

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2011*

## *Introductory Section*

Glen Rose Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2011

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CERTIFICATE OF BOARD

Glen Rose Independent School District  
Name of School District

Somervell  
County

213-901  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved \_\_\_\_\_disapproved for the year ended August 31, 2011, at a meeting of the board of trustees of such school district on the 15<sup>th</sup> day of DECEMBER, 2011.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

## *Financial Section*



# Snow, Garrett & Company

## CERTIFIED PUBLIC ACCOUNTANTS

### 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, 2011, 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.

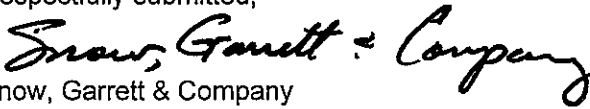
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Glen Rose Independent School District as of August 31, 2011, and the 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 12, 2011, 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 individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The individual nonmajor fund financial statements and other supplementary information 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Snow, Garrett & Company".

Snow, Garrett & Company  
December 12, 2011



## 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, 2011. 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 \$40,146,834 (*net assets*). Of this amount, \$20,583,440 (*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 \$29,359,816. Approximately 25 percent of this total amount, \$7,446,223, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,446,223, or 24 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, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 13-16 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 17.
- **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 18-30 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.

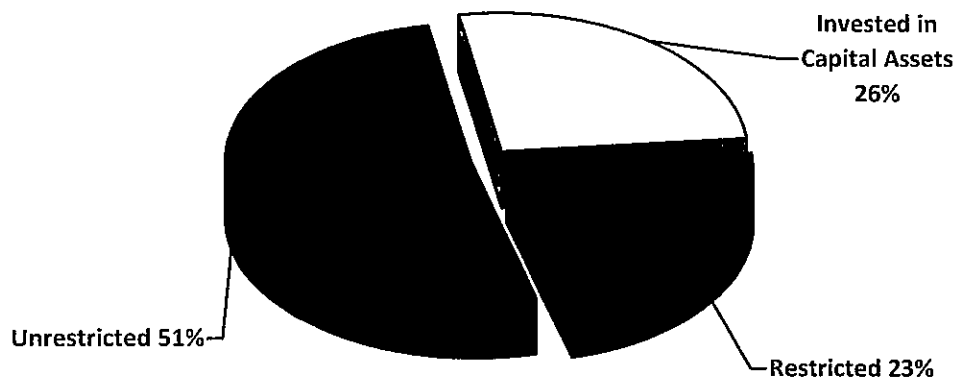
## Government-wide Financial Analysis

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 \$40,146,834, as of August 31, 2011.

### The District's Net Assets

	August 31, 2011	August 31, 2010
Current assets	\$ 34,060,087	\$ 22,613,576
Capital assets	40,116,377	29,848,438
Total assets	<u>74,176,464</u>	<u>52,462,014</u>
Current liabilities	4,241,230	1,996,984
Long-term liabilities outstanding	29,788,400	11,797,007
total liabilities	<u>34,029,630</u>	<u>13,793,991</u>
Net assets:		
Invested in capital assets, net of related debt	10,507,881	18,124,151
Restricted	9,055,513	11,131,081
Unrestricted	20,583,440	9,412,791
Total net assets	<u>\$ 40,146,834</u>	<u>\$ 38,668,023</u>

### Net Assets as of 8/31/11



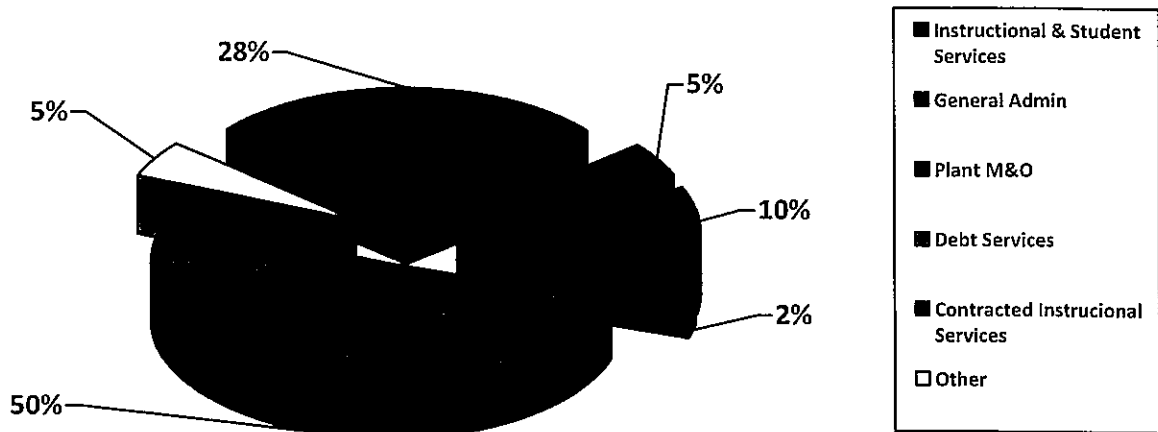
Investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$10,507,881. The District uses these capital assets to provide services to students; consequently, these assets 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 \$9,055,513 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*, \$20,583,440, 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 \$1,478,811. The total cost of all *governmental activities* this year was \$37,629,697. The amount that our taxpayers paid for these activities through property taxes was \$30,298,959 or 81%.

