

AUBREY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2010

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

AUBREY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2010

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board	3	
FINANCIAL SECTION		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements	5	
Report on Compliance and Internal Controls (<i>Government Auditing Standards</i>)	7	
Report on Internal Control over Compliance in Accordance with OMB Circular A-133	9	
Schedule of Findings and Questioned Costs	11	
Status of Prior Audit Findings	13	
Corrective Action Plan	14	
Management's Discussion and Analysis (Required Supplementary Information)	15	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Assets	23	A-1
Statement of Activities	24	B-1
<u>Fund Financial Statements</u>		
Balance Sheet – Governmental Funds	25	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets	26	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds	27	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	28	C-4
Statement of Fiduciary Net Assets – Fiduciary Funds	29	E-1
Notes to the Basic Financial Statements	30	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	44	G-1
<u>Other Supplementary Information Section:</u>		
Schedule of Delinquent Taxes Receivable	47	J-1
Indirect Cost Computation Schedule	48	J-2
Fund Balance and Cash Flow Calculation Worksheet – “Unaudited” – General Fund	49	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program	50	J-4
Debt Service Fund	51	J-5
Schedule of Required Responses to Selected Schools FIRST Indicators	52	J-6
<u>Federal Awards Section:</u>		
Schedule of Expenditures of Federal Awards	54	K-1
Notes to the Schedule of Expenditures of Federal Awards	55	K-2

CERTIFICATE OF BOARD

Aubrey Independent School District
Name of School District

Denton
County

061-907
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2010, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Aubrey Independent School District

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aubrey Independent School District (District) as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Aubrey Independent School District as of August 31, 2010, and the respective changes in financial position and, where applicable, cash flows, 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 October 2, 2010, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of 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.

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified as other supplementary information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information, except for the fund balance and cash flow calculation worksheet which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedure, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole. Such information has 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.

October 2, 2010
Greenville, Texas

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

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

Board of School Trustees
Aubrey Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aubrey Independent School District (District) as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 2, 2010. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose as 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*.

Report on Internal Control – Continued

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

October 2, 2010
Greenville, Texas

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

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

Board of School Trustees
Aubrey Independent School District

Members of the Board:

Compliance

We have audited Aubrey Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. 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 Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider 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 June 30, 2010.

Internal Control over Compliance

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

Internal Control over Compliance – Continued

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.

The District's responses to the findings, if any, identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

October 2, 2010
Greenville, Texas

AUBREY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2010

Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	The level of noncompliance was not material in relation to the financial statements covering federal programs
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Determined in Section .510 (a), OMB Circular A-133	None
Dollar thresholds considered Between Type A and B Federal Programs	\$ 300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133
Major Federal Programs	ARRA – State Fiscal Stabilization (84.394) Title I Part A Cluster: ESEA Title I Part A (84.010) ARRA – ESEA Title I Part A (84.389)
Pass-through Entity	Texas Education Agency

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2010

**Schedule
Reference
Number**

Findings

NONE

AUBREY INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2010

**Schedule
Reference
Number**

Prior Findings

NONE

AUBREY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2010

**Schedule
Reference
Number**

Actions Planned

NONE

**AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010**

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

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$ (1,960,407) at August 31, 2010.
- During the year, the District's expenses were \$ 2,889,319 more than the \$ 17,174,014 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 4,095,734.
- The District issued no new debt during the year ended August 31, 2010.

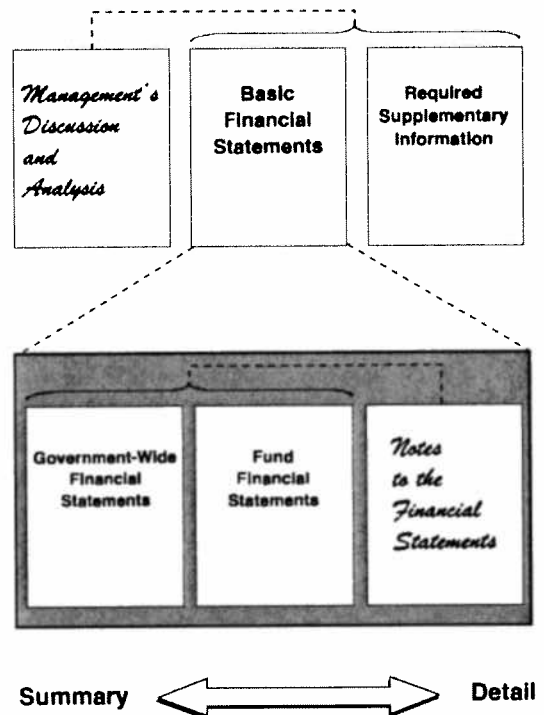
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1, Required Components of the District's Annual Financial Report



**AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010**

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

**AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010**

- **Fiduciary funds**—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$ (1,960,407) at August 31, 2010.

Aubrey Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Assets:			
Cash and Investments	\$ 7,777,695	\$ 11,487,300	-32.3%
Other Assets	1,133,954	1,074,580	5.5%
Capital Assets less Accumulated Depreciation	52,742,606	53,856,495	-2.1%
Total Assets	\$ 61,654,255	\$ 66,418,375	-7.2%
Liabilities:			
Current Liabilities	\$ 1,807,592	\$ 3,537,585	-48.9%
Long-term Liabilities	61,807,070	61,951,880	-0.2%
Total Liabilities	\$ 63,614,662	\$ 65,489,465	-2.9%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 1,590,133	\$ 3,844,342	-58.6%
Restricted	1,076,697	1,280,336	-15.9%
Unrestricted	(4,627,237)	(4,195,768)	-10.3%
Total Net Assets	\$ (1,960,407)	\$ 928,910	-311.0%

All \$ 1,076,697 of the District's restricted net assets represent proceeds for debt retirement. These proceeds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 17,174,014. 52% of the District's revenue comes from local property taxes (See Table A-2). 44% comes from state aid and federal grants, while only 4% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 20,063,333. 55% of these costs are for instruction and instructional related services.

