

ALEDO INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2011

ALEDO INDEPENDENT SCHOOL DISTRICT

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Year Ended August 31, 2011**

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CERTIFICATE OF THE BOARD

Aledo Independent School District
Name of School District

Parker
County

184-907
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, 2011, at a meeting of the board of trustees of such school district on the _____ day of _____, 2011.

Signature of Board Secretary

Signature of Board President

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

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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Independent Auditor's Report

Board of Trustees
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities and the aggregate remaining fund information of Aledo Independent School District (the "District"), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

The 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.

Signed copy on file.

Kirk, Richardson & Poole, P. C.
December 5, 2011

**ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2011
UNAUDITED**

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2011. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- District rated "Superior Achievement" in financial management based on 22 financial indicators of the TEA Financial Integrity Rating System of Texas.
- Ending fund balance for the General Fund was \$16,856,367, an increase of \$4,533,345, including a prior period adjustment of \$2,148. This actual increase was more than the projected increase of \$617,987. The District continues to be prudent by "setting aside" funds for future District operating costs in light of state funding changes which will continue to have a negative impact on the District's fund balance and resources.
- The School District and Appraisal District continue to be efficient in collecting ad valorem taxes.
- Governmental funds reported combined ending fund balances of \$27,536,666, a net decrease of \$4,898,001 from the prior year. The Debt Service and Capital Project funds fund balances had decreases of \$2,296,151 and \$7,574,580 respectively. These decreases were partially offset by a \$4,531,197 increase in the General Fund and a prior period total adjustment of \$389,902. The \$16,856,367 Unassigned Fund Balance represents approximately 61 percent of the \$27,536,666 total fund balance. Approximately 90 percent of the remaining fund balance of \$10,680,299 is restricted for retirement of long-term debt (\$5,169,500) or assigned for construction (\$4,460,852).
- The District's net assets were (\$11,084,011) at the close of the fiscal year. Of this amount, \$5,066,268 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District's had two *business-type activities*, a Pre-K Academy and the Bearcat Store. There are no component units for which it is financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

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

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been

provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 18-24 of this report.

- ***Proprietary funds.*** *Proprietary funds* are used to account for on-going organizations and activities where net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, non-operating revenues and expenses, and transfers are accounted for through the fund affected. Generally accepted accounting principles that apply to similar businesses in the private sector are applicable to proprietary type funds, as net income and financial position are to be determined. These funds utilize the accrual basis of accounting. The District had two enterprise funds during the year, a Pre-K Academy and the Bearcat Store. A budget is not required to be approved by the District's Board of Trustees. Expenses of an enterprise operation, including depreciation, are generally intended to be financed or recovered primarily through user charges, rather than from governmental grants or subsidies.
- ***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets that can be found on page 28.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-48 of this report.

Other information. 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. Supplementary information can be found on page 48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$11,084,011, as of August 31, 2011.

The District's Net Assets

	August 31, 2011	August 31, 2010
Current assets	\$ 30,282,812	\$ 38,717,973
Capital assets	126,464,678	127,504,094
Total assets	156,747,490	166,222,067
Current liabilities	2,054,642	5,421,165
Long-term liabilities outstanding	165,776,859	167,792,620
Total liabilities	167,831,501	173,213,785
Net assets:		
Invested in capital assets, net of related debt	(21,954,851)	(29,422,471)
Restricted	5,804,572	9,074,463
Unrestricted	5,066,268	13,356,290
Total net assets	\$ (11,084,011)	\$ (6,991,718)

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is a negative \$21,954,851. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$5,804,572) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,066,268, including \$62,943 for Business Type Activities) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's Governmental Activities decreased by \$4,491,956 and the Business-Type Activities increased by \$9,761 for a net decrease of \$4,482,195. The total cost of all *governmental activities* this year was \$54,277,785. The amount that our taxpayers paid for these activities through property taxes was \$36,712,650 or 68%. The total cost of the Business-Type Activities was \$43,870.

Changes in the District's Net Assets

	Fiscal Year August 31, 2011	Fiscal Year August 31, 2010
Revenues:		
Program revenues		
Charges for services	\$ 3,334,037	\$ 3,097,083
Operating grants and contributions	4,491,921	4,619,695
General revenues		
Property taxes	36,712,650	34,836,221
State grants	4,722,664	4,140,047
Special Items	-	-
Other	524,613	576,858
Total revenues	<u>49,785,885</u>	<u>47,269,904</u>
Expenses:		
Instruction	24,166,744	24,243,831
Instructional resources and media services	457,026	431,105
Curriculum and staff development	261,307	226,287
Instructional leadership	407,615	408,897
School leadership	2,672,333	2,399,186
Guidance, counseling & evaluation services	693,086	722,875
Health services	327,510	342,609
Student transportation	30,092	20,034
Food service	2,071,675	1,968,152
Cocurricular/extracurricular activities	2,396,052	2,138,469
General administration	1,709,256	1,718,000
Plant maintenance and operations	4,655,329	4,647,013
Security and monitoring services	322,660	379,868
Data processing services	617,550	588,225
Debt service-interest on long-term debt	6,952,456	7,269,842
Debt service-bond issuance costs	84,835	83,665
Capital outlay	3,030,856	1,021,054
Payments to other governments	3,421,403	2,117,042
Total expenses	<u>54,277,785</u>	<u>50,726,154</u>
Increase (decrease) in net assets	(4,491,900)	(3,456,250)
Net Business-Type Activities	<u>9,705</u>	<u>31,715</u>
Total Increase (decrease) in net assets	(4,482,195)	(3,424,535)
Beginning net assets	(6,991,718)	(3,567,183)
Prior period adjustment	389,902	-
Ending net assets	<u>\$ (11,084,011)</u>	<u>\$ (6,991,718)</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,536,666, a net decrease of \$4,897,998 including a prior period adjustment of \$389,902 to correct prior year accounts payables.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,856,367, out of a total fund balance of \$16,856,367. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance and total fund balance represents 52 percent of the total general fund expenditures.

The fund balance of the District's general fund increased by \$4,533,345, including a prior period adjustment of \$2,148, during the current fiscal year.

The debt service fund has a total fund balance of \$5,169,500, all of which is restricted for the payment of debt service. The net decrease in the debt service fund balance was \$2,296,151.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases. The fund balance of the District's capital projects fund was \$4,460,852 as of August 31, 2011. The net decrease in fund balance for the fiscal year ended August 31, 2011, was \$7,198,430, including a prior period adjustment of \$376,150. This decrease resulted from the increase in total expenditures. Expenditures for capital projects totaled \$7,681,054 for the year.

