ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010



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

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CERTIFICATE OF BOARD

Glen Rose Independent School District Name of School District	Somervell County	<u>213-901</u> CoDist. Number
We, the undersigned, certify that the attached annual fi	nancial reports of the above	named school district
were reviewed and (check one)approved	disapproved for the year er	nded August 31, 2010,
at a meeting of the board of trustees of such school district	on the 16 day of DELET	DER , 2010.
Signature of Board Secretary	Signature of Board	President
g,		
If the board of trustees disapproved of the auditor's report, (attach list as necessary)	the reason(s) for disapproving	j it is (are):





Independent Auditor's Report on Financial Statements

Board of Trustees Glen Rose Independent School District P.O. Box 2129 Glen Rose, Texas 76043

Members of the Board of Trustees:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Rose Independent School District as of August 31, 2010, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of Glen Rose Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glen Rose Independent School District's financial statements as a whole. The introductory section and individual nonmajor fund financial statements 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 individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

Snow, Garrett & Company December 6, 2010

Snow, Ganet & Company

Management's Discussion and Analysis

(Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2010. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$38,668,023 (net assets). Of this amount, \$9,412,791 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,332,862. Approximately 42 percent of this total amount, \$8,599,237, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$8,599,237, or 28 percent of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

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

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

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 13-18 of this report.
- Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets that can be found on page 19.
- Notes to the financial statements. The notes provide additional information that is essential to a
 complete understanding of the data provided in the government-wide and fund financial statements.
 The notes to the financial statements can be found on pages 20-30 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 31-32 of this report.

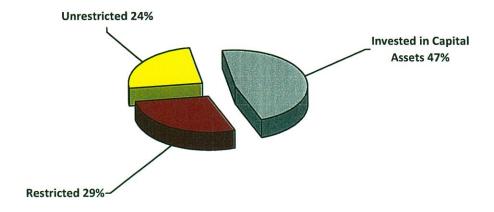
Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, net assets exceeded liabilities by \$38,668,023 as of August 31, 2010.

The District's Net Assets

	August 31, 2010		August 31, 200		
Current assets Capital assets Total assets	\$	22,613,576 29,848,438 52,462,014		\$ 	22,320,999 30,963,647 53,284,646
Current liabilities Long-term liabilities outstanding total liabilities		1,996,984 11,797,007 13,793,991			2,281,127 12,787,564 15,068,691
Net assets: Invested in capital assets, net of related debt Restricted Unrestricted		18,124,151 11,131,081 9,412,791		,	18,175,288 3,476,983 16,563,684
Total net assets	\$	38,668,023		\$	38,215,955

Net Assets as of 8/31/10

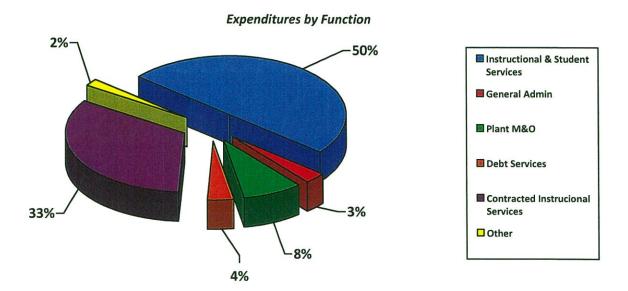


Investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$18,124,151. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$11,131,081 of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$9,412,791, may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources and due to bond proceeds for construction projects.

Governmental activities. The District's total net assets increased \$452,070. The total cost of all *governmental activities* this year was \$38,395,442. The amount that our taxpayers paid for these activities through property taxes was \$30,705,471 or 80%.

Changes in the District's Net Assets

	Fiscal Year August 31, 2010	Fiscal Year August 31, 2009
Revenues:	<u> </u>	
Program Revenues		
Charges for Services	\$ 553,989	\$ 1,661,249
Operating Grants and Contributions	3,262,562	2,207,150
General revenues		
Property Taxes	30,705,471	29,170,391
State Grants	2,867,776	3,872,507
Other	1,457,714	1,047,685
Total Revenues	38,847,512	37,958,982
Expenses:		
Instruction	13,453,683	12,367,891
Instruction Resources & Media Services	388,306	280,339
Curriculum and Staff Development	243,180	190,369
Instructional Leadership	156,168	159,026
School Leadership	913,155	897,719
Guidance, Counseling & Evaluation Services	641,160	613,361
Health Services	228,388	220,358
Student Transportation	761,994	701,710
Food Service	1,117,358	1,052,398
Cocurricular / Extracurricular Activities	1,193,546	1,251,990
General Administration	1,213,630	1,122,423
Plant Maintenance & Operations	3,179,760	2,701,996
Security and Monitoring Services	5,839	4,472
Data Processing Services	239,562	238,463
Community Services	10,785	14,260
Interest on Long-Term Debt	793,022	538,383
Bond Issuance Costs and Fees	595,613	85,953
Capital Outlay	2,000	-
Contracted Instructional Services between Schools	12,767,177	12,691,277
Payments Related to Shared Service Arrangements	491,116	465,428
Total Expenses	38,395,442	35,597,816
Increase (decrease) in net assets	452,070	2,361,166
Beginning net assets	38,215,953	35,854,787
Ending net assets	\$ 38,668,023	\$ 38,215,953



Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,332,862, an increase of \$564,222. Approximately 42 percent of this total amount (\$8,599,237) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed for (1) debt service (\$262,966), (2) Capital Expenditures (\$300,000), (3) Construction (\$10,807,449), and (4) for other miscellaneous designations (\$363,210).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$8,599,237, out of a total fund balance of \$9,127,261. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 28 percent of the total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the District's general fund decreased \$7,028,493 during the current fiscal year. Key factors in this growth are:

- The 2009-2010 budget originated as a balanced budget with \$77,015 more budgeted in revenues than expenditures.
- Increase in certified values from \$3,219,050,466 to \$3,395,132,539. The property in Hood County increased by \$78,754,185. The total increase in revenue for M&O was \$1,452,677 and for I&S was \$121,497.
- Because of the increase in the General Fund balance as indicated by the two statements above, the Board approved to move the designated funds set aside for building projects to the Capital Projects Fund. The amount transferred out of the General Fund was \$9,022,000.