The District's current tax collection rate (base tax only – current and delinquent) was 99.69%. The total collection rate (base tax and penalty and interest) was 101.02%.

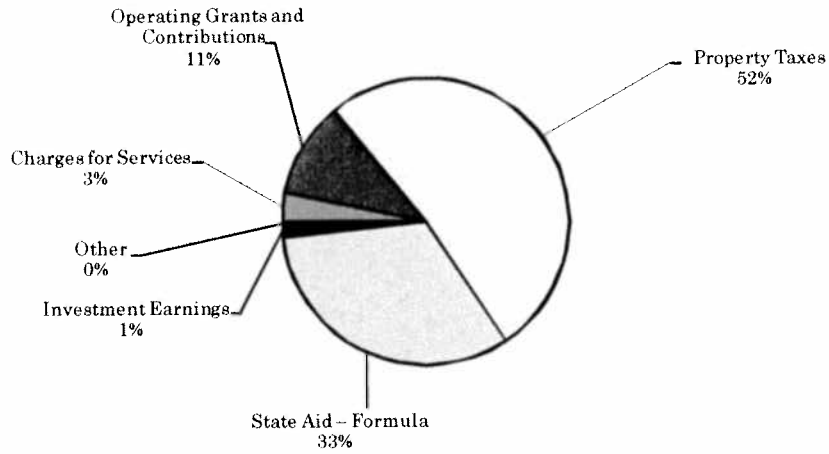
AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010

GOVERNMENTAL ACTIVITIES

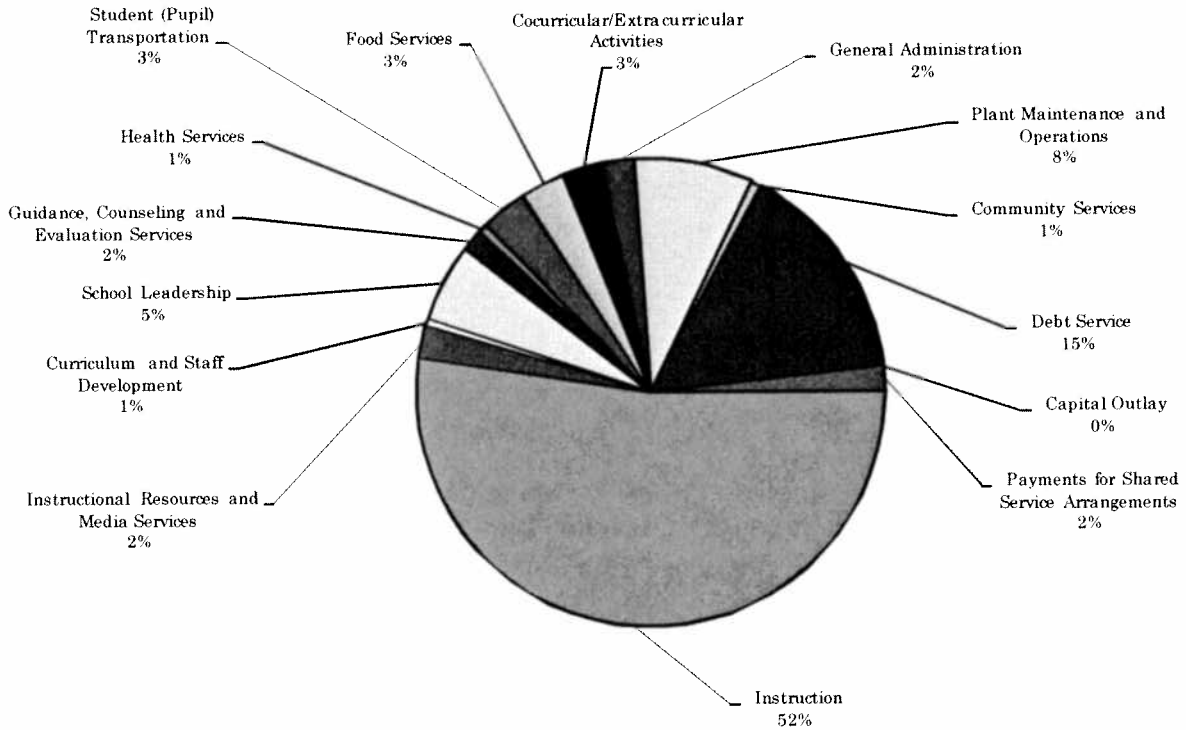
Changes in Aubrey Independent School District's Net Assets			Table A-2
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Program Revenues:			
Charges for Services	\$ 569,342	\$ 608,338	-6.41%
Operating Grants and Contributions	1,846,483	1,426,163	29.47%
General Revenues:			
Property Taxes	8,870,273	8,232,102	7.75%
State Aid – Formula	5,606,049	6,352,627	-11.75%
Investment Earnings	281,867	911,758	-69.09%
Other	-	3,114	-100.00%
Total Revenues	<u>\$ 17,174,014</u>	<u>\$ 17,534,102</u>	-2.05%
Expenses:			
Instruction	\$ 10,516,712	\$ 9,544,790	10.18%
Instructional Resources and Media Services	457,549	421,348	8.59%
Curriculum and Staff Development	98,489	115,622	-14.82%
School Leadership	1,095,162	1,063,332	2.99%
Guidance, Counseling and Evaluation Services	295,110	285,665	3.31%
Health Services	137,054	124,915	9.72%
Student (Pupil) Transportation	635,766	576,503	10.28%
Food Services	624,686	587,666	6.30%
Cocurricular/Extracurricular Activities	542,883	526,661	3.08%
General Administration	434,937	494,094	-11.97%
Plant Maintenance and Operations	1,654,318	1,515,541	9.16%
Community Services	141,436	118,492	19.36%
Debt Service	3,068,880	2,836,158	8.21%
Capital Outlay	14,802	6,980	112.06%
Payments for Shared Service Arrangements	345,549	407,747	-15.25%
Total Expenses	<u>\$ 20,063,333</u>	<u>\$ 18,625,514</u>	7.72%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (2,889,319)</u>	<u>\$ (1,091,412)</u>	164.73%
Increase (Decrease) in Net Assets	<u>\$ (2,889,319)</u>	<u>\$ (1,091,412)</u>	164.73%
Net Assets - Beginning (September 1)	\$ 928,912	\$ 2,119,352	-56.17%
Prior Period Adjustments	-	(99,030)	100.00%
Net Assets - Beginning, as restated	<u>\$ 928,912</u>	<u>\$ 2,020,322</u>	-54.02%
Net Assets - Ending (August 31)	<u>\$ (1,960,407)</u>	<u>\$ 928,910</u>	-311.04%

**AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010**

Source of Revenue for Fiscal Year 2010 - See Table A-2



Functional Expenses for Fiscal Year 2010 - See Table A-2



**AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010**

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 20,038,037.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 8,870,273.
- Some of the cost was paid by those who directly benefited from the programs, \$ 569,341, or
- By grants and contributions \$ 1,846,483.

Aubrey Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		% Change	<u>Net Cost of Services</u>		% Change	
	2010	2009		2010	2009		
Instruction	10,516,712	9,544,790	10.18%	9,378,359	8,509,686	10.21%	
School Leadership	1,095,162	1,063,332	2.99%	1,090,403	1,063,332	2.55%	
General Administration	434,937	494,094	-11.97%	434,937	494,094	-11.97%	
Plant Maintenance and Operations	1,654,318	1,515,541	9.16%	1,129,554	1,515,541	-25.47%	
Debt Service	3,068,880	2,836,158	8.21%	3,015,411	2,576,258	17.05%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's fund equity in the governmental funds totaled \$ 6,102,493.

Revenues from governmental fund types totaled \$ 17,091,841. Any decrease in state revenues is a result of a decrease of students in average daily attendance. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies.

Expenditures of governmental fund types totaled \$ 19,058,929. This amount represents a decrease of \$ 6,730,143 from the prior year. This decrease is directly attributable to the completion of a building program during the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, actual expenditures were \$ 523,778 below final General Fund budget amounts. The most significant positive variance resulted from instruction with several others below amounts budgeted.

Resources available were \$ 1,098,132 below the final General Fund budgeted amount. The unfavorable variance was due to over estimated student enrollment. This resulted in an overpayment by the State and the additional revenue had to be deferred to the next school year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2010, the District had invested \$ 63,208,686 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

AUBREY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2010

Aubrey Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Land	\$ 992,441	\$ 992,441	0.00%
Buildings and Improvements	61,849,388	60,577,417	2.10%
Vehicles	221,418	221,418	0.00%
Equipment	145,439	89,413	62.66%
Totals at Historical Cost	\$ 63,208,686	\$ 61,880,689	2.15%
Total Accumulated Depreciation	(10,466,080)	(8,024,194)	30.43%
Net Capital Assets	<u>\$ 52,742,606</u>	<u>\$ 53,856,495</u>	-2.07%

LONG TERM DEBT

At year-end, the District had \$ 61,807,070 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Aubrey Independent School District's Long Term Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Bonds Payable	\$ 53,430,455	\$ 53,942,417	-0.95%
Other Debt Payable	8,376,615	8,009,463	4.58%
Total Debt Payable	<u>\$ 61,807,070</u>	<u>\$ 61,951,880</u>	-0.23%

ECONOMIC FACTORS

The District's property valuation continues to increase as it has in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding could impact the District's financial operation including cash flows.

Changes in the student population will continue to affect state funding. Property values and student populations have remained steady over the past three years. Any gain or losses in appraised values will not change the total revenue received by the District under the current state funding formula; they will simply cause a shift between State and local funding with the total revenue remaining the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