General Fund Budgetary Highlights

- District recommended and Board approved revisions to budgeted revenue and appropriations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2011, amounts to \$126,464,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2011</u>	<u>August 31, 2010</u>
Land	\$ 6,745,838	\$ 6,425,388
Construction in progress	-	35,321,438
Buildings and improvements	116,313,396	82,115,451
Furniture and equipment	<u>3,405,444</u>	<u>3,641,817</u>
Total at historical cost	<u><u>\$ 126,464,678</u></u>	<u><u>\$ 127,504,094</u></u>

Additional information on the District’s capital assets can be found in note IV-F on page 42 of this report.

Long-term debt. As of August 31, 2011, the District had total general obligation bonded debt outstanding of \$147,197,308, a decrease of \$1,982,201 from the prior year. The District also had accretion of capital appreciation bonds of \$12,896,478 in fiscal year 2011, an increase of \$171,080 over the prior year. The District had a loss on refunding of \$1,025,370, a decrease of \$74,800 from the prior year.

The “AAA” long-term rating on the District’s Texas’ bonds reflects the Texas Permanent School Fund guarantee. The “AA-” Standard & Poor’s underlying rating on the District’s unenhanced debt reflects the District’s: (1) strong assessed value growth, (2) changing property tax base that is becoming more suburban and less agriculture and rural, (3) improved financial performance and position due to the implementation of its financial recovery plan, and (4) moderate overall debt levels with future capital needs, which the District expects to finance through debt issuance. Source: *Standard and Poor’s Ratings Direct*.

Additional information on the District’s long-term debt can be found in note IV-G on pages 43-44 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The District’s 2010-2011 student attendance rate remained stable at 96.24%.
- Following is the outlook for the 2011-2012 fiscal year:
 - The 2011 certified taxable value of all property in the District was \$2,437,969,242, a decrease in value of \$192,185,705, or 7.31%, from the 2010 taxable value.
 - The Maintenance and Operations tax rate was adopted at \$1.17 per \$100 valuation and the Debt Service tax rate was adopted at \$0.2552 per \$100 valuation for a total tax rate of \$1.4252 per \$100 valuation. The District’s total tax rate has not changed since the 2008-2009 fiscal year, a period of four years.
 - Due to the decline in taxable property values, 2011-2012 budgeted local revenues in the General Fund decreased to \$28,518,451 while budgeted state and federal revenues increased to \$9,039,468. This results in total 2011-2012 budgeted General Fund revenues of \$37,557,919 with General Fund expenditures budgeted at \$37,743,513.

- The budgeted difference of \$185,594 will reduce the fund balance in the General Fund.
- Due to the decline in taxable property values, 2011-2012 budgeted local revenues in the Debt Service Fund decreased to \$6,179,317 with budgeted expenditures increasing to \$9,848,061. The budgeted difference of \$3,668,744 will reduce the fund balance in the Debt Service Fund.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Aledo Business Office.

BASIC FINANCIAL STATEMENTS

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,221,865	\$ 62,943	\$ 1,284,808
1120 Current Investments	27,039,802	-	27,039,802
1220 Property Taxes Receivable (Delinquent)	818,942	-	818,942
1230 Allowance for Uncollectible Taxes	(378,409)	-	(378,409)
1240 Due from Other Governments	913,716	-	913,716
1300 Inventories	1,050	-	1,050
1420 Capitalized Bond and Other Debt Issuance Costs	602,903	-	602,903
Capital Assets:			
1510 Land	6,745,838	-	6,745,838
1520 Buildings, Net	116,313,396	-	116,313,396
1530 Furniture and Equipment, Net	3,405,444	-	3,405,444
1000 Total Assets	<u>156,684,547</u>	<u>62,943</u>	<u>156,747,490</u>
LIABILITIES			
2110 Accounts Payable	264,299	-	264,299
2140 Interest Payable	414,875	-	414,875
2150 Payroll Deductions & Withholdings	3,204	-	3,204
2160 Accrued Wages Payable	1,301,725	-	1,301,725
2200 Accrued Expenses	25,323	-	25,323
2300 Deferred Revenues	45,216	-	45,216
Noncurrent Liabilities			
2501 Due Within One Year	1,946,045	-	1,946,045
2502 Due in More Than One Year	163,830,814	-	163,830,814
2000 Total Liabilities	<u>167,831,501</u>	<u>-</u>	<u>167,831,501</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	(21,954,851)	-	(21,954,851)
Restricted for:			
3820 Restricted for Federal and State Programs	199,068	-	199,068
3850 Restricted for Debt Service	4,754,625	-	4,754,625
3870 Restricted for Campus Activities	850,879	-	850,879
3900 Unrestricted Net Assets	<u>5,003,325</u>	<u>62,943</u>	<u>5,066,268</u>
3000 Total Net Assets	<u>\$ (11,146,954)</u>	<u>\$ 62,943</u>	<u>\$ (11,084,011)</u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 24,166,744	\$ 78,952	\$ 2,280,956
12 Instructional Resources and Media Services	457,026	-	23,797
13 Curriculum and Staff Development	261,307	-	99,258
21 Instructional Leadership	407,615	-	17,854
23 School Leadership	2,672,333	-	100,175
31 Guidance, Counseling and Evaluation Services	693,086	-	31,667
33 Health Services	327,510	-	16,935
34 Student (Pupil) Transportation	30,092	-	-
35 Food Services	2,071,675	1,556,498	493,871
36 Extracurricular Activities	2,396,052	1,698,587	34,203
41 General Administration	1,709,256	-	83,977
51 Facilities Maintenance and Operations	4,655,329	-	1,264,292
52 Security and Monitoring Services	322,660	-	12,582
53 Data Processing Services	617,550	-	14,354
72 Debt Service - Interest on Long Term Debt	6,952,456	-	-
73 Debt Service - Bond Issuance Cost and Fees	84,835	-	-
81 Capital Outlay	3,030,856	-	-
91 Contracted Instructional Services Between Schools	1,531,297	-	-
93 Payments related to Shared Services Arrangements	1,890,106	-	18,000
[TG] Total Governmental Activities:	<u>54,277,785</u>	<u>3,334,037</u>	<u>4,491,921</u>
BUSINESS-TYPE ACTIVITIES:			
01 Aledo ISD Pre-K Academy	29,160	29,160	-
02 Bearcat Store	14,710	24,415	-
[TB] Total Business-Type Activities:	<u>43,870</u>	<u>53,575</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 54,321,655</u>	<u>\$ 3,387,612</u>	<u>\$ 4,491,921</u>
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
PA	Prior Period Adjustment		
NE	Net Assets--Ending		