General Fund Budgetary Highlights

The board was able to approve a balanced budget. Other items of significant value were:

- Decreased several large budget expenditures: electricity cost by \$65,000; gasoline by \$11,400; vehicles by \$17,000; capital outlay by \$80,000; special education co-op payment by \$10,000; and Chapter 41 (recapture) payment by \$897,841.
- There were some increases due to employee pay increases; Dual Credit tuition and books; summer feeding program; substitute rate increases; employee insurance stipend of \$25 per month per employee.

The debt service fund has a total fund balance of \$262,966, all of which is reserved for the payment of debt service. The net decrease in fund balance during the period in the debt service was \$54,795. The District entered into a bond refunding program during 2010. The aggregate principal of \$11,265,000 was used to refund a portion of the District's current outstanding bonds for 2003, 2006, and 2007 series. This will result in an estimated interest savings of \$511,653 to the District over the next seven years.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases. The fund balance of the District's capital projects fund was \$10,807,449 as of August 31, 2010, all of which is designated for capital projects. The net increase in fund balance for the fiscal year ending August 31, 2010, was \$7,688,938 due to a transfer in from the general fund for future construction projects.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2010, amounts to \$29,848,438 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

Districts Capital Assets (net of depreciation)

	_ Aι	igust 31, 2010	Au	gust 31, 2009
Land	\$	2,760,569	\$	2,692,284
Buildings and improvements		25,339,343		25,782,684
Furniture and equipment		1,626,130		1,426,446
Construction in progress		122,396		1,062,233
Total at historical cost	\$	29,848,438	\$	30,963,647

Additional information on the District's capital assets can be found in Note C on page 25 of this report.

Long-term debt. As of August 31, 2010, the District had total general obligation bonded debt outstanding of \$10,480,000, a decrease of \$2,115,000 over the prior year. The District had Capital Appreciation Bonds outstanding of \$684,698, an increase of \$523,200 over the prior year. The premium for the bonds is \$632,309, an increase of \$601,243 from the previous

year.

Additional information on the District's long-term debt can be found in Note E on pages 26-27 of this report.

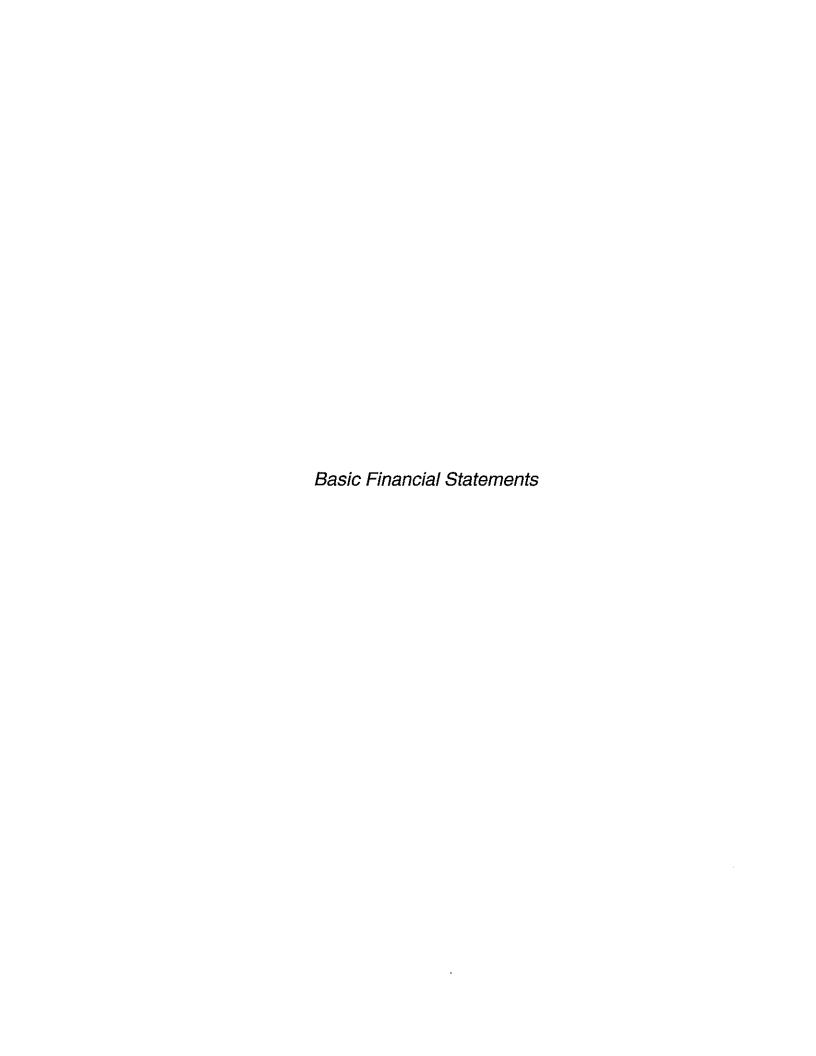
The District's bonds are rated "AAA" by virtue of the guarantee of the Permanent School Fund of the State of Texas. The uninsured tax supported debt of the District is rated "Baa3" by Moody's. The District's bonds presently carry "AAA" ratings with the underlying ratings as follows: Standard & Poor's underlying rating on the District's Bonds is "A" and Moody's Investor Services rating is "A3".

Economic Factors and Next Year's Budgets and Rates

- The Board of Trustees approved teacher raises ranging from \$1,040 to \$1,700.
- Raises for all maintenance and all support personnel were approved at 2.5% of mid-point in all salary ranges.
- The Board again approved a balanced budget for 2010-2011 with at least an anticipated \$73,708 in revenues greater than expenditures.
- Tax rate for Maintenance & Operations budget set at \$.825 per \$100 valuation and Interest and Sinking rate for \$.069 for a total tax rate of \$.894 which is the exact same tax rate as in 2009-2010.
- \$300 per year (\$25/per month/per employee) budgeted again for each employee for an insurance supplement.
- Chapter 41 (recapture) payment increased by \$876,735
- Voters approved a bond issue for the district in May 2010. In September, 2010, the district received \$11,410,000 in Unlimited Tax School Building Bonds, Series 2010-A and \$8,585,000 in Unlimited Tax School Building Bonds, Taxable Series 2010-B (Build America Bonds). The district was able to pass the bond issue with no tax increase to the district.