### Changes in the District's Net Assets

	Fiscal Year August 31, 2011	Fiscal Year August 31, 2010
Revenues:		
Program Revenues		
Charges for Services	\$ 506,328	\$ 553,989
Operating Grants and Contributions	2,889,927	3,262,562
General revenues		
Property Taxes	30,298,959	30,705,471
State Grants	4,050,924	2,867,776
Other	1,436,169	1,457,714
Total Revenues	<u>39,182,307</u>	<u>38,847,512</u>
Expenses:		
Instruction	12,850,025	13,453,683
Instruction Resources & Media Services	347,061	388,306
Curriculum and Staff Development	243,387	243,180
Instructional Leadership	166,183	156,168
School Leadership	968,064	913,155
Guidance, Counseling & Evaluation Services	655,855	641,160
Health Services	212,745	228,388
Student Transportation	737,404	761,994
Food Service	1,112,372	1,117,358
Cocurricular / Extracurricular Activities	1,094,403	1,193,546
General Administration	1,231,813	1,213,630
Plant Maintenance & Operations	2,545,282	3,179,760
Security and Monitoring Services	4,900	5,839
Data Processing Services	790,692	239,562
Community Services	24,048	10,785
Interest on Long-Term Debt	271,206	793,022
Bond Issuance Costs and Fees	223,760	595,613
Capital Outlay	18,457	2,000
Contracted Instructional Services between Schools	13,657,083	12,767,177
Payments Related to Shared Service Arrangements	474,957	491,116
Total Expenses	<u>37,629,697</u>	<u>38,395,442</u>
Net Change in Fund Balance before Sepcial and Extraordinary Items	1,552,610	452,070
Extraordinary Items	(73,799)	-
Increase (decrease) in net assets	1,478,811	452,070
Beginning net assets	38,668,023	38,215,953
Ending net assets	<u>\$ 40,146,834</u>	<u>\$ 38,668,023</u>

### Expenditures by Function



### Financial Analysis of the District's Funds

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

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned 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 \$29,359,816, an increase of \$9,026,956. Approximately 25 percent of this total amount (\$7,446,223) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted*, *committed*, or *assigned* to indicate that it is not available for new spending because it has already been (1) *restricted* for (a) capital acquisitions and contractual obligations (\$8,711,788), (b) debt service (\$211,171), and (c) other miscellaneous fund restrictions (\$111,587); (2) *committed* for (a) construction (\$7,463,988), (b) equipment (\$4,582,000), and (c) other commitments (\$825,011); and (3) *assigned* for other miscellaneous designations (\$8,048).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,446,223, out of a total fund balance of \$9,046,223. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 24 percent of the total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the District's general fund decreased \$81,038 during the current fiscal year. Key factors in this decrease are:

- The 10 -11 original budget projected that revenues would exceed expenditures by \$73,078. Actual expenditures for 10-11 were \$524,019 less than the original budgeted expenditures and actual revenues were \$1,422,600 higher than the original budgeted revenues. \$2 million was transferred from the General Operating fund to the Capital Projects fund before August 31, 2011 for future building projects.
- Property values were 1.77% higher for Somervell County in 10-11 and values for the Hood County property in our school district boundaries decreased by 24.03% netting and overall increase in property values of only 0.12%.

### **General Fund Budgetary Highlights**

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments were due to allow for unexpected occurrences and to better reflect the activities of the District. Budget revisions were primarily due to:

- An increase in revenue sources. Revenues were budgeted at a lower than expected level to insure that the expenditure budget could be funded adequately.
- Amendments to the expenditure budget was done mainly to get expenditures reported in the correct categories and not to increase expenditures.

The debt service fund has a total fund balance of \$211,171, all of which is restricted for the payment of debt service. The net decrease in fund balance during the period in the debt service was \$51,795.

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 \$19,857,776 as of August 31, 2011, all of which is restricted or committed for capital projects. The net increase in fund balance for the fiscal year ending August 31, 2011, was \$9,050,327.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2011, amounts to \$40,116,377 (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)**

	<u>August 31, 2011</u>	<u>August 31, 2010</u>
Land	\$ 2,760,569	\$ 2,760,569
Buildings and improvements	23,706,332	25,339,343
Furniture and equipment	2,149,346	1,626,130
Construction in progress	11,500,130	122,396
Total at historical cost	<u>\$ 40,116,377</u>	<u>\$ 29,848,438</u>

Additional information on the District's capital assets can be found in Note D on page 24 of this report.