AUBREY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2010

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 7,777,695
1225 Property Taxes Receivable, Net	528,639
1240 Due from Other Governments	23,002
1290 Other Receivables, Net	7,411
1420 Capitalized Bond and Other Debt Issuance Costs, Net	574,902
Capital Assets:	
1510 Land	992,441
1520 Building and Improvements, Net	51,638,206
1530 Furniture and Equipment, Net	<u>111,959</u>
1000 Total Assets	<u>\$ 61,654,255</u>
LIABILITIES	
2110 Accounts Payable	\$ 126,839
2140 Interest Payable	101,977
2165 Accrued Liabilities	577,289
2300 Unearned Revenue	1,001,487
Noncurrent Liabilities:	
2501 Due within one year	517,704
2502 Due in more than one year	<u>61,289,366</u>
2000 Total Liabilities	<u>\$ 63,614,662</u>
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	\$ 1,590,133
Restricted For:	
3850 Debt Service	1,076,697
3900 Unrestricted	<u>(4,627,237)</u>
3000 Total Net Assets	<u><u>\$ (1,960,407)</u></u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
					Governmental Activities
Governmental Activities:					
11	Instruction	\$ 10,516,712	\$ 144,609	\$ 993,744	\$ (9,378,359)
12	Instructional Resources and Media Services	457,549	-	-	(457,549)
13	Curriculum and Staff Development	98,489	-	949	(97,540)
23	School Leadership	1,095,162	-	4,759	(1,090,403)
31	Guidance, Counseling and Evaluation Services	295,110	-	-	(295,110)
33	Health Services	137,054	-	-	(137,054)
34	Student (Pupil) Transportation	635,766	-	-	(635,766)
35	Food Services	624,686	272,409	263,137	(89,140)
36	Cocurricular/Extracurricular Activities	542,883	29,891	-	(512,992)
41	General Administration	434,937	-	-	(434,937)
51	Plant Maintenance and Operations	1,654,318	1,056	523,708	(1,129,554)
61	Community Services	141,436	121,377	6,717	(13,342)
72	Interest on Long-term Debt	3,038,422	-	53,469	(2,984,953)
73	Debt Issuance Costs and Fees	30,458	-	-	(30,458)
81	Capital Outlay	14,802	-	-	(14,802)
93	Payments to Shared Service Arrangements	345,549	-	-	(345,549)
TG	Total Governmental Activities	<u>\$ 20,063,333</u>	<u>\$ 569,342</u>	<u>\$ 1,846,483</u>	<u>\$ (17,647,508)</u>
Total Primary Government		<u>\$ 20,063,333</u>	<u>\$ 569,342</u>	<u>\$ 1,846,483</u>	<u>\$ (17,647,508)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose				\$ 6,005,378
DT	Property Taxes, Levied for Debt Service				2,864,895
IE	Investment Earnings				281,867
GC	Grants and Contributions Not Restricted to Specific Programs				5,606,049
TG	Total General Revenues and Transfers				<u>\$ 14,758,189</u>
CN	Change in Net Assets				\$ (2,889,319)
NB	Net Assets - Beginning (September 1)				<u>928,912</u>
NE	Net Assets - Ending (August 31)				<u>\$ (1,960,407)</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
1110 Cash and Investments	\$ 5,695,695	\$ 1,029,533	\$ 834,533	\$ 217,934	\$ 7,777,695
1225 Property Taxes Receivable, Net	388,313	140,326	-	-	528,639
1240 Due from Other Governments	-	-	-	23,002	23,002
1260 Due from Other Funds	107	-	-	-	107
1290 Other Receivables, Net	6,000	-	-	1,411	7,411
1000 Total Assets	<u>\$ 6,090,115</u>	<u>\$ 1,169,859</u>	<u>\$ 834,533</u>	<u>\$ 242,347</u>	<u>\$ 8,336,854</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 104,361	\$ -	\$ -	\$ 22,478	\$ 126,839
2160 Accrued Wages Payable	536,702	-	-	29,149	565,851
2170 Due to Other Funds	-	-	107	-	107
2200 Accrued Expenses	10,255	-	-	1,183	11,438
2300 Unearned Revenues	1,343,063	145,095	-	41,968	1,530,126
2000 Total Liabilities	<u>\$ 1,994,381</u>	<u>\$ 145,095</u>	<u>\$ 107</u>	<u>\$ 94,778</u>	<u>\$ 2,234,361</u>
FUND BALANCES					
Reserved Fund Balances:					
3420 Debt Service	\$ -	\$ 1,024,764	\$ -	\$ -	\$ 1,024,764
3490 Other Reserves of Fund Balance	-	-	834,426	147,569	981,995
Designated Fund Balance:					
3590 Other Designated Fund Balance	1,000,000	-	-	-	1,000,000
3600 Unreserved	3,095,734	-	-	-	3,095,734
3000 Total Fund Balances	<u>\$ 4,095,734</u>	<u>\$ 1,024,764</u>	<u>\$ 834,426</u>	<u>\$ 147,569</u>	<u>\$ 6,102,493</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,090,115</u>	<u>\$ 1,169,859</u>	<u>\$ 834,533</u>	<u>\$ 242,347</u>	<u>\$ 8,336,854</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2010

Total fund balances - Balance Sheet (governmental funds)	\$	6,102,493
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		52,742,606
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		528,639
Payables for bond principal which are not due in the current period are not reported in the funds.		(53,430,455)
Payables for debt interest which are not due in the current period are not reported in the funds.		(101,977)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(8,376,615)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>574,902</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u>(1,960,407)</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 6,225,346	\$ 2,881,453	\$ 36,359	\$ 539,755	\$ 9,682,913
5800 State Program Revenues	6,084,525	53,469	-	215,408	6,353,402
5900 Federal Program Revenues	47,234	-	-	1,008,292	1,055,526
5020 Total Revenues	\$ 12,357,105	\$ 2,934,922	\$ 36,359	\$ 1,763,455	\$ 17,091,841
EXPENDITURES					
Current:					
0011 Instruction	\$ 7,671,737	\$ -	\$ 285,174	\$ 549,173	\$ 8,506,084
0012 Instructional Resources and Media Services	281,434	-	-	-	281,434
0013 Curriculum and Staff Development	91,583	-	-	6,906	98,489
0023 School Leadership	952,813	-	-	4,759	957,572
0031 Guidance, Counseling and Evaluation Services	267,591	-	-	-	267,591
0033 Health Services	135,955	-	-	-	135,955
0034 Student (Pupil) Transportation	624,908	-	-	-	624,908
0035 Food Services	-	-	-	585,426	585,426
0036 Cocurricular/Extracurricular Activities	516,988	-	-	-	516,988
0041 General Administration	433,111	-	-	-	433,111
0051 Plant Maintenance and Operations	1,119,514	-	-	523,708	1,643,222
0061 Community Services	-	-	-	141,436	141,436
0071 Principal on Long-term Debt	-	534,756	-	-	534,756
0072 Interest on Long-term Debt	-	2,641,684	-	-	2,641,684
0073 Debt Issuance Cost and Fees	-	1,925	-	-	1,925
0081 Capital Outlay	69,589	-	1,273,210	-	1,342,799
0093 Payments for Shared Service Arrangements	345,549	-	-	-	345,549
6030 Total Expenditures	\$ 12,510,772	\$ 3,178,365	\$ 1,558,384	\$ 1,811,408	\$ 19,058,929
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (153,667)	\$ (243,443)	\$ (1,522,025)	\$ (47,953)	\$ (1,967,088)
OTHER FINANCING SOURCES (USES)					
7915 Operating Transfers In	\$ 60,006	\$ -	\$ -	\$ 49,402	\$ 109,408
8911 Operating Transfers Out	(49,402)	-	-	(60,006)	(109,408)
7080 Net Other Financing Sources (Uses)	\$ 10,604	\$ -	\$ -	\$ (10,604)	\$ -
1200 Net Changes in Fund Balances	\$ (143,063)	\$ (243,443)	\$ (1,522,025)	\$ (58,557)	\$ (1,967,088)
0100 Fund Balances - Beginning (September 1)	4,238,797	1,268,207	2,356,451	206,125	8,069,580
3000 Fund Balances - Ending (August 31)	\$ 4,095,734	\$ 1,024,764	\$ 834,426	\$ 147,568	\$ 6,102,492