Requests for Information

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



STATEMENT OF NET ASSETS AUGUST 31, 2010

Data Control Codes		_	Governmental Activities
	ASSETS:		
1110	Cash and Cash Equivalents	\$	19,199,277
1120	Current Investments		2,299,880
1225	Property Taxes Receivable (Net)		211,010
1240	Due from Other Governments		727,714
1250	Accrued Interest		10,020
1290	Other Receivables (Net)		350
1410	Deferred Expenses		82,645
1420	Capitalized Bond and Other Debt Issuance Costs Capital Assets:		82,680
1510	Land		2,760,569
1520	Buildings and Improvements, Net		25,339,343
1530	Furniture and Equipment, Net		1,626,130
1580	Construction in Progress		122,396
1000	Total Assets	_	52,462,014
	LIABILITIES:		
2110	Accounts Payable		112,618
2140	Interest Payable		9,960
2165	Accrued Liabilities		630,691
2300	Unearned Revenue		1,243,715
	Noncurrent Liabilities:		
2501	Due Within One Year		1,975,000
2502	Due in More Than One Year		9,822,007
2000	Total Liabilities		13,793,991
	NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt		18,124,151
	Restricted For:		
3850	Debt Service		278,789
3860	Capital Projects		10,807,449
3880	Scholarships		44,843
3900	Unrestricted		9,412,791
3000	Total Net Assets	\$	38,668,023

Net (Expense)

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2010

			1		3 .		4	F	Revenue and Changes in
				Program Revenues		•	Net Assets		
Data Control Codes	Functions/Programs Governmental Activities:		Expenses	•	Charges for Services		Operating Grants and contributions	-	Sovernmental Activities
11	Instruction	\$	13,453,683	\$		\$	2,008,947	\$	(11 444 700)
12	Instructional Resources and Media Services	φ	388,306	Φ	# -	Φ	2,000,547	Ψ	(11,444,736) (388,306)
13	Curriculum and Staff Development		243,180				43,175		(200,005)
21	Instructional Leadership		156,168				22,705		(133,463)
23	School Leadership		913,155				22,700		(913,155)
31	Guidance, Counseling, & Evaluation Services		641,160				185,829		(455,331)
33	Health Services		228,388				1,439		(226,949)
34	Student Transportation		761,994		42,001		82,593		(637,400)
35	Food Service		1,117,358		420,535		498,574		(198,249)
36	Cocurricular/Extracurricular Activities		1,193,546		80,428		50,473		(1,062,645)
41	General Administration		1,213,630				1,166		(1,212,464)
51	Plant Maintenance and Operations		3,179,760		11,025		1,428		(3,167,307)
52	Security and Monitoring Services		5,839						(5,839)
53	Data Processing Services		239,562						(239,562)
61	Community Services		10,785						(10,785)
72	Interest on Long-term Debt		793,022						(793,022)
73	Bond Issuance Costs and Fees		595,613						(595,613)
81	Capital Outlay		2,000						(2,000)
91	Contracted Instructional Services between Schools		12,767,177						(12,767,177)
93	Payments Related to Shared Services Arrangements		491,116				366,233		(124,883)
TG	Total Governmental Activities	_	38,395,442	_	553,989	_	3,262,562	_	(34,578,891)
TP	Total Primary Government	\$_	38,395,442	\$_	553,989	\$_	3,262,562	_	(34,578,891)
	Gana	al Bay	venues:						
МТ			axes, Levied for G	eneral	Purnoses				28,334,871
DT	•	_	axes, Levied for Caxes, Levied for C		•				2,370,600
ΙE	•	-	t Earnings		1100				398,587
GC			d Contributions No	t Restr	icted to Specific	Progran	ns		2,867,776
MI		ellane			olog to opcomo	. rogian			1,059,127
TR			neral Revenues					_	35,030,961
CN			in Net Assets	are the wearing		customera estados.	THE PARTY OF THE P	director.	452,070
NB			- Beginning						38,215,953
NE			- Ending					\$	38,668,023
	110171							*=	30,000,020

BALANCE SHEET - GOVERNMENTAL FUNDS AUGUST 31, 2010

				10			
Data							SSA
Contro	1			General			IDEA-B
Codes				Fund			Formula
	ASSETS:	-					
1110	Cash and Cash Equivalents	\$		9,827,763		\$	••
1120	Current Investments			488,947			
1225	Taxes Receivable, Net			195,187			
1240	Due from Other Governments			98,225			397,091
1250	Accrued Interest			10,019			
1260	Due from Other Funds			844,223			~~
1290	Other Receivables						
1410	Deferred Expenditures						**
1000	Total Assets	\$		11,464,364		\$	397,091
02204392420230	(220,000,10,200,000,000,000,000,000,000,0	***********				130050012	7.
	LIABILITIES:						
	Current Liabilities:						
2110	Accounts Payable	\$		103,354		\$	
2150	Payroll Deductions & Withholdings			1,368			
2160	Accrued Wages Payable			519,090			
2170	Due to Other Funds			337,284			397,091
2300	Unearned Revenue			1,376,007			
2000	Total Liabilities			2,337,103		_	397,091
	FUND DALANOFO.						
	FUND BALANCES: Reserved Fund Balances:						
3420	Debt Service						
3470	Capital Acquisitions & Contractual Obligations						- -
3490	Other Reserves of Fund Balance						
3490	Designated Fund Balance:						**
3510	Construction						
3530				300,000			
3590	Capital Expenditures for Equipment			•			
3600	Other Designated Fund Balance Unreserved			228,024			
3000	Total Fund Balances			8,599,237		_	
3000	Total Fund Dalances			9,127,261		_	
4000	Total Liabilities and Fund Balances	\$		11,464,364		\$	397,091
PONTE CONTRACTOR			V 100049	ramente anna e a significa e de ser en esta de la companio del companio de la companio de la companio del companio de la companio del la companio de la comp	X 12 10 10 10 10 10 10 10 10 10 10 10 10 10	C 10 00 10 10 10 10 10 10 10 10 10 10 10	reggings generally with the second