**Long-term debt.** As of August 31, 2011, the District had total general obligation bonded debt outstanding of \$28,500,000, an increase of \$18,020,000 over the prior year. The District had Accumulated Accretion on Capital Appreciation Bonds outstanding of \$1,071,056, an increase of \$386,358 over the prior year. The premium for the bonds is \$217,344, an decrease of \$414,965 from the previous year.

Additional information on the District's long-term debt can be found in Note F on pages 25-26 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**

- 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 2010-2011
- \$300 per year (\$25/per month/per employee) budgeted again for each employee for an insurance supplement.
- Chapter 41 (recapture) payment increased by \$651,862
- The District budgeted revenues of \$32,090,286 and expenditures of \$31,991,240 the 2011-2012 budget with an anticipated \$99,046 of revenues over expenditures.
- Absorbed 11.5 positions in 2011-2012; eliminated one bus purchase; reduced contracted maintenance and repair; local instructional grants were reduced

### **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.

## *Basic Financial Statements*



**GLEN ROSE INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

AUGUST 31, 2011

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 27,622,892
1120	Current Investments	5,065,767
1225	Property Taxes Receivable (Net)	279,137
1240	Due from Other Governments	864,426
1250	Accrued Interest	9,584
1290	Other Receivables (Net)	2,100
1420	Capitalized Bond and Other Debt Issuance Costs	216,181
Capital Assets:		
1510	Land	2,760,569
1520	Buildings and Improvements, Net	23,706,332
1530	Furniture and Equipment, Net	2,149,346
1580	Construction in Progress	11,500,130
1000	Total Assets	<u>74,176,464</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	1,591,783
2140	Interest Payable	36,277
2165	Accrued Liabilities	661,326
2180	Due to Other Governments	90,788
2300	Unearned Revenue	1,861,056
Noncurrent Liabilities:		
2501	Due Within One Year	775,000
2502	Due in More Than One Year	29,013,400
2000	Total Liabilities	<u>34,029,630</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	10,507,881
Restricted For:		
3850	Debt Service	232,138
3860	Capital Projects	8,711,788
3880	Scholarships	38,930
3890	Shared Service Arrangement	72,657
3900	Unrestricted	20,583,440
3000	Total Net Assets	<u>\$ 40,146,834</u>

The accompanying notes are an integral part of this statement.

## GLEN ROSE INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		Net (Expense) Revenue and Changes in Net Assets
				Operating Grants and Contributions	Governmental Activities	
	Governmental Activities:					
11	Instruction	\$ 12,850,025	\$ --	\$ 1,587,898	\$ (11,262,127)	
12	Instructional Resources and Media Services	347,061	--	--	(347,061)	
13	Curriculum and Staff Development	243,387	--	9,889	(233,498)	
21	Instructional Leadership	166,183	--	27,836	(138,347)	
23	School Leadership	968,064	--	--	(968,064)	
31	Guidance, Counseling, & Evaluation Services	655,855	--	206,937	(448,918)	
33	Health Services	212,745	--	2,407	(210,338)	
34	Student Transportation	737,404	27,526	47,482	(662,396)	
35	Food Service	1,112,372	402,333	479,734	(230,305)	
36	Cocurricular/Extracurricular Activities	1,094,403	64,799	42,675	(986,929)	
41	General Administration	1,231,813	--	1,781	(1,230,032)	
51	Plant Maintenance and Operations	2,545,282	11,670	8,326	(2,525,286)	
52	Security and Monitoring Services	4,900	--	5	(4,895)	
53	Data Processing Services	790,692	--	--	(790,692)	
61	Community Services	24,048	--	--	(24,048)	
72	Interest on Long-term Debt	271,206	--	--	(271,206)	
73	Bond Issuance Costs and Fees	223,760	--	--	(223,760)	
81	Capital Outlay	18,457	--	--	(18,457)	
91	Contracted Instructional Services between Schools	13,657,083	--	--	(13,657,083)	
93	Payments Related to Shared Services Arrangements	474,957	--	474,957	--	
TG	Total Governmental Activities	<u>37,629,697</u>	<u>506,328</u>	<u>2,889,927</u>	<u>(34,233,442)</u>	
TP	Total Primary Government	<u>\$ 37,629,697</u>	<u>\$ 506,328</u>	<u>\$ 2,889,927</u>	<u>(34,233,442)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				27,960,746	
DT	Property Taxes, Levied for Debt Service				2,338,213	
IE	Investment Earnings				306,185	
GC	Grants and Contributions Not Restricted to Specific Programs				4,050,924	
MI	Miscellaneous				1,129,984	
	Special and Extraordinary Items:					
S2	Special Item Outflow				(73,799)	
TR	Total General Revenues				<u>35,712,253</u>	
CN	Change in Net Assets				<u>1,478,811</u>	
NB	Net Assets - Beginning				38,668,023	
NE	Net Assets - Ending				<u>\$ 40,146,834</u>	