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (21,806,836)	\$ -	\$ (21,806,836)
(433,229)	-	(433,229)
(162,049)	-	(162,049)
(389,761)	-	(389,761)
(2,572,158)	-	(2,572,158)
(661,419)	-	(661,419)
(310,575)	-	(310,575)
(30,092)	-	(30,092)
(21,306)	-	(21,306)
(663,262)	-	(663,262)
(1,625,279)	-	(1,625,279)
(3,391,037)	-	(3,391,037)
(310,078)	-	(310,078)
(603,196)	-	(603,196)
(6,952,456)	-	(6,952,456)
(84,835)	-	(84,835)
(3,030,856)	-	(3,030,856)
(1,531,297)	-	(1,531,297)
(1,872,106)	-	(1,872,106)
<u>(46,451,827)</u>	<u>-</u>	<u>(46,451,827)</u>
-	-	-
-	9,705	9,705
-	9,705	9,705
<u>(46,451,827)</u>	<u>9,705</u>	<u>(46,442,122)</u>
30,123,899	-	30,123,899
6,588,751	-	6,588,751
4,717,423	-	4,717,423
5,241	-	5,241
49,573	56	49,629
474,984	-	474,984
<u>41,959,871</u>	<u>56</u>	<u>41,959,927</u>
(4,491,956)	9,761	(4,482,195)
(7,044,900)	53,182	(6,991,718)
389,902	-	389,902
<u>\$ (11,146,954)</u>	<u>\$ 62,943</u>	<u>\$ (11,084,011)</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 279,101	\$ 5,526	\$ 8,352
1120 Investments - Current	17,307,758	5,162,616	4,569,428
1220 Property Taxes - Delinquent	658,780	160,162	-
1230 Allowance for Uncollectible Taxes (Credit)	(311,000)	(67,409)	-
1240 Receivables from Other Governments	667,432	3,458	-
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 18,602,071</u>	<u>\$ 5,264,353</u>	<u>\$ 4,577,780</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 100,698	\$ 2,100	\$ 116,928
2150 Payroll Deductions and Withholdings Payable	3,204	-	-
2160 Accrued Wages Payable	1,270,386	-	-
2200 Accrued Expenditures	23,636	-	-
2300 Deferred Revenues	347,780	92,753	-
2000 Total Liabilities	<u>1,745,704</u>	<u>94,853</u>	<u>116,928</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	5,169,500	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	4,460,852
3600 Unassigned Fund Balance	16,856,367	-	-
3000 Total Fund Balances	<u>16,856,367</u>	<u>5,169,500</u>	<u>4,460,852</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,602,071</u>	<u>\$ 5,264,353</u>	<u>\$ 4,577,780</u>

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

Other Funds	Total Governmental Funds
\$ 928,886	\$ 1,221,865
-	27,039,802
-	818,942
-	(378,409)
242,826	913,716
1,050	1,050
<u>\$ 1,172,762</u>	<u>\$ 29,616,966</u>
\$ 44,573	\$ 264,299
-	3,204
31,339	1,301,725
1,687	25,323
45,216	485,749
<u>122,815</u>	<u>2,080,300</u>
1,050	1,050
198,018	198,018
-	5,169,500
850,879	850,879
-	4,460,852
-	16,856,367
<u>1,049,947</u>	<u>27,536,666</u>
<u>\$ 1,172,762</u>	<u>\$ 29,616,966</u>

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

Total Fund Balances - Governmental Funds	\$ 27,536,666
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 \$124,996,879 and the accumulated depreciation was \$32,814,226. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	(40,288,528)
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	7,725,199
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(5,668,049)
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 (decrease) net assets.	(452,242)
19 Net Assets of Governmental Activities	<u>\$ (11,146,954)</u>

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

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ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 31,060,781	\$ 6,722,323	\$ 106,474
5800 State Program Revenues	6,059,999	-	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>37,120,780</u>	<u>6,722,323</u>	<u>106,474</u>
EXPENDITURES:			
Current:			
0011 Instruction	18,268,608	-	-
0012 Instructional Resources and Media Services	456,983	-	-
0013 Curriculum and Instructional Staff Development	68,043	-	-
0021 Instructional Leadership	407,615	-	-
0023 School Leadership	2,044,390	-	-
0031 Guidance, Counseling and Evaluation Services	693,086	-	-
0033 Health Services	327,510	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,505,922	-	-
0041 General Administration	1,524,747	-	-
0051 Facilities Maintenance and Operations	3,222,607	-	-
0052 Security and Monitoring Services	203,376	-	-
0053 Data Processing Services	533,873	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	3,075,000	-
0072 Interest on Long Term Debt	-	5,889,090	-
0073 Bond Issuance Cost and Fees	-	54,384	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	7,681,054
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	1,531,297	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	1,872,106	-	-
6030 Total Expenditures	<u>32,660,163</u>	<u>9,018,474</u>	<u>7,681,054</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,460,617</u>	<u>(2,296,151)</u>	<u>(7,574,580)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	5,000	-	-
7915 Transfers In	-	-	-
7949 Other Resources - Gas Royalties	74,539	-	-
8911 Transfers Out (Use)	(8,959)	-	-
7080 Total Other Financing Sources (Uses)	<u>70,580</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	4,531,197	(2,296,151)	(7,574,580)
0100 Fund Balance - September 1 (Beginning)	12,323,022	7,465,651	11,659,282
1300 Prior Period Adjustment	2,148	-	376,150
3000 Fund Balance - August 31 (Ending)	<u>\$ 16,856,367</u>	<u>\$ 5,169,500</u>	<u>\$ 4,460,852</u>

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

Other Funds	Total Governmental Funds
\$ 2,770,783	\$ 40,660,361
222,965	6,282,964
2,930,353	2,930,353
5,924,101	49,873,678
1,763,676	20,032,284
43	457,026
98,230	166,273
-	407,615
-	2,044,390
-	693,086
-	327,510
2,061,596	2,061,596
631,199	2,137,121
75,200	1,599,947
1,223,772	4,446,379
9,710	213,086
-	533,873
-	3,075,000
-	5,889,090
-	54,384
-	7,681,054
-	1,531,297
18,000	1,890,106
5,881,426	55,241,117
42,675	(5,367,439)
-	5,000
8,959	8,959
-	74,539
-	(8,959)
8,959	79,539
51,634	(5,287,900)
986,709	32,434,664
11,604	389,902
\$ 1,049,947	\$ 27,536,666

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

Total Net Change in Fund Balances - Governmental Funds	\$	(5,287,900)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		7,725,199
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.		(5,668,049)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(1,261,206)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(4,491,956)</u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 62,943
Total Assets	62,943
NET ASSETS	
Unrestricted Net Assets	62,943
Total Net Assets	\$ 62,943