			60				98
	SSA		Capital	Other			Total
	Special		Projects	Go	vernmental	G	iovernmental
	Education		Fund	Funds			Funds
•	· · · · · · · · · · · · · · · · · · ·		·				
\$		\$	9,014,658	\$	356,856	\$	19,199,277
			1,759,715		51,218		2,299,880
					15,823		211,010
	**				232,398		727,714
					,		10,019
	372,422		2,500		(37,638)		1,181,507
			,		350		350
			82,645				82,645
\$	372,422	\$	10,859,518	\$	619,007	\$	23,712,402
\$ <u>#</u>	U/ L,7LL	Ψ	10,000,010	······¥ <u></u>	010,001	<u>Ψ</u>	20,7,12,402
\$	4,783	\$	525	\$	3,956	\$	112,618
Ψ		Ψ		*		Ψ	1,368
	66,074				44,158		629,322
	245,942		51,544		149,646		1,181,507
	55,623				23,095		1,454,725
	372,422	Physical and the state of the st	52,069		220,855		3,379,540
_	012,422		52,000		220,000		3,373,340
	77				262,966		262,966
			2,994,677				2,994,677
					135,186		135,186
					100,100		100,100
			7,812,772				7,812,772
			· ·				300,000
							228,024
					***		8,599,237
_	***		10,807,449		398,152		20,332,862
*******			,,	4	300,100		
\$	372,422	\$	10,859,518	\$	619,007	\$	23,712,402
100 Care Land	-				*		Processor - Trade I Acade again I Anni F. Storie

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS AUGUST 31, 2010

Total fund balances - governmental funds balance sheet	\$	20,332,862
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:		
Capital assets used in governmental activities are not reported in the funds. Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Payables for bond principal which are not due in the current period are not reported in the funds. Payables for bond interest which are not due in the current period are not reported in the funds. Bond issuance costs are capitalized in the SNA but not in the funds. Premium and discount on bonds are capitalized in the SNA but not in the funds. The accumulated accretion on capital appreciation bonds are reported in the SNA.	_	29,848,438 211,010 (10,480,000) (9,960) 82,680 (632,309) (684,698)
Net assets of governmental activities - Statement of Net Assets	\$	38,668,023

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

		10	
Data			SSA
Contro	1	General	IDEA-B
Codes	;	Fund	Formula
	REVENUES:		
5700	Local and Intermediate Sources	\$ 29,015,802	\$
5800	State Program Revenues	3,579,381	·
5900	Federal Program Revenues		451,404
5020	Total Revenues	32,595,183	451,404
	EXPENDITURES:		
	Current:		
0011	Instruction	10,192,349	270,738
0012	Instructional Resources and Media Services	304,621	
0013	Curriculum and Staff Development	178,531	
0021	Instructional Leadership	2,937	242
0023	School Leadership	832,519	**
0031	Guidance, Counseling, & Evaluation Services	371,264	152,485
0033	Health Services	206,703	1,439
0034	Student Transportation	965,161	
0035	Food Service		
0036	Cocurricular/Extracurricular Activities	887,248	
0041	General Administration	1,096,176	
0051	Plant Maintenance and Operations	2,405,005	
0052	Security and Monitoring Services	4,948	***
0053	Data Processing Services	218,407	
0061	Community Services	9,833	
0071		·	
	Interest on Long-term Debt	***	
	Bond Issuance Costs and Fees		~~
	Capital Outlay		
	Contracted Instructional Services		
0091	Between Public Schools	12,767,177	
	Payments to Shared Service Arrangements	123,255	26,500
6030		30,566,134	451,404
		ARROWANIA AND AND AND AND AND AND AND AND AND AN	
1100	Excess (Deficiency) of Revenues Over (Under)		
1100		2,029,049	
	·		V
	Other Financing Sources and (Uses):		
7911	Capital-Related Debt Issued (Regular Bonds)		**
7912		17,174	
7915	Transfers In	24,500	
7916		, 	
8911		(9,099,216)	
8949			
	Total Other Financing Sources and (Uses)	(9,057,542)	
	Net Change in Fund Balances	(7,028,493)	
.234		(-,,,	
0100	Fund Balances - Beginning	16,155,754	
	Fund Balances - Ending	\$ 9,127,261	\$
F4860835955			/XX2AXX

	SSA	60 Capital	Other	98 Total
	Special	Projects	Governmental	Governmental
	Education	Fund	Funds	Funds
	Edubation		- Cirido	- Tands
\$	717,001	\$ 5,076	\$ 3,023,136	\$ 32,761,015
	60,532		157,165	3,797,078
	50,014		1,831,842	2,333,260
	827,547	5,076	5,012,143	38,891,353
	000 005	400 04**	4 000 757	40,000,000
	639,835	183,217	1,036,757	12,322,896
		47,443	1,953	354,017
			43,175	221,706
	134,734		4,465	142,378
				832,519
	31,681	•••	29,112	584,542
		10.700	78	208,220
		10,790	82,593	1,058,544
	**	26,045 28,165	1,011,143	1,037,188
	8,728	1,556	159,234	1,074,647 1,106,460
	10,690	518,618	 8	2,934,321
	10,030	516,016	375	5,323
			3/3	218,407
	,	 		9,833
		 	2,115,000	2,115,000
			905,253	905,253
			155,093	155,093
		522,304		522,304
		ULL,UU-		
				12,767,177
	1,879	*****	339,482	491,116
_	827,547	1,338,138	5,883,721	39,066,944
		(1,333,062)	(871,578)	(175,591)
	····			
			11,265,000	11,265,000
				17,174
		9,022,000	77,216	9,123,716
			722,639	722,639
			(24,500)	(9,123,716)
_	<u></u>		(11,265,000)	(11,265,000)
		9,022,000	775,355	739,813
		7,688,938	(96,223)	564,222
***		3,118,511	494,375	19,768,640
\$		\$ 10,807,449	\$ 398,152	\$ 20,332,862