The accompanying notes are an integral part of this statement.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 8,307,671	\$ 19,147,728	\$ 167,493	\$ 27,622,892
1120 Current Investments	2,662,618	2,165,157	237,992	5,065,767
1225 Taxes Receivable	388,057	--	29,633	417,690
1230 Allowance for Uncollectible Taxes (Credit)	(129,887)	--	(8,666)	(138,553)
1240 Due from Other Governments	6,349	--	858,077	864,426
1250 Accrued Interest	9,584	--	--	9,584
1260 Due from Other Funds	1,108,394	2,500	423,052	1,533,946
1290 Other Receivables	--	--	2,100	2,100
1000 Total Assets	<u>\$ 12,352,786</u>	<u>\$ 21,315,385</u>	<u>\$ 1,709,681</u>	<u>\$ 35,377,852</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 116,622	\$ 1,406,065	\$ 69,096	\$ 1,591,783
2150 Payroll Deductions & Withholdings	737	--	--	737
2160 Accrued Wages Payable	564,184	--	96,405	660,589
2170 Due to Other Funds	425,552	51,544	1,056,850	1,533,946
2180 Due to Other Governments	90,788	--	--	90,788
2300 Unearned Revenue	2,108,680	--	31,513	2,140,193
2000 Total Liabilities	<u>3,306,563</u>	<u>1,457,609</u>	<u>1,253,864</u>	<u>6,018,036</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3470 Capital Acquisitions & Contractual Obligations	--	8,711,788	--	8,711,788
3480 Retirement of Long-Term Debt	--	--	211,171	211,171
3490 Other Restrictions of Fund Balance	--	--	111,587	111,587
Committed Fund Balances:				
3510 Construction	500,000	6,963,988	--	7,463,988
3530 Capital Expenditures for Equipment	400,000	4,182,000	--	4,582,000
3545 Other Committed Fund Balance	700,000	--	125,011	825,011
Assigned Fund Balances:				
3590 Other Assigned Fund Balance	--	--	8,048	8,048
3600 Unassigned	7,446,223	--	--	7,446,223
3000 Total Fund Balances	<u>9,046,223</u>	<u>19,857,776</u>	<u>455,817</u>	<u>29,359,816</u>
4000 Total Liabilities and Fund Balances	<u>\$ 12,352,786</u>	<u>\$ 21,315,385</u>	<u>\$ 1,709,681</u>	<u>\$ 35,377,852</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 29,359,816
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	40,116,377
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	279,137
Payables for bond principal which are not due in the current period are not reported in the funds.	(28,500,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(36,277)
Bond issuance costs are capitalized in the SNA but not in the funds.	216,181
Premium on bonds are capitalized in the SNA but not in the funds.	(217,344)
The accumulated accretion on capital appreciation bonds is reported in the SNA but not in the funds.	<u>(1,071,056)</u>
Net assets of governmental activities - Statement of Net Assets	\$ <u>40,146,834</u>

The accompanying notes are an integral part of this statement.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 28,276,511	\$ 31,882	\$ 3,862,438	\$ 32,170,831
5800 State Program Revenues	4,768,722	--	179,071	4,947,793
5900 Federal Program Revenues	--	--	1,993,058	1,993,058
5020 Total Revenues	<u>33,045,233</u>	<u>31,882</u>	<u>6,034,567</u>	<u>39,111,682</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	10,077,706	173,106	1,520,747	11,771,559
0012 Instructional Resources and Media Services	298,055	16,033	2,995	317,083
0013 Curriculum and Staff Development	211,286	--	11,078	222,364
0021 Instructional Leadership	2,342	--	149,487	151,829
0023 School Leadership	881,797	2,498	151	884,446
0031 Guidance, Counseling, & Evaluation Services	385,471	--	213,733	599,204
0033 Health Services	185,157	--	9,212	194,369
0034 Student Transportation	791,421	2,880	46,680	840,981
0035 Food Service	--	56,267	1,001,876	1,058,143
0036 Cocurricular/Extracurricular Activities	873,324	9,161	118,970	1,001,455
0041 General Administration	1,108,569	7,184	9,660	1,125,413
0051 Plant Maintenance and Operations	2,238,236	121,256	22,776	2,382,268
0052 Security and Monitoring Services	4,352	--	125	4,477
0053 Data Processing Services	219,266	1,392,232	--	1,611,498
0061 Community Services	21,971	--	--	21,971
0071 Principal on Long-term Debt	--	--	1,975,000	1,975,000
0072 Interest on Long-term Debt	--	--	830,174	830,174
0073 Bond Issuance Costs and Fees	--	304,215	53,046	357,261
0081 Capital Outlay	--	11,083,570	--	11,083,570
0091 Contracted Instructional Services				
0091 Between Public Schools	13,657,083	--	--	13,657,083
0093 Payments to Shared Service Arrangements	--	--	474,957	474,957
6030 Total Expenditures	<u>30,956,036</u>	<u>13,168,402</u>	<u>6,440,667</u>	<u>50,565,105</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>2,089,197</u>	<u>(13,136,520)</u>	<u>(406,100)</u>	<u>(11,453,423)</u>
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	19,995,000	--	19,995,000
7912 Sale of Real or Personal Property	2,500	--	--	2,500
7915 Transfers In	--	2,069,115	98,936	2,168,051
7916 Premium or Discount on Issuance of Bonds	--	122,732	433,946	556,678
8911 Transfers Out	(2,098,936)	--	(69,115)	(2,168,051)
8949 Other Uses	(73,799)	--	--	(73,799)
7080 Total Other Financing Sources and (Uses)	<u>(2,170,235)</u>	<u>22,186,847</u>	<u>463,767</u>	<u>20,480,379</u>
1200 Net Change in Fund Balances	<u>(81,038)</u>	<u>9,050,327</u>	<u>57,667</u>	<u>9,026,956</u>
0100 Fund Balances - Beginning	9,127,261	10,807,449	398,150	20,332,860
3000 Fund Balances - Ending	<u>\$ 9,046,223</u>	<u>\$ 19,857,776</u>	<u>\$ 455,817</u>	<u>\$ 29,359,816</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ 9,026,956
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	12,360,887
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,092,948)
The gain or loss on the sale of capital assets is not reported in the funds.	2,500
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(2,500)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	68,127
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,975,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(21,499)
The accretion of interest on capital appreciation bonds is not reported in the funds.	567,585
(Increase) decrease in accrued interest from beginning of period to end of period.	(26,316)
Bond premiums are amortized in the SOA but not in the funds.	17,699
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(19,995,000)
Bond premiums are reported in the funds but not in the SOA.	(556,678)
Bond issuance costs are expenditures in the funds but not in the SOA.	155,000
Change in net assets of governmental activities - Statement of Activities	\$ <u>1,478,811</u>