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

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

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 53,575
Total Operating Revenues	<u>53,575</u>
OPERATING EXPENSES:	
Payroll Costs	29,160
Supplies and Materials	12,274
Other Operating Costs	2,436
Total Operating Expenses	<u>43,870</u>
Operating Income	<u>9,705</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	<u>56</u>
Total Nonoperating Revenues (Expenses)	<u>56</u>
Change in Net Assets	9,761
Total Net Assets - September 1 (Beginning)	<u>53,182</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 62,943</u></u>

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

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

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 53,575
Cash Payments to Employees for Services	(29,160)
Cash Payments for Suppliers	(14,299)
Cash Payments for Other Operating Expenses	(2,436)
Net Cash Provided by Operating Activities	<u>7,680</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>56</u>
Net Increase in Cash and Cash Equivalents	7,736
Cash and Cash Equivalents at Beginning of the Year:	<u>55,207</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 62,943</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 9,705
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(2,025)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 7,680</u></u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2011

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 151,432
Total Assets	<u>\$ 151,432</u>
LIABILITIES	
Due to Student Groups	\$ 151,432
Total Liabilities	<u>\$ 151,432</u>

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

**Aledo Independent School District
Notes to the Financial Statements
For the Year ended August 31, 2011**

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

B. Government-Wide and Fund Accounting

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. *Governmental activities* are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and

charges paid by the recipient of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The District reports the following major governmental funds:

- 1. The General Fund** – The General Fund is used to account for financial resources used for general operations. It is the basic fund of the school system and covers activities for which a special fund has not been established. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.
- 2. Debt Service Funds** – This fund is used to account for payment of principal and interest on long-term general obligation debt of the District. The main source of revenue for debt service is the apportionment of local property taxes.
- 3. Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Non –major Governmental Funds:

- 1. Special Revenue Funds** – These funds are used to account for resources restricted to, or designated for, specific purposes by the District or a grantor. Federal and State financial assistance is generally accounted for in a Special Revenue Fund. Generally unused balances are returned to the grantor at the close of specified project periods.

Proprietary funds are used to account for on-going organizations and activities where net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, non-operating revenues and expenses, and transfers are accounted for through the fund affected. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and

enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

- 1. Enterprise Funds** - These funds are used to account for operations financed and operated in a manner to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District has two Enterprise Funds – the Pre-K Academy and the Bearcat Store.

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

- 1. Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s Agency Fund consists of the Student Activity Funds and other organizational activities requiring clearing accounts

C. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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 revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Other Accounting Policies

1. Cash

Cash includes cash and interest bearing checking accounts.

2. Investments

Investments include governmental investment pools as authorized by Government Code Chapter 2256, The Public Funds Investment Act.

3. Inventories and Prepaid Items

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

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

4. Capital Assets

Capital assets, includes land, buildings and improvements, furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The District defines capital assets with an initial, individual cost of more than \$5,000 and having an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Assets	Years
Land	Not depreciated
Buildings and improvements	30
Furniture and equipment	3-15

5. Receivable and Payable Amounts

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2011.

6. Interfund Activity

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

7. Use of Estimates

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

8. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The 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 data base for policy development and funding plans.

9. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of 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.

10. Bond proceeds not spent are restricted for construction.

11. In accordance with Governmental Accounting Standards Board 54, Fund Balance reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constraint for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law though constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal actions of the Board of Trustees and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. These funds are assigned by the Board of Trustees.

Unassigned – includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District uses the restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit doing this, such as grant agreements. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a minimum fund balance policy.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
For Fiscal Year Ending August 31, 2011

Fund Balance	General	Other Funds	Total Governmental Funds
Non-Spendable:			
Special Revenue Fund 240 – National Breakfast and Lunch Program Inventory	\$ 0	\$ 1,050	\$ 1,050
Restricted for:			
Special Revenue Fund Federal or State Funds			
Grant Restrictions –			
Fund 240 – National Breakfast and Lunch Program	0	195,318	195,318
Fund 397 – Advance Placement Incentives	0	2,700	2,700
Debt Service Fund - Retirement of Long-Term Debt:	0	5,169,500	5,169,500
Committed for:			
Special Revenue Fund 460 – Stadium Activity Fund	0	176,072	176,072
Special Revenue Fund 401 – Campus Activity Funds	0	674,807	674,807
Assigned to:			
Capital Projects Fund – Construction	0	4,460,852	4,460,852
Unassigned:	16,856,367	0	16,856,367
Total Fund Balance:	\$16,856,367	\$10,680,299	\$27,536,666

12. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

E. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Net Assets

Following are funds having deficit fund balances or net assets at year end, if any, along with remarks which address such deficits:

<u>Net Assets</u>	<u>Deficit Amount</u>
Invested in Capital Assets, Net of Related Debt	\$(21,954,851)
Total Net Assets	\$(11,084,011)

Remarks:

1. Debt has been issued, but the proceeds have not been fully invested into the facilities.

2. Due to favorable interest rates, the assets are being depreciated faster than the bonds are being amortized.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Refer to Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets”, Item 1 and to Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities”, first item for explanations.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopted an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the 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 ten day’s 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. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
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.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$33,724,285	\$2,060,413	\$35,784,698
Food Service Special Revenue Fund	2,305,800	(83,143)	2,222,657
Debt Service Fund	9,747,344	0	9,747,344

The most significant amendment to the General Fund was to add \$1,600,000 for Contracted Instructional Services between School Districts that was not included in the original budget. Instruction budget was increased by \$1,268,283 to recognize higher than anticipated costs.

Food Service Special Revenue Fund was decreased because actual costs were less than originally anticipated.

A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

Fund Balance	
Appropriated Budgeted Funds – Food Service Special Revenue Fund	\$ 196,368
Non-appropriated Budgeted Funds	853,579
All Special Revenue Funds	\$1,049,947

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District’s deposits (cash, certificates of deposits, and interest-bearing saving accounts included in temporary investments) was \$1,221,865 and the bank balance was \$2,321,509. The District’s cash deposits at August 31, 2011, and during the year, were entirely covered by FDIC insurance and pledged collateral held by the District’s agent bank in the District’s name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of returns, (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, (9) and bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2011, are shown below:

<u>Investment/Credit Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool/AAAm	\$29,039,802	\$29,039,802	On demand
Totals	<u>\$29,039,802</u>	<u>\$29,039,802</u>	

3. Analysis of Specific Deposit and Investment Risks

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is all deposits are covered by FDIC insurance and pledged collateral in their entirety. The District has no custodial credit risk for its deposits.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments exposed to Custodial Credit Risk.
- c. Interest-rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not have any investments considered as Interest-rate Risk.
- d. Other Credit Risk Exposure – The District may invest in a securities lending program if the value of securities loaned is not less than 100 percent

collateralized, including accrued income, and the loan allows for termination at any time; the loan is secured; the terms of the loan require that the securities being held as collateral be pledged to the investing entity; and, the loan is placed through a primary government securities dealer or a financial institution doing business in this state. The District does not have any investments in a securities lending program.