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

\$ Net change in fund balances - total governmental funds 564,222 Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: Capital outlays are not reported as expenses in the SOA. 1,024,958 The depreciation of capital assets used in governmental activities is not reported in the funds. (2,140,167)The gain or loss on the sale of capital assets is not reported in the funds. 17,174 All proceeds from the sale of capital assets are reported in the funds but not in the SOA. (17,174)Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. (61,015)Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. 2,115,000 Bond issuance costs and similar items are amortized in the SOA but not in the funds. 82,680 The accretion of interest on capital appreciation bonds is not reported in the funds. (523,200)(Increase) decrease in accrued interest from beginning of period to end of period. 21,901 Bond premiums and discounts are amortized in the SOA but not in the funds. 90,330 Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds. (11,265,000)Bond premiums are reported in the funds but not in the SOA. (722,639)Payment to escrow agent for refunding bonds are not reported as expenditures in the SOA. 11,265,000 Change in net assets of governmental activities - Statement of Activities 452,070

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS AUGUST 31, 2010

Data Control Codes			Agency Funds
	ASSETS:		
1110	Cash and Cash Equivalents	\$	57,173
1900	Other Assets		10,000
1000	Total Assets	\$	67,173
2190	LIABILITIES: Current Liabilities: Due to Student Groups	\$	57,173
2400	Payable from Restricted Assets	•	10,000
2000	Total Liabilities		67,173
3000	NET ASSETS Total Net Assets	\$ <u></u>	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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.

SSA IDEA-B Formula Fund: This fund is used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds granted to operate educational programs for children with disabilities.

SSA Special Education Fund: This fund is used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds for special education, other than regional day school for the deaf and State Supplemental Visually Impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

Capital Projects Fund: This fund is used to account for proceeds from 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 used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Asset Olass	Oseiui Lives
Buildings and Improvements	30
Equipment	5 - 10

d. 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.

e. Compensated Absences

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

f. Interfund Activity

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

g. Use of Estimates

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

h. Data Control Codes

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

B. Deposits and Investments

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

Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$19,256,450 and the bank balance was \$12,877,389. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

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

Investment or Investment Type	<u>Maturity</u>	Fair Value
TexPool - LGIP	Wtd Maturity 34 days	\$ 520,580
TexStar - LGIP	Wtd Maturity 51 days	1,759,716
Edward Jones - Donated	N/A	19,584
Total Investments		\$ 2,299,880

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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

TexPool - LGIP	AAAm
TexStar - LGIP	AAAm
Edward Jones	3 stars

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

Public Funds Investment Pools

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:	 -			
Capital assets not being depreciated:				
Land \$	2,692,284 \$	68,285 \$	\$	2,760,569
Construction in progress	1,062,233	122,396	1,062,233	122,396
Total capital assets not being depreciated	3,754,517	190,681	1,062,233	2,882,965
Capital assets being depreciated:				
Buildings and improvements	52,863,941	1,377,402		54,241,343
Equipment	4,477,716	519,107	291,801	4,705,022
Total capital assets being depreciated	57,341,657	1,896,509	291,801	58,946,365
Less accumulated depreciation for:				<u> </u>
Buildings and improvements	(27,081,257)	(1,820,743)		(28,902,000)
Equipment	(3,051,270)	(319,423)	(291,801)	(3,078,892)
Total accumulated depreciation	(30,132,527)	(2,140,166)	(291,801)	(31,980,892)
Total capital assets being depreciated, net	27,209,130	(243,657)	m++	26,965,473
Governmental activities capital assets, net \$_	30,963,647 \$	(52,976) \$	1,062,233 \$	29,848,438

Depreciation was charged to functions as follows:

Instruction	\$ 1,177,298
Instructional Resources and Media Services	34,289
Curriculum and Staff Development	21,474
Instructional Leadership	13,790
School Leadership	80,636
Guidance, Counseling, & Evaluation Services	56,618
Health Services	20,168
Student Transportation	102,529
Food Services	100,460
Extracurricular Activities	118,899
General Administration	107,170
Plant Maintenance and Operations	284,212
Security and Monitoring Services	516
Data Processing Services	21,155
Community Services	952
	\$ 2,140,166

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

D. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Special Revenue Funds	\$	783,179	For transfer of federal receipts
General Fund	Debt Service Fund		9,500	Short term loan
General Fund	Capital Project Fund		51,544	Capital projects expenditures
Special Revenue Funds	General Fund		334,784	For transfer of federal receipts
Capital Project Fund	General Fund		2,500	Capital projects expenditures
	Total	\$_	1,181,507	, , , ,

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	 Amount	Reason
Special Revenue Fund	General Fund	\$ 24,500	To close out Fund 428
General fund	Capital Project Fund	9,022,000	For future capital projects/purchas
General fund	Food Service Fund Total	\$ 77,216 9,123,716	Supplement other funds sources

E. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2010, are as follows:

		Beginning Balance	Increases	Decreases		Ending Balance	Amounts Due Within One Year
Governmental activities:	_						
General obligation bonds	\$	12,595,000	\$ 11,265,000 \$	13,380,000 \$	\$	10,480,000 \$	1,975,000
Accumulated accretion CAB's		161,498	523,200			684,698	
Premium/Discount amortized		31,066	722,639	121,396		632,309	
Total governmental activities	\$_	12,787,564	\$ 12,510,839 \$	13,501,396	\$_	11,797,007 \$	1,975,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2010, are as follows:

	Governmental Activities					
Year Ending August 31.		Principal		Interest		Total
2011	\$	1,975,000	\$	227,225	\$	2,202,225
2012		690,000		901,600		1,591,600
2013		1,465,000		176,600		1,641,600
2014		1,540,000		147,300		1,687,300
2015		1,570,000		116,500		1,686,500
2016-2020		3,240,000		130,200		3,370,200
Totals	\$	10,480,000	\$	1,699,425	\$	12,179,425

The interest rate on the Unlimited Tax School Building Bonds, Series 2007 range from 4.00% to 4.50% and matures on August 15, 2011.

The interest rate on the Unlimited Tax Refunding Bonds, Series 2010 range from 2.00% to 2.75% and matures on August 15, 2017.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2010, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Series 2003	\$ 420,000
Series 2006	5,310,000
Series 2007	4,455,000
Total	\$ 10,185,000

As a result of the advance refunding of \$11,265,000 in principal and \$589,405 in interest of the Unlimited Tax School Building Bonds by the issuance of Series 2010 Unlimited Tax Refunding Bonds, the District reduced its total debt service requirements by \$579,502, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$487,703.