The accompanying notes are an integral part of this statement.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2011**

Data Control Codes		Agency Funds
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 83,256
1000	Total Assets	\$ 83,256
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 83,256
2000	Total Liabilities	83,256
	<b>NET ASSETS</b>	
3000	Total Net Assets	\$ --

The accompanying notes are an integral part of this statement.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

**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.

**Capital Projects Fund:** This fund is used to account for financial resources to be used for the acquisition or construction of major capital expenditures.

In addition, the District reports the following fund types:



**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	30
Equipment	3-15

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.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board shall delegate to the Superintendent the authority to assign amounts to be expended for specific purposes.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

At a minimum the District shall maintain committed, assigned, and unassigned fund balances in the general operating fund equal to or exceeding 20 percent of the total annual operating expenditures. If the committed, assigned, or unassigned fund balance fall below 20 percent of the the total annual operating expenditures, the administration shall immediately prepare a plan for Board approval to restore the unassigned fund balance to the 20 percent level.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**B. Compliance and Accountability**

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

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

<u>Violation</u>	<u>Action Taken</u>
Debt Service Fund actual expenditures exceed Final Budgeted amount	The negative variance with final budget is related to the issuances of the Unlimited Tax School Building Bond, Series 2010 A and Build America Bonds, Series 2010 B.

**C. Deposits and Investments**

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

**1. Cash Deposits:**

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$27,706,149 and the bank balance was \$19,910,592. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, 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, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool- LGIP	Wtd Avg Maturity 52 days	\$ 2,879,500
TexStar- LGIP	Wtd Avg Maturity 36 days	2,165,156
Edward Jones- donated	N/A	21,110
Total Investments		<u>\$ 5,065,766</u>

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

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, 2011, 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	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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.

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,760,569	\$ --	\$ --	\$ 2,760,569
Construction in progress	122,396	11,500,130	122,396	11,500,130
Total capital assets not being depreciated	<u>2,882,965</u>	<u>11,500,130</u>	<u>122,396</u>	<u>14,260,699</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	54,241,343	134,979	--	54,376,322
Equipment	4,705,022	848,174	90,436	5,462,760
Total capital assets being depreciated	<u>58,946,365</u>	<u>983,153</u>	<u>90,436</u>	<u>59,839,082</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,902,000)	(1,767,990)	--	(30,669,990)
Equipment	(3,078,892)	(324,958)	(90,436)	(3,313,414)
Total accumulated depreciation	<u>(31,980,892)</u>	<u>(2,092,948)</u>	<u>(90,436)</u>	<u>(33,983,404)</u>
Total capital assets being depreciated, net	<u>26,965,473</u>	<u>(1,109,795)</u>	<u>--</u>	<u>25,855,678</u>
Governmental activities capital assets, net	<u>\$ 29,848,438</u>	<u>\$ 10,390,335</u>	<u>\$ 122,396</u>	<u>\$ 40,116,377</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,109,968
Instructional Resources and Media Services	29,978
Curriculum and Staff Development	21,023
Instructional Leadership	14,354
School Leadership	83,618
Guidance, Counseling, & Evaluation Services	56,651
Health Services	18,376
Student Transportation	79,509
Food Services	100,040
Extracurricular Activities	92,948
General Administration	106,400
Plant Maintenance and Operations	225,227
Security and Monitoring Services	423
Data Processing Services	152,356
Community Services	2,077
	<u>\$ 2,092,948</u>