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2010

Net change in fund balances - total governmental funds	\$	(1,967,087)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		1,327,997
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,441,886)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		82,172
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(81,385)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		511,962
Debt issuance costs and similar items are amortized in the SOA but not in the funds.		(28,533)
The accretion of interest on capital appreciation bonds is not reported in the funds.		(265,428)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		<u>(27,131)</u>
Change in net assets of governmental activities - Statement of Activities	\$	<u>(2,889,319)</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AUGUST 31, 2010

Data Control Codes		Agency Funds
<u> </u>		<u> </u>
	ASSETS	
1110	Cash and Investments	\$ <u>139,440</u>
1000	Total Assets	\$ <u>139,440</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	\$ <u>139,440</u>
2000	Total Liabilities	\$ <u>139,440</u>
	NET ASSETS	
3000	Total Net Assets	\$ <u> -</u>

The accompanying notes are an integral part of this statement.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies (Continued)

Debt Service Fund – This fund is used to account for tax revenues and for the payment of principal, interest, and related costs on long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund.

Capital Projects Fund – This fund is used to account for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

In addition, the District reports the following fund types:

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

b. Measurement Focus – Basis of Accounting

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District 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 long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease 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.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies (Continued)

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

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
		<hr/>
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies (Continued)

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

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

Fund Equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for long-term debt and food service.

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Debt Issuance Costs

Debt issuance costs are included in noncurrent assets. Unamortized premium or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight line method.

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

6. Receivable and Payable Balances

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

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

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies (Continued)

7. Interfund Activities

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

8. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

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

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2010, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

B. Deposits, Securities, and Investments (Continued)

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligation of the State of Texas or its agencies,
- c. obligation guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligation of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as the Lone Star Investment Pool. All Lone Star investments are reported at share price (fair value) and are presented as cash and investments.

The Lone Star Investment Pool is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

The following table provides a listing of the District's investment at August 31, 2010:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAM	\$ 14,745

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

- a. Name of bank: Point Bank, Pilot Point, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 14,128,171.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 12,226,870, and occurred during the month of January 2010.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

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

- a. Credit Risk

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

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

B. Deposits, Securities, and Investments (Continued)

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.04 to fund general operations and \$ 0.5000 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 564,894,203.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

D. Capital Assets

Capital asset activities during the year ended August 31, 2010 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 992,441	\$ -	\$ -	\$ 992,441
Total Capital Assets not being Depreciated	\$ 992,441	\$ -	\$ -	\$ 992,441
Capital Assets being Depreciated:				
Building and Improvements	\$ 60,577,417	\$ 1,271,971	\$ -	\$ 61,849,388
Equipment	89,413	56,026	-	145,439
Vehicles	221,418	-	-	221,418
Total Capital Assets being Depreciated	\$ 60,888,248	\$ 1,327,997	\$ -	\$ 62,216,245
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 7,806,446	\$ 2,404,736	\$ -	\$ 10,211,182
Equipment	67,874	20,161	-	88,035
Vehicles	149,874	16,989	-	166,863
Total Accumulated Depreciation	\$ 8,024,194	\$ 2,441,886	\$ -	\$ 10,466,080
Total Capital Assets being Depreciated, Net	\$ 52,864,054	\$ (1,113,889)	\$ -	\$ 51,750,165
Governmental Activities Capital Assets, Net	\$ 53,856,495	\$ (1,113,889)	\$ -	\$ 52,742,606

Depreciation was charged to functions as follows:

Instruction	\$ 2,010,628
Instructional Resources and Media Services	176,115
School Leadership	137,590
Guidance, Counseling and Evaluation Services	27,519
Health Services	1,099
Student (Pupil) Transportation	10,858
Food Services	39,260
Cocurricular/Extracurricular Activities	25,895
General Administration	1,826
Plant Maintenance and Operations	11,096
Total	\$ 2,441,886

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

E. Long Term Obligations

Long-term obligation activities during the year ended August 31, 2010 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
General Obligation Bonds	\$ 53,942,417	\$ -	\$ 511,962	\$ 53,430,455	\$ 517,704
Accreted Interest Payable	8,979,841	785,672	520,244	9,245,269	-
Unamortized Premium (Discount)	(428,209)	-	6,710	(434,919)	-
Unamortized Refunding Gain (Loss)	(542,169)	-	(108,434)	(433,735)	-
Total Governmental Activities	\$ 61,951,880	\$ 785,672	\$ 930,482	\$ 61,807,070	\$ 517,704