- e. Concentration Risk – The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District is not exposed to concentration risk.
- f. Foreign Currency Risk

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

4. Investment Accounting Policy

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

5. Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's Investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is a 2a7-like, in

which case they are reported at share value. 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.

Defaults and Recovery of Prior-period Losses – The District had no defaults and recovery of prior-period losses.

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and delinquent if not paid before February 1 of the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

The tax rates assessed for the year ended August 31, 2011, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.1700 and \$0.2552 per \$100 valuation, respectively, for a total of \$1.4252 per \$100 valuation.

Current tax collections for the year ended August 31, 2011 were 99% of the year-end adjusted tax levy.

Prior year valuations were reduced to reflect removal of property erroneously included by county appraisal district. Removal of property did not have an effect on District’s prior or current year revenues.

C. Delinquent Taxes Receivable

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

D. Interfund Receivables, Payables, and Transfers

As each fund is a separate self-balancing set of accounts, transactions between funds should be recorded properly in each fund affected. Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

Interfund balances at August 31, 2011 consisted of the following amounts:

Due to/from other Funds: There were no due to/from other funds as of August 31, 2011.

The General Fund transferred \$8,959 to the Special Revenue Fund 240 – National Breakfast and Lunch Program to subsidize this fund.

The District had Total Other Financing Sources of \$79,539. Sale of Real and Personal Property accounted for \$5,000 of this amount and \$74,539 was for oil and gas lease revenues.

E. Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are 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.

Deferred Revenues at August 31, 2011 were as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes Receivable – General	\$347,780	\$ 0	\$347,780
Delinquent Property Taxes Receivable – Debt Service	92,753	0	92,753
Federal Grants	0	1,074	1,074
State Grants	0	8,092	8,092
Food Service Commodities	0	1,050	1,050
Campus Activity Funds	0	25,000	25,000
2011 Toyota Tapestry Grant	0	10,000	10,000
Total Deferred Revenues	<u>\$440,533</u>	<u>\$45,216</u>	<u>\$485,749</u>

F. Capital Asset Activity

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,425,388	\$ 320,450	\$ 0	\$ 6,745,838
Construction in Progress	35,321,438	0	35,321,438	0
	<u>41,746,826</u>	<u>320,450</u>	<u>35,321,438</u>	<u>6,745,838</u>
Capital assets, being depreciated:				
Buildings and improvements	112,880,509	39,074,428	51,750	151,903,187
Furniture and equipment	5,690,982	576,759	0	6,267,741
Total capital assets, being Depreciated	<u>118,571,491</u>	<u>39,651,187</u>	<u>51,750</u>	<u>158,170,928</u>
Accumulated depreciation for:				
Buildings and improvements	30,765,062	4,854,916	30,184	35,589,794
Furniture and equipment	2,049,164	813,134	0	2,862,298
Total accumulated depreciation	<u>32,814,226</u>	<u>5,668,050</u>	<u>30,184</u>	<u>38,452,092</u>
Total capital assets, being Depreciated, net	<u>85,757,265</u>	<u>33,983,137</u>	<u>21,566</u>	<u>119,718,836</u>
Governmental activities capital assets, Net	<u>\$127,504,091</u>	<u>\$34,303,587</u>	<u>\$35,343,004</u>	<u>\$126,464,674</u>

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:	
11 – Instruction	\$4,134,461
13 – Curriculum & Instructional Staff Development	95,034
23 – School Leadership	627,943
34 – Student Transportation	30,092
35 – Food Services	10,079
36 – Extracurricular Activities	258,931
41 – General Administration	109,309
51 – Plant Maintenance & Operations	208,950
52 – Security and Monitoring Services	109,574
53- Data Processing Services	83,677
Total Depreciation Expense	<u>\$5,668,050</u>

G. Bonds Payable

The following is a description of the District's bonds outstanding as of August 31, 2011:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balances	Issued	Retired	Ending Balances	Amounts Due Within One Year
1998 School Bldg. & Refunding /2014	4.40% to 5.00%	\$ 4,412,145	\$ 2,350,000	\$0	\$ 640,000	\$ 1,710,000	\$ 605,000
2001 School Bldg./2032	4.50% to 5.55%	7,418,568	4,944,437	0	307,201	4,637,236	286,045
2005- A School Bldg./ 2033	3.50% to 5.125%	34,875,000	34,145,000	0	490,000	33,655,000	510,000
2005-B School Bldg./2015	3.51% to 4.39%	2,282,852	1,295,000	0	285,000	1,010,000	270,000
2006 School Bldg./2029	3.375% to 5.500%	23,035,000	22,255,000	0	55,000	22,200,000	55,000
2006-A School Bldg./2035	3.62% to 3.75%	16,910,000	15,720,000	0	200,000	15,520,000	215,000
2007 Refunding/ 2029	3.5% to 5.0%	7,520,000	7,470,072	0	5,000	7,465,072	5,000
2008 School Bldg./2043	3.374% to 5.820%	61,000,000	61,000,000	0	0	61,000,000	0
Totals		<u>\$157,453,565</u>	<u>\$149,179,509</u>	<u>\$0</u>	<u>\$1,982,201</u>	<u>\$147,197,308</u>	<u>\$1,946,045</u>

	Beginning Balances	Issued	Retired	Ending Balances
Accretion on CAB's	<u>\$12,725,398</u>	<u>\$1,263,879</u>	<u>\$1,092,799</u>	<u>\$12,896,478</u>
Loss on Refunding	<u>\$(1,100,170)</u>	<u>\$0</u>	<u>\$74,800</u>	<u>\$(1,025,370)</u>
Bond Premium	<u>\$6,987,883</u>	<u>\$0</u>	<u>\$279,440</u>	<u>\$6,708,443</u>

Interest and fees paid on general obligation bonds during the year was \$5,943,474.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2012	\$ 1,946,045	\$ 7,730,516	\$ 9,676,561
2013	1,944,919	7,780,055	9,724,974
2014	2,215,398	8,041,215	10,256,613
2015	2,050,016	8,209,440	10,259,456
2016	3,339,989	,919,817	10,259,806
2017/2021	18,441,565	32,872,591	51,314,156
2022/2026	22,079,209	29,231,026	51,310,235
2027/2031	23,143,541	28,160,950	51,304,491
2032/2036	21,121,626	29,145,546	50,267,172
2037/2041	34,115,000	8,699,625	42,814,625
2042/2046	16,800,000	850,500	17,650,500
Totals	\$147,197,308	\$167,641,281	\$314,838,589

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, 2011.