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 1,047,350	For transfer of federal receipts
General Fund	Debt Service Fund	9,500	Short term loan
Capital Projects Fund	General Fund	2,500	Capital projects expenditures
Special Revenue Funds	General Fund	423,052	For transfer of federal receipts
General Fund	Capital Projects Funds	51,544	Capital projects expenditures
	Total	<u>\$ 1,533,946</u>	

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, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Food Service Fund	\$ 98,936	Supplement other fund sources
Debt Service Funds	Capital Projects Fund	69,115	Reimburse expenditures
General Fund	Capital Projects Fund	2,000,000	For future capital projects
	Total	<u>\$ 2,168,051</u>	

**F. 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, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 10,480,000	\$ 19,995,000	\$ 1,975,000	\$ 28,500,000	\$ 775,000
Accumulated accretion on CAB's	684,698	386,358	--	1,071,056	--
Premium amortized	632,309	197,600	612,565	217,344	--
Total governmental activities	<u>\$ 11,797,007</u>	<u>\$ 20,578,958</u>	<u>\$ 2,587,565</u>	<u>\$ 29,788,400</u>	<u>\$ 775,000</u>

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2011, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 775,000	\$ 1,654,363	\$ 2,429,363
2013	1,535,000	959,362	2,494,362
2014	1,595,000	965,063	2,560,063
2015	1,785,000	774,264	2,559,264
2016	1,820,000	738,563	2,558,563
2017-2021	9,820,000	2,970,491	12,790,491
2022-2026	11,170,000	1,231,690	12,401,690
Totals	<u>\$ 28,500,000</u>	<u>\$ 9,293,796</u>	<u>\$ 37,793,796</u>

The interest rate on the Unlimited Tax Refunding Bond, Series 2010 range from 2.00% to 2.50% and matures on August 15, 2017.

The interest rate on the Unlimited Tax School Building Bond, Series 2010 A range from 2.00% to 3.75% and matures on August 15, 2026.

The interest rate on the Build America Bonds, Series 2010 B range from 3.50% to 4.20% and matures on August 15, 2024.

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, 2011, 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.

<u>Bond Issue</u>	<u>Amount</u>
Series 2006	5,310,000
Series 2007	4,455,000
Total	<u>9,765,000</u>

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2011, as follows:

<u>Year Ending August 31,</u>	
2012	\$ 50,111
2013	28,829
2014	26,778
2015	13,389
Total Minimum Rentals	<u>\$ 119,107</u>
Rental Expenditures in 2011	<u>\$ 51,431</u>



**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

H. Risk Management

Property Casualty Program

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 2011, the District participated in the Texas Association of Public Schools Property and Liability Fund (the fund) with coverage in Auto Liability, Auto Physical Damage, Crime, Equipment Breakdown, General Liability, Manuscript Special, Property, Sexual Misconduct Endorsement and Special Legal Liability. The Fund was created under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2011, the Fund anticipates Glen Rose ISD has no additional liability the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in November or December of the current year. The Fund's audited financial statements as of August 31, 2010 are available at the TAPS offices.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**I. Pension Plan**

**1. Plan Description**

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

**2. Funding Policy**

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2011, 2010 and 2009 were \$203,692, \$204,717 and \$175,429, respectively. The District paid additional state contributions for the years ending August 31, 2011, 2010 and 2009 in the amount of \$211,457, \$209,979 and \$180,363, respectively, on portion of the employees' salaries that exceeded the statutory minimum. The amount contributed by the State on behalf of the District was \$778,703 for the year ended August 31, 2011.

**J. Retiree Health Care Plan**

**1. Plan Description**

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

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$128,389, \$130,899, and \$125,234, respectively, the active member contributions were \$83,453, \$85,084, and \$81,402, respectively, and the District's contributions were \$70,614, \$71,995, and \$68,879, 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, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$34,076, \$32,103, and \$28,183, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$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 Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

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

L. 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, 2011.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**M. Shared Services Arrangements**

**Shared Services Arrangement - Fiscal Agent**

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education 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 fund 437 and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Glen Rose ISD	\$ 498,016
Tolar ISD	265,427
Lipan ISD	99,830
Total	<u>\$ 863,273</u>

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for audiology services with the following school districts:

<u>Member Districts</u>	
Central Texas SSA	Granbury ISD
Greater Erath County SSA	Springtown ISD
Hood-Somervell County Co-Op	Stephenville ISD
Palo Pinto County Co-Op	Weatherford ISD
Parker County Co-Op	