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at August 31, 2010:

Description	Interest Rate	Original Balances	Outstanding Balances
Unlimited Tax School Building and Refunding Bonds, Series 1996	5.875%	\$ 7,379,786	\$ 3,085,830
Unlimited Tax School Building and Refunding Bonds, Series 2002	5.390%	8,497,727	424,625
Unlimited Tax School Building Bonds, Series 2003	4.850%	6,700,000	6,700,000
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.592%	34,266,574	34,220,000
Unlimited Tax School Building Bonds, Series 2008	4.453%	9,000,000	9,000,000
Totals			\$ 53,430,455

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at August 31, 2010 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2011	\$ 517,704	\$ 2,748,736	\$ 3,266,440
2012	527,183	2,914,257	3,441,440
2013	531,926	3,059,514	3,591,440
2014	555,279	3,221,161	3,776,440
2015	579,828	3,271,612	3,851,440
2016-2020	2,869,705	16,307,833	19,177,538
2021-2025	4,858,954	14,314,610	19,173,564
2026-2030	7,480,719	11,689,543	19,170,262
2031-2035	12,484,157	6,684,147	19,168,304
2036-2040	15,690,000	3,480,244	19,170,244
2041-2045	7,335,000	333,788	7,668,788
Totals	<u>\$ 53,430,455</u>	<u>\$ 68,025,445</u>	<u>\$ 121,455,900</u>

F. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. . State law provided for a member contribution rate of 6.4% for fiscal year 2010, 2009 and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January through August 2010. The District's employees' contributions to the System for the periods ended August 31, 2010, and August 31 2009, and 2008 were \$ 521,895, \$ 462,138, and \$ 402,224, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2010, 2009, and 2008 were \$ 108,750, \$ 79,459, and \$ 67,604, respectively.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

F. Pension Plan

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 440,612 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment 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 supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapters 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.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 66,962 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 20,413 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the year ended August 31, 2010, employees of the Aubrey Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

H. Risk Management (Continued)

The contract between the Aubrey Independent School District and the TRS Activecare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2009, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended June 30, 2010, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2009, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other 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 2010, the District purchased commercial insurance to cover these liabilities. There were not 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.

I. Litigation

The District is not involved in any litigation as of August 31, 2010.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2010, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

AUBREY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

K. Interfund Balances and Activities

Interfund Transfers

The composition of transfers between funds occurring during the year ended August 31, 2010, is as follows:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
Food Service	General Fund	\$ 49,303	Annual Deficit
Special Revenue Fund	General Fund	99	Close Fund
General Fund	Special Revenue Funds	<u>49,402</u>	Close Various Funds
	Total	<u>\$ 98,804</u>	

L. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Denton County Special Education Cooperative	Sanger Independent School District	Special Education Service
Denton County Reading Recovery Coop	Little Elm Independent School District	Reading Recovery Program
Block Grants	Region XI, Education Service Center	Title IV Title II

M. Revenue from Local and Intermediate Sources

During the year ended August 31, 2010, the District received revenue from local and intermediate sources consisting of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Property Tax Collections - Current	\$ 5,718,216	\$ 2,726,132	\$ -	\$ -	\$ 8,444,348
Property Tax Collections - Delinquent	150,136	69,799	-	-	219,935
Penalties, Interest and Other					
Tax Related Income	87,866	35,952	-	-	123,818
Investment Income	195,938	49,570	36,359	-	281,867
Food Service Income	-	-	-	272,408	272,408
Gifts and Bequests	-	-	-	11,438	11,438
Cocurricular/Extracurricular Activities	27,129	-	-	49,046	76,175
Other	46,061	-	-	206,863	252,924
Total Local Revenues	<u>\$ 6,225,346</u>	<u>\$ 2,881,453</u>	<u>\$ 36,359</u>	<u>\$ 539,755</u>	<u>\$ 9,682,913</u>

AUBREY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2010

N. Receivables

Receivables at August 31, 2010, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Totals
Due from Other Governments	\$ -	\$ -	\$ -	\$ 23,002	\$ 23,002
Property Taxes Receivable	431,459	155,918	-	-	587,377
Less: Allowance for Uncollectible					
Property Taxes	(43,146)	(15,592)	-	-	(58,738)
Other Receivables	6,000	-	-	1,411	7,411
Net Receivables	\$ 394,313	\$ 140,326	\$ -	\$ 24,413	\$ 559,052

