:

None.

CLIFTON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2008

(Prepared by the District's Administration)

2007-1:

Condition: Capital asset and accumulated depreciation amounts reported in the District's financial statements did not agree to the detailed listing of capital assets. These differences were noted to have occurred from transactions occurring in a prior period.

Effect: Capital assets and accumulated depreciation were not recorded in the proper period, which caused assets to be overstated at year end.

Cause: The District's internal control structure did not require capital assets reported in their financial statements to be agreed to a detailed listing.

Recommendation: Management should implement a policy that requires capital assets and corresponding accumulated depreciation amounts to be agreed to a detailed listing.

Management response: We are currently investigating software for better tracking of District assets. This will enable us to reconcile, list and delete items as necessary, and provide accurate reports as required by accounting principles and law.

2008 Update: As of August 31, 2008, a professional inventory of capital assets had been performed and the totals reconciled to the books. During fiscal year 2009 the District intends to begin to utilize the RSCCC software to maintain the inventory of capital assets.

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2008

(Prepared by the District's Administration)

Finding 2008-1:

- | | | |
|---|---|---|
| 1 | The name of the contact person responsible for corrective action: | Rhoda White, Superintendent |
| 2 | The corrective action planned: | Re-assign duties to take advantage of the additional control resulting from segregation of duties |
| 3 | The anticipated completion date. | August 2009 |

Finding 2008-2:

- | | | |
|---|---|--|
| 4 | The name of the contact person responsible for corrective action: | Kitsy Spitzer, Business Manager |
| 5 | The corrective action planned: | Amend budget and accrue salaries per TEA FASRG |
| 6 | The anticipated completion date. | August 2009 |