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2010, as follows:

Year Ending August 31,	
2011	\$ 51,431
2012	50,111
2013	28,392
2014	26,778
2015	13,389
Total Minimum Rentals	\$ 170,101
Rental Expenditures in 2010	\$ 51,431

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

G. <u>Risk Management</u>

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$204,717, \$175,429 and \$152,643, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$209,978, \$180,363 and \$156,936, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$781,902 for the year ended August 31, 2010.

I. Retiree Health Care Plan

Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

contributions to TRS-Care were \$130,899, \$125,234, and \$120,830, respectively, the active member contributions were \$85,084, \$81,402, and \$78,540, respectively, and the District's contributions were \$71,994, \$68,879, and \$66,457, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$32,103, \$28,183, and \$27,777, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$406 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

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

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31,2010.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts		Expenditures
Glen Rose ISD	\$	524,338
Lipan ISD		96,825
Tolar ISD		206,384
Total	\$_	827,547

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

M. Subsequent Events

The District issed two bonds in September 2010. The first was an Unlimited Tax School Building Bonds, Series 2010-A for \$11,410,000 and matures August 15, 2026. The second was an Unlimited Tax School Building Bonds, Taxable Series 2010-B (Direct Subsidy-Build America Bond) for \$8,585,000 and matures August 15, 2024.

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

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2010

D-4-			1		2	3		ariance with
Data Control			Budgete	dΔn	nounte		r	inal Budget Positive
Codes		_	Original	u Ali	Final	Actual		(Negative)
	REVENUES:	-	Originar	-	Tittal	T (Otali	_	(Hogalito)
5700	Local and Intermediate Sources	\$	27,887,589	\$	28,939,747	\$ 29,015,802	\$	76,055
5800	State Program Revenues		3,175,410		3,722,823	3,579,381		(143,442)
5900	Federal Program Revenues		50,000		50,000	2.0		(50,000)
5020	· Total Revenues		31,112,999		32,712,570	32,595,183	_	(117,387)
	EXPENDITURES:							
	Current:							
	Instruction & Instructional Related Services:					1986		
0011	Instruction		9,979,415		10,146,331	10,192,349		(46,018)
0012	Instructional Resources and Media Services		294,120		305,653	304,621		1,032
0013	Curriculum and Staff Development		233,401		201,939	178,531		23,408
	Total Instruction & Instr. Related Services	_	10,506,936	_	10,653,923	10,675,501		(21,578)
	Instructional and School Leadership:							
0021	Instructional Leadership		3,700		4,083	2,937		1,146
0023	School Leadership		855,382		851,991	832,519		19,472
	Total Instructional & School Leadership		859,082	***	856,074	835,456		20,618
	•	-	· · · · · ·	-	•		_	
	Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services		381,005		388,355	371,264		17,091
0033	Health Services		195,579		211,585	206,703		4,882
0034	Student (Pupil) Transportation		1,090,931		1,013,106	965,161		47,945
0036	Cocurricular/Extracurricular Activities		1,040,676	_	1,106,883	887,248	_	219,635
	Total Support Services - Student (Pupil)	_	2,708,191	_	2,719,929	2,430,376	•	289,553
	Administrative Support Services:							
0041	General Administration		1,052,589		1,118,919	1,096,176		22,743
	Total Administrative Support Services	-	1,052,589	-	1,118,919	1,096,176		22,743
		***					-	
	Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations		2,496,863		2,512,370	2,405,005		107,365
0052	Security and Monitoring Services		4,500		4,950	4,948		2
0053	Data Processing Services		229,041		227,097	218,407	_	8,690
	Total Support Services - Nonstudent Based	-	2,730,404	-	2,744,417	2,628,360	-	116,057
	Ancillary Services:							
0061	Community Services		33,216		33,216	9,833		23,383
	Total Ancillary Services	_	33,216		33,216	9,833	_	23,383
2021	Intergovernmental Charges:		40.070.700		10.010.107			440.000
0091	Contracted Instr. Services Between Public Schools	S	12,370,706		13,210,167	12,767,177		442,990
0093	Payments to Fiscal Agent/Member DistSSA	-	705,360		135,015	123,255	-	11,760
	Total Intergovernmental Charges		13,076,066		13,345,182	12,890,432	-	454,750
6030	Total Expenditures	-	30,966,484		31,471,660	30,566,134	-	905,526
	,	-	· · · · · · · · · · · · · · · · · · ·				-	
1100	Excess (Deficiency) of Revenues Over (Under)					and the second		.
1100	Expenditures		146,515		1,240,910	2,029,049	_	788,139
	Other Financing Sources (Uses):					100000000000000000000000000000000000000		
7912	Sale of Real or Personal Property				17,100	17,174		74
7915	Transfers In		500			24,500		24,500

EXHIBIT G-1 Page 2 of 2

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2010

Data		1	2	3	Variance with Final Budget
Control		Budgeted A	mounts		Positive
Codes		Original	Final	Actual	(Negative)
8911	Transfers Out	(70,000)	(9,124,000)	(9,099,216)	24,784
7080	Total Other Financing Sources and (Uses)	(69,500)	(9,106,900)	(9,057,542)	49,358
1200	Net Change in Fund Balance	77,015	(7,865,990)	(7,028,493)	837,497
0100	Fund Balance - Beginning	16,155,754	16,155,754	16,155,754	
3000	Fund Balance - Ending	\$ 16,232,769 \$	8,289,764	\$ 9,127,261	\$ 837,497

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

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

	1	2	3 Assessed/Appraised			
Year Ended	***************************************	Tax Rates				
August 31	Maintenance	Debt Service	Tax Purposes			
2001 and Prior Years	\$ Various	\$ Various	\$ Various			
2002	0.9690	.0688	2,205,632,182			
2003	1.0753		1,804,738,767			
2004	1.0849	.0800	1,880,244,506			
2005	1.1178	.0800	1,928,706,863			
2006	1.1478	.0700	1,887,536,016			
2007	1.0578	.0700	2,069,866,388			
2008	0.8054	.0730	3,023,085,533			
2009	0.8252	.0690	3,235,959,698			
2010 (School Year Under Audit)	0.8250	.0690	3,436,182,438			
1000 Totals						