REQUIRED SUPPLEMENTARY INFORMATION

AUBREY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 5,611,478	\$ 6,299,490	\$ 6,225,346	\$ (74,144)
5800	State Program Revenues	7,200,011	7,108,512	6,084,525	(1,023,987)
5900	Federal Program Revenues	528,709	47,235	47,234	(1)
5020	Total Revenues	\$ 13,340,198	\$ 13,455,237	\$ 12,357,105	\$ (1,098,132)
EXPENDITURES					
0010	Instruction and Instructional Related Services:				
0011	Instruction	\$ 7,662,311	\$ 7,768,711	\$ 7,671,737	\$ 96,974
0012	Instructional Resources and Media Services	280,226	294,877	281,434	13,443
0013	Curriculum and Staff Development	110,750	104,555	91,583	12,972
	Total Instruction and Instr. Related Services	\$ 8,053,287	\$ 8,168,143	\$ 8,044,754	\$ 123,389
0020	Instructional and School Leadership:				
0023	School Leadership	\$ 975,371	\$ 980,721	\$ 952,813	\$ 27,908
	Total Instructional and School Leadership	\$ 975,371	\$ 980,721	\$ 952,813	\$ 27,908
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 278,906	\$ 283,906	\$ 267,591	\$ 16,315
0033	Health Services	131,003	145,103	135,955	9,148
0034	Student (Pupil) Transportation	671,883	696,883	624,908	71,975
0036	Cocurricular/Extracurricular Activities	529,610	554,610	516,988	37,622
	Total Support Services - Student (Pupil)	\$ 1,611,402	\$ 1,680,502	\$ 1,545,442	\$ 135,060
0040	Administrative Support Services:				
0041	General Administration	\$ 518,048	\$ 516,048	\$ 433,111	\$ 82,937
	Total Administrative Support Services	\$ 518,048	\$ 516,048	\$ 433,111	\$ 82,937
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 1,757,915	\$ 1,192,941	\$ 1,119,514	\$ 73,427
	Total Support Services - Nonstudent Based	\$ 1,757,915	\$ 1,192,941	\$ 1,119,514	\$ 73,427
0080	Capital Outlay:				
0081	Capital Outlay	\$ 71,000	\$ 76,195	\$ 69,589	\$ 6,606
	Total Capital Outlay	\$ 71,000	\$ 76,195	\$ 69,589	\$ 6,606
0090	Intergovernmental Charges:				
0093	Payments for Shared Service Arrangements	\$ 420,000	\$ 420,000	\$ 345,549	\$ 74,451
	Total Intergovernmental Charges	\$ 420,000	\$ 420,000	\$ 345,549	\$ 74,451
6030	Total Expenditures	\$ 13,407,023	\$ 13,034,550	\$ 12,510,772	\$ 523,778
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (66,825)	\$ 420,687	\$ (153,667)	\$ (574,354)
OTHER FINANCING SOURCES (USES)					
7915	Operating Transfers In	\$ -	\$ -	\$ 60,006	\$ 60,006
8911	Operating Transfers Out	-	(55,500)	(49,402)	6,098
7080	Net Other Financing Sources (Uses)	\$ -	\$ (55,500)	\$ 10,604	\$ 66,104
1200	Net Change in Fund Balance	\$ (66,825)	\$ 365,187	\$ (143,063)	\$ (508,250)
0100	Fund Balance - Beginning (September 1)	4,238,797	4,238,797	4,238,797	-
3000	Fund Balance - Ending (August 31)	\$ 4,171,972	\$ 4,603,984	\$ 4,095,734	\$ (508,250)

OTHER SUPPLEMENTARY INFORMATION

AUBREY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2010

Tax Roll Year	Last Ten Years Ended August 31	1		2	3	10	20	30	30a	40	50
		Maintenance	Debt Service								
		Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2009	Current Year's Total Levy	Maintenance Tax Collections	Debt Service Tax Collections	Entire Year's Adjustments	Ending Balance 8/31/2010	
XXXX	2001 and Prior Years	Various	Various								Various
2001	2002	1.40000	0.21290	196,317,281	7,350	-	54	8	-	7,288	
2002	2003	1.48475	0.20097	222,492,814	9,690	-	478	65	-	9,147	
2003	2004	1.50000	0.23295	254,223,103	25,790	-	9,075	1,409	676	15,982	
2004	2005	1.50000	0.30810	283,509,773	29,767	-	10,522	2,161	4,248	21,332	
2005	2006	1.50000	0.33880	347,327,822	47,748	-	41,571	9,390	42,599	39,386	
2006	2007	1.37000	0.29660	420,661,779	55,057	-	7,320	1,585	17,851	64,003	
2007	2008	1.04000	0.35806	495,536,744	77,044	-	6,027	2,075	10,022	78,964	
2008	2009	1.04000	0.44560	542,478,123	221,872	-	73,420	31,458	(17,134)	99,860	
2009	2010	1.04000	0.50000	564,894,203	-	8,699,371	5,723,428	2,751,644	14,355	238,654	
1000	TOTALS				\$ 496,075	\$ 8,699,371	\$ 5,871,895	\$ 2,799,795	\$ 63,621	\$ 587,377	

AUBREY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2009

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 74,802	\$ 60,454	\$ -	\$ -	\$ 135,256
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services			12,166				12,166
6212	Audit Services							-
6213	Tax Appraisal and Collection		77,569					77,569
621X	Other Prof. Services			96,548	1,504		13,350	111,402
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	1,150		14,528				15,678
6240	Contr. Maint. And Repair					6,466		6,466
6250	Utilities							-
6260	Rentals			3,265				3,265
6290	Miscellaneous Contr.				29,299			29,299
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading							-
6330	Testing Materials							-
63XX	Other Supplies, Materials				14,262			14,262
6410	Travel, Subsistence, Stipends			5,027	1,252			6,279
6420	Ins. And Bonding Costs	1,388		16				1,404
6430	Election Costs	296						296
6490	Miscellaneous Operating	6,991		4,031	8,747			19,769
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 9,825	\$ 77,569	\$ 210,383	\$ 115,518	\$ 6,466	\$ 13,350	\$ 433,111

Total expenditures for General and Special Revenue Funds: (9) \$ 14,296,884

LESS: Deductions and Unallowable Costs

FISCAL YEAR	
Total Capital Outlay (6600)	(10) \$ 69,589
Total Debt & Lease (6500)	(11) \$ -
Plant Maintenance (Function 51, 6100-6400)	(12) \$ 1,643,222
Food (Function XX, 6341 and 6499)	(13) \$ 245,598
Stipend (6413)	(14) \$ -
Column 4 (above) - Total Indirect Cost	\$ 115,518
Subtotal	2,073,927
Net Allowed Direct Cost	\$ 12,222,957