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

### *Required Supplementary Information*

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

# GLEN ROSE INDEPENDENT SCHOOL DISTRICT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 27,016,649	\$ 28,223,439	\$ 28,276,511	\$ 53,072
5800	State Program Revenues	4,555,984	4,943,415	4,768,722	(174,693)
5900	Federal Program Revenues	50,000	--	--	--
5020	Total Revenues	31,622,633	33,166,854	33,045,233	(121,621)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	10,427,180	10,388,974	10,077,706	311,268
0012	Instructional Resources and Media Services	301,038	303,682	298,055	5,627
0013	Curriculum and Staff Development	219,482	226,857	211,286	15,571
	Total Instruction & Instr. Related Services	10,947,700	10,919,513	10,587,047	332,466
	Instructional and School Leadership:				
0021	Instructional Leadership	4,036	2,501	2,342	159
0023	School Leadership	854,458	886,263	881,797	4,466
	Total Instructional & School Leadership	858,494	888,764	884,139	4,625
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	379,105	397,944	385,471	12,473
0033	Health Services	180,770	190,792	185,157	5,635
0034	Student (Pupil) Transportation	917,342	910,937	791,421	119,516
0036	Cocurricular/Extracurricular Activities	1,069,582	993,320	873,324	119,996
	Total Support Services - Student (Pupil)	2,546,799	2,492,993	2,235,373	257,620
	Administrative Support Services:				
0041	General Administration	1,127,418	1,146,018	1,108,569	37,449
	Total Administrative Support Services	1,127,418	1,146,018	1,108,569	37,449
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	2,353,147	2,353,147	2,238,236	114,911
0052	Security and Monitoring Services	4,500	4,500	4,352	148
0053	Data Processing Services	229,582	231,832	219,266	12,566
	Total Support Services - Nonstudent Based	2,587,229	2,589,479	2,461,854	127,625
	Ancillary Services:				
0061	Community Services	33,035	33,785	21,971	11,814
	Total Ancillary Services	33,035	33,785	21,971	11,814
	Intergovernmental Charges:				
0091	Contracted Instr. Services Between Public Schools	13,247,441	13,573,373	13,657,083	(83,710)
0093	Payments to Fiscal Agent/Member Dist.-SSA	131,939	126,239	--	126,239
	Total Intergovernmental Charges	13,379,380	13,699,612	13,657,083	42,529
6030	Total Expenditures	31,480,055	31,770,164	30,956,036	814,128
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	142,578	1,396,690	2,089,197	692,507
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	2,500	2,500	--
7915	Transfers In	500	500	--	(500)

# GLEN ROSE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
8911	Transfers Out	(70,000)	(90,000)	(2,098,936)	(2,008,936)
8949	Other Uses	--	--	(73,799)	(73,799)
7080	Total Other Financing Sources and (Uses)	(69,500)	(87,000)	(2,170,235)	(2,083,235)
1200	Net Change in Fund Balance	73,078	1,309,690	(81,038)	(1,390,728)
0100	Fund Balance - Beginning	9,127,261	9,127,261	9,127,261	--
3000	Fund Balance - Ending	\$ 9,200,339	\$ 10,436,951	\$ 9,046,223	\$ (1,390,728)

### *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.



**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2011*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.0753		--		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		.8054		.0730		3,023,085,533
2009		.8252		.0690		3,235,959,698
2010		.8250		.0690		3,436,182,438
2011 (School Year Under Audit)		.8250		.0690		3,375,075,391

1000 Totals

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

Column 20, the current year's levy is the ending levy due provided by Somervell County Appraisal District.

Column 30, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 45,806	\$ --	\$ 49	\$ --	\$ (2,247)	\$ 43,510
16,922	--	271	--	--	16,651
9,392	--	116	9	--	9,267
19,810	--	9	1	2	19,802
20,548	--	961	58	(124)	19,405
27,978	--	5,250	347	215	22,596
38,642	--	9,320	845	(493)	27,984
65,804	--	24,309	2,033	3,962	43,424
154,415	--	79,205	6,624	(6,768)	61,818
--	30,173,174	27,702,966	2,316,975	--	153,233
<u>\$ 399,317</u>	<u>\$ 30,173,174</u>	<u>\$ 27,822,456</u>	<u>\$ 2,326,892</u>	<u>\$ (5,453)</u>	<u>\$ 417,690</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

# GLEN ROSE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2011

### FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ 2,072	\$ --	\$ 228,366	\$ 330,617	\$ --	\$ 12,010	\$ 573,065
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	11,616	--	--	--	11,616
6212	Audit Services	--	--	--	38,460	--	--	38,460
6213	Tax Appraisal and Collection	--	376,747	--	--	--	--	376,747
621X	Other Prof. Services	--	--	--	18,000	--	--	18,000
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	--	--
6240	Contr. Maint. and Repair	--	--	--	--	1,659	--	1,659
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	100	10,635	--	--	10,735
6290	Miscellaneous Contr.	--	--	--	125	--	--	125
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	626	--	--	--	626
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	46	--	903	15,276	--	--	16,225
6410	Travel, Subsistence, Stipends	3,608	--	1,836	3,316	--	--	8,760
6420	Ins. and Bonding Costs	--	--	--	10,274	--	--	10,274
6430	Election Costs	5,316	--	--	--	--	--	5,316
6490	Miscellaneous Operating	2,948	--	12,799	37,874	--	--	53,621
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 13,990 \$ 376,747 \$ 256,246 \$ 464,577 \$ 1,659 \$ 12,010 \$ 1,125,229