H. Commitments Under Non-capitalized Leases

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2011, as follow:

Year Ending August 31,	
2012	\$ 234,831
2013	213,774
2014	197,662
2015	188,304
2016	13,067
Total Minimum Rentals	\$847,638

The District paid \$310,292 in operating lease expenditures during the current year.

I. Defined Benefit Pension Plan

Plan Description. The 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 transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplemental information for the defined benefit plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701, by calling the TRS Communication 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 2011, 2010, and 2009 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district 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 members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010, and 2009 were \$1,336,842, \$1,391,752, and \$1,401,805, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009 in the amounts of \$207,229, \$217,461, and \$248,461, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. Retiree Health Plan

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplemental information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communication Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78711 or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$209,959, \$217,461, and \$220,722, respectively, and the District's contributions were \$115,093, \$119,603, and \$121,399 respectively, which equaled the

required contributions each year. Participating employees also contributed \$136,020, \$141,350, and \$143,469 for the same periods of time.

K. Retiree Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010 and 2009, these on-behalf payments, in the amounts of \$54,576, \$53,847 and \$49,793, were recognized by the District as revenues and expenditures.

L. Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year ended and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

M. Due from Other Governments

Amounts due from local, state, and federal governments as of August 31, 2011 are summarized below.

Fund	Due From Other Governments
General Operating Fund	\$667,432
Special Revenue Fund	242,826
Debt Service Fund	3,458
Total	\$913,716

N. Revenue from Local and Intermediate Sources

During the current year, local, intermediate and out-of-state revenues consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Fund Totals
Property Taxes	\$30,215,596	\$ 0	\$6,642,878	\$ 0	\$36,858,474
Food Sales	0	1,543,339	0	0	1,543,339
Investment Income	26,261	1,268	11,397	11,915	50,841
Penalties, interest & other tax related income	251,438	0	68,048	0	319,486
Extracurricular Student activities	445,662	1,205,613	0	0	1,651,275
Other	121,824	20,563	0	94,559	236,946
Total	\$31,060,781	\$2,770,783	\$6,722,323	\$106,474	\$40,660,361

O. Contingencies

The District participates in numerous state and Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

P. Litigation

No reportable litigation was pending against the District at August 31, 2011.

Q. Risk Management

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

R. Shared Services Arrangements

The District participates in a shared service arrangement (“SSA”) for students with visual impairments with the following school districts:

Azle Independent School District	Northwest Independent School District
Castleberry Independent School District	Springtown Independent School District
Decatur Independent School District	Weatherford Independent School District
Lake Worth Independent School District	White Settlement Independent School District

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

The District participates in a SSA for transportation and technology with Dallas County Schools. The District is the only member of these SSA arrangements. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has joint ownership interest in fixed assets purchased by the fiscal agent, Parker-County Co-op, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

S. Prior Period Adjustment

A prior adjustment was made to the following funds to reconcile 2009-2010 estimated encumbrances to actual expenditures:

General Fund	\$ 2,148
Capital Projects Fund	376,150
Special Revenue Fund – 240 National Breakfast and Lunch Program	<u>11,604</u>
Total Prior Period Adjustment	<u>\$389,902</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 25,044,847	\$ 30,590,000	\$ 31,060,781	\$ 470,781
5800 State Program Revenues	8,879,438	5,962,685	6,059,999	97,314
5020 Total Revenues	33,924,285	36,552,685	37,120,780	568,095
EXPENDITURES:				
Current:				
0011 Instruction	18,236,515	19,504,798	18,268,608	1,236,190
0012 Instructional Resources and Media Services	389,225	474,142	456,983	17,159
0013 Curriculum and Instructional Staff Development	126,100	126,100	68,043	58,057
0021 Instructional Leadership	433,258	432,034	407,615	24,419
0023 School Leadership	1,839,350	2,061,335	2,044,390	16,945
0031 Guidance, Counseling and Evaluation Services	745,350	719,604	693,086	26,518
0033 Health Services	359,270	348,780	327,510	21,270
0035 Food Services	25,000	26,391	-	26,391
0036 Extracurricular Activities	1,584,280	1,606,455	1,505,922	100,533
0041 General Administration	1,438,675	1,551,064	1,524,747	26,317
0051 Facilities Maintenance and Operations	5,345,500	4,104,894	3,222,607	882,287
0052 Security and Monitoring Services	215,800	206,091	203,376	2,715
0053 Data Processing Services	508,571	545,619	533,873	11,746
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	-	1,600,000	1,531,297	68,703
0093 Payments to Fiscal Agent/Member Districts of SSA	2,477,391	2,477,391	1,872,106	605,285
6030 Total Expenditures	33,724,285	35,784,698	32,660,163	3,124,535
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	200,000	767,987	4,460,617	3,692,630
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	5,000	5,000	-
7949 Other Resources - Gas Royalties	-	45,000	74,539	29,539
8911 Transfers Out (Use)	-	(200,000)	(8,959)	191,041
7080 Total Other Financing Sources (Uses)	-	(150,000)	70,580	220,580
1200 Net Change in Fund Balances	200,000	617,987	4,531,197	3,913,210
0100 Fund Balance - September 1 (Beginning)	-	12,325,170	12,323,022	(2,148)
1300 Prior Period Adjustment	-	-	2,148	2,148
3000 Fund Balance - August 31 (Ending)	\$ 200,000	\$ 12,943,157	\$ 16,856,367	\$ 3,913,210

COMBINING SCHEDULES

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	
ASSETS					
1110	Cash and Cash Equivalents	\$ 2,079	\$ (34,165)	\$ 724	\$ -
1240	Receivables from Other Governments	2,875	46,050	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 4,954</u>	<u>\$ 11,885</u>	<u>\$ 724</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	4,545	10,925	665	-
2200	Accrued Expenditures	409	960	59	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>4,954</u>	<u>11,885</u>	<u>724</u>	<u>-</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,954</u>	<u>\$ 11,885</u>	<u>\$ 724</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ 229,594	\$ (8,278)	\$ (955)	\$ (168,462)	\$ 119	\$ -	\$ 1,074	\$ 3,386
14,763	8,278	955	168,462	-	-	-	-
1,050	-	-	-	-	-	-	-
<u>\$ 245,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 1,074</u>	<u>\$ 3,386</u>
\$ 32,526	\$ -	\$ -	\$ -	\$ 119	\$ -	\$ -	\$ -
15,204	-	-	-	-	-	-	-
259	-	-	-	-	-	-	-
1,050	-	-	-	-	-	1,074	686
<u>49,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>-</u>	<u>1,074</u>	<u>686</u>
1,050	-	-	-	-	-	-	-
195,318	-	-	-	-	-	-	2,700
-	-	-	-	-	-	-	-
<u>196,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,700</u>
<u>\$ 245,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119</u>	<u>\$ -</u>	<u>\$ 1,074</u>	<u>\$ 3,386</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	404 Student Success Initiative	411 Technology Allotment	429 Other State Special Revenue Funds	460 Stadium Activity Fund	
ASSETS					
1110	Cash and Cash Equivalents	\$ (1,443)	\$ -	\$ 7,406	\$ 188,000
1240	Receivables from Other Governments	1,443	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,406</u>	<u>\$ 188,000</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 11,928
2160	Accrued Wages Payable	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	7,406	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>7,406</u>	<u>11,928</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	176,072
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,072</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,406</u>	<u>\$ 188,000</u>