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) \$ 61,849,388
Historical Cost of Buildings over 50 years old	(16) \$ -
Amount of Federal Money in building Cost (Net of # 16)	(17) \$ -

AUBREY INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2010

"UNAUDITED"

Data Control	Code	Explanation	Amount
	1	Total General Fund Balance August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 4,095,734
	2	Total General Fund Reserve Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	-
	3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for General Fund only)	1,000,000
	4	Estimated amount needed to cover fall cash flow deficit in General Fund (net of borrowed funds and funds representing deferred revenues)	-
	5	Estimate of two month's average cash disbursements during the fiscal year	2,100,000
	6	Estimate of delayed payments from state sources (58XX)	-
	7	Estimate of underpayment from state sources equal to variances between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-
	8	Estimate of delayed payments from federal sources (59XX)	25,000
	9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
	10	Adjustments to meet Board policy	-
	11	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10)	\$ 3,125,000
	12	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-11)	\$ 970,734

The District is currently experiencing growth in student population of approximately 8%. Excess balances will be used to increase the educational resources available to students in the District. These excess funds will be used to offset unanticipated costs arising from construction projects.

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 265,000	\$ 280,000	\$ 272,408	\$ (7,592)
5800	State Program Revenues	18,096	18,096	17,438	(658)
5900	Federal Program Revenues	238,229	290,000	245,700	(44,300)
5020	Total Revenues	\$ 521,325	\$ 588,096	\$ 535,546	\$ (52,550)
EXPENDITURES					
Current:					
0030	Support Services - Student (Pupil):				
0035	Food Services	\$ 509,821	\$ 643,620	\$ 585,426	\$ 58,194
	Total Support Services - Student (Pupil)	\$ 509,821	\$ 643,620	\$ 585,426	\$ 58,194
6030	Total Expenditures	\$ 509,821	\$ 643,620	\$ 585,426	\$ 58,194
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 11,504	\$ (55,524)	\$ (49,880)	\$ 5,644
OTHER FINANCING SOURCES (USES):					
7915	Operating Transfers In	\$ -	\$ 55,500	\$ 49,303	\$ (6,197)
7080	Net Other Financing Sources and (Uses)	\$ -	\$ 55,500	\$ 49,303	\$ (6,197)
1200	Net Change in Fund Balance	\$ 11,504	\$ (24)	\$ (577)	\$ (553)
0100	Fund Balance - Beginning (September 1)	577	577	577	-
3000	Fund Balance - Ending (August 31)	\$ 12,081	\$ 553	\$ -	\$ (553)

AUBREY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 3,104,472	\$ 3,114,472	\$ 2,881,453	\$ (233,019)
5800 State Program Revenues	106,968	65,000	53,469	(11,531)
5020 Total Revenues	\$ 3,211,440	\$ 3,179,472	\$ 2,934,922	\$ (244,550)
EXPENDITURES				
Debt Service:				
0071 Principal on Long-term Debt	\$ 512,000	\$ 511,963	\$ 534,756	\$ (22,793)
0072 Interest on Long-term Debt	2,664,441	2,668,537	2,641,684	26,853
0073 Debt Issuance Costs and Fees	2,000	2,000	1,925	75
Total Debt Service	\$ 3,178,441	\$ 3,182,500	\$ 3,178,365	\$ 4,135
6030 Total Expenditures	\$ 3,178,441	\$ 3,182,500	\$ 3,178,365	\$ 4,135
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 32,999	\$ (3,028)	\$ (243,443)	\$ (240,415)
1200 Net Change in Fund Balance	\$ 32,999	\$ (3,028)	\$ (243,443)	\$ (240,415)
0100 Fund Balance - Beginning (September 1)	1,268,207	1,268,207	1,268,207	-
3000 Fund Balance - Ending (August 31)	\$ 1,301,206	\$ 1,265,179	\$ 1,024,764	\$ (240,415)

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

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 9,245,269

FEDERAL AWARDS SECTION

AUBREY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	6107 Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Pilot Point Independent School District:			
ESEA Title II Part A - LEP	84.365	10671001061903	\$ 5,700
ESEA Title II Part A - LEP	84.365	11671001061903	703
Total Passed through Pilot Point Independent School District			<u>\$ 6,403</u>
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs*	84.010	10610101061907	\$ 133,452
ESEA Title I Part A - Improving Basic Programs*	84.010	11610101061907	8,989
ESEA Title IV Part A - Safe and Drug Free Community	84.186	10691001061907	2,977
ARRA - Title XIV State Fiscal Stabilization Fund*	84.394	10557001061907	523,708
Summer School LEP	84.369	69550902	1,026
ESEA Title II Part A - Teacher/Principal Training	84.367	10694501061907	43,229
ESEA Title II Part A - Teacher/Principal Training	84.367	11694501061907	3,199
ARRA - ESEA Title I Part A - Improving Basic Programs *	84.389	10551001061907	39,610
Total Passed through the Texas Education Agency			<u>\$ 756,190</u>
Total Department of Education			<u>\$ 762,593</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed through the Denton County, Texas:			
Federal Flood Control	12.106	061-907	\$ 21,100
Total Department of Defense			<u>\$ 21,100</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Department of Agriculture:			
School Breakfast Program	10.553	71401001	\$ 38,571
National School Lunch Program	10.555	71301001	181,833
Commodity Supplemental Food	10.565	061013A	25,295
Total Department of Agriculture			<u>\$ 245,699</u>
Total Federal Expenditures			<u>\$ 1,029,392</u>

*Major Program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

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

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Allen Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2010.