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/09	 20 31 32 Current Year's Maintenance Debt Service Total Levy Collections Collections		Maintenance		Debt Service		Debt Service		Debt Service		Debt Service		Debt Service		Debt Service		Debt Service		Debt Service		Debt Service		40 Entire Year's Adjustments		50 Ending Balance 8/31/10	
\$ 30,143	\$ 	\$	173	\$		\$	1,230	\$	31,200																	
13,651							955		14,606																	
15,727							1,195		16,922																	
31,560			14		1		(22,153)		9,392																	
38,886			4,033		289		(14,754)		19,810																	
39,598			4,383		267		(14,400)		20,548																	
46,277			5,683		376		(12,240)		27,978																	
57,972			9,773		886		(8,671)		38,642																	
207,825			78,133		6,533		(57,355)		65,804																	
	30,719,471		28,206,008		2,359,048				154,415																	
\$ 481,639	\$ 30,719,471	\$	28,308,200	\$	2,367,400	\$	(126,193)	\$	399,317																	
\$	\$ 	\$		\$		\$		\$																		

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2010

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

		1	2	3	4	5	6	7
		(702)	(703)	(701)	(750)	(720)	(Other)	
Account	Account	School	Tax	Supt's	Indirect	Direct		
Number	Name	Board	Collection	Office	Cost	Cost	Misc.	Total
611X-6146	Payroll Costs	\$ 1,303	\$	\$ 216,237	\$ 360,631	\$	\$ 8,728	\$ 586,899
	Fringe Benefits (Unused Leave							
	for Separating Employees in							
6149	Function 41 and Related 53)		40.4	44			4.	
	Fringe Benefits (Unused Leave							
	for Separating Employees in			recolorance roller				Į
	all Functions except Function					48.6		
6149	41 and Related 53)		4.0			44		
6211	Legal Services			25,779			#=	25,779
6212	Audit Services		***		29,345			29,345
6213	Tax Appraisal and Collection	10 0 0 0 11 (0 0 0 0	349,751	6.600			**	349,751
621X	Other Prof. Services				10,933			10,933
6220	Tuition and Transfer Payments			4-	-24	300 (0 44 0)		
6230	Education Service Centers							
6240	Contr. Maint. and Repair					1,139	**	1,139
6250	Utilities	***	44					
6260	Rentals		2-	100	10,546			10,646
6290	Miscellaneous Contr.				2,919			2,919
6310	Operational Supplies, Materials							
6320	Textbooks and Reading			218				218
6330	Testing Materials							
63XX	Other Supplies, Materials			383	11,733			12,116
6410	Travel, Subsistence, Stipends	5,365		1,280	1,908			8,553
6420	Ins. and Bonding Costs				11,039			11,039
6430	Election Costs	5,914	7	7		5	7.	5,914
6490	Miscellaneous Operating	3,294		11,577	41,782			56,653
6500	Debt Service	4.5	7 - T					
6600	Capital Outlay	-			and the second			

6600	Capital Outlay	7								
Total		\$ <u>15,876</u> \$_	<u>349,751</u> \$	<u>255,574</u> \$_	480,836 \$	1,139	<u>\$</u>	8,728	<u> </u> \$	1,111,904
Total Expe	nditures for General and Special	Revenue Funds					(9	9)	\$	34,543,448
LESS: Ded	luctions of Unallowable Costs									
Total Debt Plant Main Food (Fund Stipends (6	tal Outlay (6600) & Lease (6500) tenance (Function 51, 6100-640) ction 35, 6341 and 6499) 6413) (above) - Total Indirect Cost	FISCAL YEAR D)				(10) (11) (12) (13) (14)	***	453,838 2,407,456 371,18	} 	
		Subtotal							_	3,713,311
Net Allowe	ed Direct Cost								\$_	30,830,137
Historical (Amount of Total Cost Historical (of Buildings Before Depreciation Cost of Buildings over 50 years of Federal Money in Building Cost of Furniture & Equipment Before Cost of Furniture & Equipment ov Federal Money in Furniture & Ec	old (Net of #16) Depreciation (153 ver 16 years old	•					(15) (16) (17) (18) (19) (20)	\$ \$ \$ \$ \$ \$	54,241,343 201,725 4,705,022 950,579

⁽⁸⁾ Note A - \$7,000 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED) GENERAL FUND AS OF AUGUST 31, 2010

Data Control		
Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 9,127,261
2	Total General Fund Reserved 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 the General Fund only)	528,024
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	5,094,356
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	2,547,178
6	Estimate of delayed payments from state sources (58XX) including August payment delays	20,771
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	
8	Estimate of delayed payments from federal sources (59XX)	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	8,190,329
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$936,932

The Undesignated Unreserved General Fund Fund Balance will be used for on-going renovations.

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2010

Data			1	2		3 Variance
Control						Positive
Codes		Е	Budget	Actual		(Negative)
	REVENUES:	***************************************	<u> </u>		_	<u> </u>
5700	Local and Intermediate Sources	\$	416,110	\$ 435,361	\$	19,251
5800	State Program Revenues		5,000	5,111		1 1 1
5900	Federal Program Revenues		473,560	493,463		19,903
5020	Total Revenues		894,670	933,935		39,265
	EXPENDITURES:					
	Current:					
	Support Services - Student (Pupil):					
0035	Food Services		1,052,378	1,011,143		41,235
	Total Support Services - Student (Pupil)		1,052,378	1,011,143	_	41,235
	Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations		200	8		192
	Total Support Services - Nonstudent Based		200	8		192
6030	Total Expenditures		1,052,578	1,011,151		41,427
1100	Excess (Deficiency) of Revenues Over (Under)			Contraction (SE Digital		
1100	Expenditures		(157,908)	(77,216)	_	80,692
	Other Financing Sources (Uses):			alian affantantan affantan kanasan sara		
7915	Transfers In		90,000	77,216		(12,784)
8911	Transfers Out		(20,000)	**		20,000
7080	Total Other Financing Sources and (Uses)		70,000	77,216	_	7,216
1200	Net Change in Fund Balance		(87,908)		_	87,908
0100	Fund Balance - Beginning					<u></u>
3000	Fund Balance - Ending	\$	(87,908)	\$	\$	87,908
				· · · · · · · · · · · · · · · · · · ·		

DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2010

			1	2		3
Data						Variance
Control						Positive
Codes			Budget	Actual	_	(Negative)
	REVENUES:					
5700	Local and Intermediate Sources	\$	2,394,668	\$ 2,397,912	\$_	3,244
5020	Total Revenues		2,394,668	2,397,912	_	3,244
	EXPENDITURES:					
	Debt Service:					
0071	Principal on Long-Term Debt		2,124,284	2,115,000		9,284
0072	Interest on Long-Term Debt		906.012	905,253		759
0073	Bond Issuance Costs and Fees		145,592	155,093		(9,501)
00.0	Total Debt Service	\	3,175,888	3,175,346		542
	10.00, 20, 1100	_		0,770,040	_	
6030	Total Expenditures		3,175,888	3,175,346		542
					_	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		(781,220)	(777,434)		3,786
				100000000000000000000000000000000000000	_	
	Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)		11,265,000	11,265,000		
7915	Transfers In		1,554,726	Ave		(1,554,726)
7916	Premium or Discount on Issuance of Bonds		722,424	722,639		215
8911	Transfers Out		(1,554,727)	100 mg		1,554,727
8949	Other Uses		(11,265,247)	(11,265,000		247
7080	Total Other Financing Sources and (Uses)	_	722,176	722,639		463
1200	Net Change in Fund Balance		(59,044)	(54,795) _	4,249
0100	Fund Balance - Beginning	*****************	317,761	317,761		
3000	Fund Balance - Ending	\$	258,717	\$ 262,966	\$	4,249



Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees Glen Rose Independent School District P.O. Box 2129 Glen Rose, Texas 76043

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Rose Independent School District as of and for the year ended August 31, 2010, which collectively comprise the Glen Rose Independent School District's basic financial statements and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Glen Rose Independent School District in a separate letter dated December 6, 2010.

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

Respectfully submitted,

Snow, Garrett & Company

Suaw, Garrett & Congany

December 6, 2010



Independent Auditor's Report

Report on Compliance with Requirements Applicable

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

Board of Trustees Glen Rose Independent School District P.O. Box 2129 Glen Rose, Texas 76043

Members of the Board of Trustees:

Compliance

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

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

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

Internal Control Over Compliance

Management of Glen Rose Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Glen Rose Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Glen Rose Independent School District's internal control over compliance.

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

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

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

Respectfully submitted,

Snow, Garrett & Company December 6, 2010

Snow, Ganett & Corpung

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Auditor's Results

NONE

1.	Financial Statements			
	Type of auditor's report issued:		Unqualified	
	Internal control over financial reporting:			
	One or more material weaknesses	identified?	Yes	X_ No
	One or more significant deficiencie are not considered to be material v		Yes	X None Reported
	Noncompliance material to financial statements noted?		Yes	X No
2.	Federal Awards			
	Internal control over major programs:			
	One or more material weaknesses	s identified?	Yes	X No
	One or more significant deficiencie are not considered to be material		Yes	X None Reporte
	Type of auditor's report issued on comp major programs:	pliance for	<u>Unqualified</u>	
	Any audit findings disclosed that are re to be reported in accordance with sec of Circular A-133?		Yes	X_ No
	Identification of major programs:			
	CFDA Number(s)	Name of Federal	Program or Cluste	<u>er</u>
	84.010A 84.389A 84.027A 84.173 84.173 84.391A 84.392A 84.394A	SSA IDEA-B Ford PreSchool LRE G SSA IDEA-B Pres ARRA- SSA IDEA ARRA - SSA IDEA	lle I Part A - Impro nula Brant School	oving Basic Programs
	Dollar threshold used to distinguish be	tween		
	type A and type B programs:		<u>\$300,000</u>	
	Auditee qualified as low-risk auditee?		X Yes	No
В. <u>F</u> i	nancial Statement Findings			
N	ONE			
C. <u>F</u>	ederal Award Findings and Questioned Co	<u>osts</u>		

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED AUGUST 31, 2010

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None		1

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED AUGUST 31, 2010

A corrective action plan is not needed.

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION Passed Through State Department of Education: ESEA Title I Part A - Improving Basic Programs *	84.010A	10610101213901	206 070
ESEA Title I Part A - Improving Basic Programs * Total CFDA Number 84.010A	84.010A	11610101213901	206,270 14,845 221,115
SSA IDEA-B Formula *	84.027A	106600012139016600	451,404
PreSchool LRE * SSA IDEA-B Preschool * Total CFDA Number 84.173	84.173 84.173	11661022 106610012139016610	25,000 10,878 35,878
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186A	10691001213901	4,465
Title III Part A English Language Acquisition and Language Enhancer	84.365A	10671001213901	19,790
ESEA Title II Part A - Teacher & Principal Training & Recruiting ESEA Title II Part A - Teacher & Principal Training & Recruiting Total CFDA Number 84.367A	84.367A 84.367A	10694501213901 11694501213901	58,828 5,963 64,791
Summer School LEP	84.369A	S369A080045	2,053
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389A	10551001213901	55,981
ARRA - SSA IDEA-Part B Formula *	84.391A	10554001213901	428,645
ARRA - SSA IDEA Part B, Preschool *	84.392A	10555001213901	2,656
ARRA Title XIV State Fiscal Stabilization Fund * Total Passed Through State Department of Education Total U. S. Department of Education	84.394A	10557001213901	503,005 1,789,783 1,789,783
U. S. DEPARTMENT OF AGRICULTURE Passed Through State Department of Education: School Breakfast Program *	10.553	71401001	112,945
National School Lunch Program *	10.555	71301001	336,366
Commodity Supplemental Food Program (Non-cash) Total Passed Through State Department of Education Total U. S. Department of Agriculture TOTAL EXPENDITURES OF FEDERAL AWARDS	10.565	213001A	44,152 493,463 493,463 2,283,246

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

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation

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

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

Data Control Codes		F	esponses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?		No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?		Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?		No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?		No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$	684,698