461 Campus Activity Funds	480 Texas Healthy Habits Grant	481 Texas Step Tobacco Grant	482 ING Unsung Heroes Award Program	485 2011 Toyota Tapestry Grant	Total Nonmajor Governmental Funds
\$ 699,807	\$ -	\$ -	\$ -	\$ 10,000	\$ 928,886
-	-	-	-	-	242,826
-	-	-	-	-	1,050
<u>\$ 699,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 1,172,762</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,573
-	-	-	-	-	31,339
-	-	-	-	-	1,687
25,000	-	-	-	10,000	45,216
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>122,815</u>
-	-	-	-	-	1,050
-	-	-	-	-	198,018
<u>674,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,879</u>
<u>674,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,049,947</u>
<u>\$ 699,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 1,172,762</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	175,342	540,788	9,925	12,771
5020 Total Revenues	<u>175,342</u>	<u>540,788</u>	<u>9,925</u>	<u>12,771</u>
EXPENDITURES:				
Current:				
0011 Instruction	149,388	540,788	9,925	12,771
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	7,954	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	18,000	-	-	-
6030 Total Expenditures	<u>175,342</u>	<u>540,788</u>	<u>9,925</u>	<u>12,771</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ 1,561,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
63,377	-	-	-	-	-	-	3,814
430,493	77,731	11,343	1,222,913	445,453	3,594	-	-
2,055,171	77,731	11,343	1,222,913	445,453	3,594	-	3,814
-	-	6,452	-	441,613	3,594	-	-
-	-	-	-	-	-	-	-
-	77,731	4,891	-	3,840	-	-	3,814
2,061,596	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,222,913	-	-	-	-
-	-	-	-	-	-	-	-
2,061,596	77,731	11,343	1,222,913	445,453	3,594	-	3,814
(6,425)	-	-	-	-	-	-	-
8,959	-	-	-	-	-	-	-
8,959	-	-	-	-	-	-	-
2,534	-	-	-	-	-	-	-
182,230	-	-	-	-	-	-	2,700
11,604	-	-	-	-	-	-	-
\$ 196,368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,700

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

Data Control Codes	404 Student Success Initiative	411 Technology Allotment	429 Other State Special Revenue Funds	460 Stadium Activity Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 91,694
5800 State Program Revenues	13,751	129,980	43	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>13,751</u>	<u>129,980</u>	<u>43</u>	<u>91,694</u>
EXPENDITURES:				
Current:				
0011 Instruction	13,751	129,980	-	-
0012 Instructional Resources and Media Services	-	-	43	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	93,053
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>13,751</u>	<u>129,980</u>	<u>43</u>	<u>93,053</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,359)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	(1,359)
0100 Fund Balance - September 1 (Beginning)	-	-	-	177,431
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,072</u>

461 Campus Activity Funds	480 Texas Healthy Habits Grant	481 Texas Step Tobacco Grant	482 ING Unsong Heroes Award Program	485 2011 Toyota Tapestry Grant	Total Nonmajor Governmental Funds
\$ 1,115,188	\$ -	\$ 2,600	\$ -	\$ -	\$ 2,770,783
-	10,000	-	2,000	-	222,965
-	-	-	-	-	2,930,353
<u>1,115,188</u>	<u>10,000</u>	<u>2,600</u>	<u>2,000</u>	<u>-</u>	<u>5,924,101</u>
441,594	10,000	1,820	2,000	-	1,763,676
-	-	-	-	-	43
-	-	-	-	-	98,230
-	-	-	-	-	2,061,596
538,146	-	-	-	-	631,199
75,200	-	-	-	-	75,200
859	-	-	-	-	1,223,772
8,930	-	780	-	-	9,710
-	-	-	-	-	18,000
<u>1,064,729</u>	<u>10,000</u>	<u>2,600</u>	<u>2,000</u>	<u>-</u>	<u>5,881,426</u>
<u>50,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,675</u>
-	-	-	-	-	8,959
-	-	-	-	-	8,959
50,459	-	-	-	-	51,634
624,348	-	-	-	-	986,709
-	-	-	-	-	11,604
<u>\$ 674,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,049,947</u>

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.500000	0.231800	850,427,770
2004	1.500000	0.220300	948,648,433
2005	1.500000	0.220300	1,060,816,740
2006	1.500000	0.259900	1,285,277,566
2007	1.370000	0.298300	1,574,908,526
2008	1.040000	0.350000	1,908,823,774
2009	1.040000	0.385200	2,498,301,428
2010	1.040000	0.385200	2,527,725,812
2011 (School year under audit)	1.170000	0.255200	2,573,318,370
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 155,388	\$ -	\$ 2,957	\$ 533	\$ (72,702)	\$ 79,196
28,794	-	3,836	593	1	24,366
31,124	-	3,467	509	(978)	26,170
22,676	-	4,149	609	(1,847)	16,071
34,718	-	11,780	2,041	5,237	26,134
49,534	-	18,040	3,928	4,765	32,331
66,362	-	23,851	8,027	(832)	33,652
190,056	-	78,596	29,111	(1,457)	80,892
521,236	-	255,515	94,639	(29,591)	141,491
-	36,674,933	29,813,405	6,502,889	-	358,639
<u>\$ 1,099,888</u>	<u>\$ 36,674,933</u>	<u>\$ 30,215,596</u>	<u>\$ 6,642,879</u>	<u>\$ (97,404)</u>	<u>\$ 818,942</u>

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

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 500,404	\$ 478,237	\$ -	\$ -	\$ 978,641
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	20,643	-	-	-	20,643
6212	Audit Services	-	-	-	24,150	-	-	24,150
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	572,556	-	-	-	-	572,556
621X	Other Professional Services	-	-	33,109	7,927	-	-	41,036
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	2,978	12,457	-	-	15,435
6240	Contr. Maint. and Repair	-	-	-	-	680	-	680
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	25,313	7,993	-	-	33,306
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	79,963	9,855	-	-	89,818
6410	Travel, Subsistence, Stipends	4,696	-	7,852	5,395	-	-	17,943
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	802	-	25,166	7,875	-	-	33,843
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 5,498	\$ 572,556	\$ 695,428	\$ 553,889	\$ 680	\$ -	\$ 1,828,051

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 38,541,584

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 117,019
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	4,428,920
Food (Function 35, 6341 and 6499)	(13)	974,285
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>553,889</u>

SubTotal: 6,074,113

Net Allowed Direct Cost \$ 32,467,471

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 151,903,187
Historical Cost of Building over 50 years old	(16)	\$ 565,893
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 6,267,141
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 42,800
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$228,662 in Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

ALEDO INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED AUGUST 31, 2011

In accordance with Texas Education Agency guidelines, the District has elected not to present this schedule for the current year.

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,633,500	\$ 1,633,500	\$ 1,561,301	\$ (72,199)
5800 State Program Revenues	59,800	59,800	63,377	3,577
5900 Federal Program Revenues	412,500	412,500	430,493	17,993
5020 Total Revenues	<u>2,105,800</u>	<u>2,105,800</u>	<u>2,055,171</u>	<u>(50,629)</u>
EXPENDITURES:				
0035 Food Services	<u>2,305,800</u>	<u>2,222,657</u>	<u>2,061,596</u>	<u>161,061</u>
6030 Total Expenditures	<u>2,305,800</u>	<u>2,222,657</u>	<u>2,061,596</u>	<u>161,061</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(200,000)</u>	<u>(116,857)</u>	<u>(6,425)</u>	<u>110,432</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>200,000</u>	<u>200,000</u>	<u>8,959</u>	<u>(191,041)</u>
7080 Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>8,959</u>	<u>(191,041)</u>
1200 Net Change in Fund Balances	-	83,143	2,534	(80,609)
0100 Fund Balance - September 1 (Beginning)	-	193,832	182,230	(11,602)
1300 Prior Period Adjustment	-	-	11,604	11,604
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 276,975</u>	<u>\$ 196,368</u>	<u>\$ (80,607)</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,342,269	\$ 6,663,000	\$ 6,722,323	\$ 59,323
5020	Total Revenues	9,342,269	6,663,000	6,722,323	59,323
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,075,000	3,075,000	3,075,000	-
0072	Interest on Long Term Debt	6,622,344	6,622,344	5,889,090	733,254
0073	Bond Issuance Cost and Fees	50,000	50,000	54,384	(4,384)
6030	Total Expenditures	9,747,344	9,747,344	9,018,474	728,870
1200	Net Change in Fund Balances	(405,075)	(3,084,344)	(2,296,151)	788,193
0100	Fund Balance - September 1 (Beginning)	-	7,465,651	7,465,651	-
3000	Fund Balance - August 31 (Ending)	\$ (405,075)	\$ 4,381,307	\$ 5,169,500	\$ 788,193

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

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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

Board of Trustees
Aledo Independent School District
Aledo, Texas

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of Aledo Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reports

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Signed copy on file.

Kirk, Richardson & Poole, P. C.
December 5, 2011

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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

Board of Trustees
Aledo Independent School District
Aledo, Texas

Members of the Board of Trustees:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported

in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-01.

Internal Control Over Compliance

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

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

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

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

Signed copy on file.

Kirk, Richardson & Poole, P.C.
December 5, 2011

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.394	Title XIV, State Fiscal Stabilization Fund – ARRA
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-Cash Assistance

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

N/A - None

Section III – Federal Award Findings and Questioned Costs

2011-01 – IDEA-B Maintenance of Effort

Criteria – Districts receiving grant funds under IDEA, Part B must comply with maintenance of effort (MOE) in that the District shall not reduce the level of expenditures for the education of children with disabilities made by the District from local funds below the level of those expenditures for the preceding fiscal year.

Deficiency – IDEA, Part B total expenditures per student for the current year were \$7,702.34 as compared to \$8,811.88 in the preceding year, resulting in \$1,109.54 variance per student. This calculates to a total variance of \$393,887 based upon a child count of 355.

Context – Review of Texas Education Agency Summary of Compliance with IDEA MOE Requirement template.

Effect – The District will receive a preliminary letter from Texas Education Agency (TEA) in which the District is given a deadline to respond. Depending upon TEA’s determination of the District’s response, the District may be requested to refund to TEA an amount equal to the amount by which the District failed to maintain effort.

Cause – District was aware of non-compliance, but because of ARRA fund expenditure requirements and staff reductions the District was unable to comply with MOE during the current fiscal year.

Recommendations – We recommend the District continue in their efforts to meet IDEA, Part B, MOE requirements.

Views of responsible officials and planned corrective action – The District agrees with this finding and will follow procedures to ensure the District complies with IDEA, Part B MOE requirements.

ALEDO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

PRIOR YEAR'S FINDING/NONCOMPLIANCE: N/A

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE: N/A

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ALEDO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

Contact Person: Earl Husfeld, Chief Financial Officer
1-817-441-5111

CORRECTIVE ACTION PLAN:

2011-01 – IDEA-B Maintenance of Effort

Districts receiving grant funds under IDEA, Part B must comply with maintenance of effort (MOE) in that the District shall not reduce the level of expenditures for the education of children with disabilities made by the District from local funds below the level of those expenditures for the preceding fiscal year.

The District will continue in their efforts to monitor MOE for IDEA, Part B, grant fund receipts.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101184907	\$ 175,342
*IDEA - Part B, Formula	84.027	11660001184907	540,788
*IDEA - Part B, Discretionary	84.027	11660006184907	12,771
Total CFDA Number 84.027			553,559
*IDEA - Part B, Preschool	84.173	11661001184907	9,925
*IDEA, Part B, Formula - ARRA	84.391	10554001184907	445,453
*IDEA, Part B, Preschool - ARRA	84.392	10555001184907	3,594
Total Special Education Cluster (IDEA)			1,012,531
Title III, Part A - English Language Acquisition	84.365A	11671001184907	11,343
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501184907	77,731
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001184907	1,222,913
Total Passed Through State Department of Education			\$ 2,499,860
TOTAL DEPARTMENT OF EDUCATION			\$ 2,499,860
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 57,429
*National School Lunch Program - Cash Assistance	10.555		278,625
*National School Lunch Prog. - Non-Cash Assistance	10.555		94,439
Total CFDA Number 10.555			373,064
Total Child Nutrition Cluster			430,493
Total Passed Through the State Department of Agriculture			\$ 430,493
TOTAL DEPARTMENT OF AGRICULTURE			\$ 430,493
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,930,353

*Clustered Programs

**ALEDO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011**

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. The District participates in numerous Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

ALEDO INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2011

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	12896478