Total Expenditures for General and Special Revenue Funds (9) \$ 34,538,483

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 230,846
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,229,754
Food (Function 35, 6341 and 6499)	(13)	\$ 380,688
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 464,577

Subtotal 3,305,865

Net Allowed Direct Cost \$ 31,232,618

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 54,376,322
Historical Cost of Buildings over 50 years old	(16)	201,725
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	5,462,760
Historical Cost of Furniture & Equipment over 16 years old	(19)	625,298
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 63,014

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

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2011**

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2011 (Exhibit C-1 object 3000 for the General Fund only)	\$ 9,046,223
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	1,600,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	2,579,670
7	Estimate of two months' average cash disbursements during the fiscal year	5,159,340
8	Estimate of delayed payments from state sources (58XX)	1,937
9	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	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	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)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	9,340,947
13	Excess (Deficit) Undesignated General Fund Fund Balance (1-12)	\$ (294,724)

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

EXHIBIT J-4

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 408,305	\$ 423,219	\$ 14,914
5800	State Program Revenues	4,590	4,591	1
5900	Federal Program Revenues	463,550	475,143	11,593
5020	Total Revenues	876,445	902,953	26,508
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	1,053,278	1,001,876	51,402
	Total Support Services - Student (Pupil)	1,053,278	1,001,876	51,402
	Support Services - Nonstudent Based:			
0051	Plant Maintenance and Operations	200	13	187
	Total Support Services - Nonstudent Based	200	13	187
6030	Total Expenditures	1,053,478	1,001,889	51,589
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(177,033)	(98,936)	78,097
	Other Financing Sources (Uses):			
7915	Transfers In	70,000	98,936	28,936
8911	Transfers Out	(20,000)	--	20,000
7080	Total Other Financing Sources and (Uses)	50,000	98,936	48,936
1200	Net Change in Fund Balance	(127,033)	--	127,033
0100	Fund Balance - Beginning	--	--	--
3000	Fund Balance - Ending	\$ (127,033)	\$ --	\$ 127,033

# GLEN ROSE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 2,256,569	\$ 2,441,594	\$ 185,025
5020	Total Revenues	<u>2,256,569</u>	<u>2,441,594</u>	<u>185,025</u>
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	1,975,000	1,975,000	--
0072	Interest on Long-Term Debt	723,362	830,174	(106,812)
0073	Bond Issuance Costs and Fees	3,700	53,046	(49,346)
	Total Debt Service	<u>2,702,062</u>	<u>2,858,220</u>	<u>(156,158)</u>
6030	Total Expenditures	<u>2,702,062</u>	<u>2,858,220</u>	<u>(156,158)</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(445,493)</u>	<u>(416,626)</u>	<u>28,867</u>
Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	35,999	--	(35,999)
7915	Transfers In	388,975	--	(388,975)
7916	Premium or Discount on Issuance of Bonds	433,947	433,946	(1)
8911	Transfers Out	<u>(494,090)</u>	<u>(69,115)</u>	<u>424,975</u>
7080	Total Other Financing Sources and (Uses)	<u>364,831</u>	<u>364,831</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>(80,662)</u>	<u>(51,795)</u>	<u>28,867</u>
0100	Fund Balance - Beginning	262,966	262,966	--
3000	Fund Balance - Ending	<u>\$ 182,304</u>	<u>\$ 211,171</u>	<u>\$ 28,867</u>



# Snow, Garrett & Company

## CERTIFIED PUBLIC ACCOUNTANTS

### 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, 2011, which collectively comprise the Glen Rose Independent School District's basic financial statements and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial 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 12, 2011.

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,

A handwritten signature in black ink that reads "Snow, Garrett & Company". The signature is written in a cursive, flowing style.

Snow, Garrett & Company  
December 12, 2011





# Snow, Garrett & Company

## CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and  
Material Effect on each Major Program and on Internal Control Over Compliance  
In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

#### Compliance

We have audited Glen Rose Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Glen Rose Independent School District's major federal programs for the year ended August 31, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

#### 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 12, 2011

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

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA Title I Part A-Improving Basic Programs
84.389	ARRA-ESEA Title I Part A-Improving Basic Programs
84.394	ARRA Title XIV State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2011*

A corrective action plan is not needed.

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

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	1161010121390	\$ 154,782
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	12610101213901	8,275
Total CFDA Number 84.010			<u>163,057</u>
<i>SSA IDEA-B Formula *</i>	84.027	116600012139016600	526,723
<i>IDEA-B Preschool *</i>	84.173	11661022	30,966
<i>SSA IDEA-B Preschool *</i>	84.173	116610012139016610	10,681
Total CFDA Number 84.173			<u>41,647</u>
<i>Title III Part A English Language Acquisition and Language Enhancer</i>	84.365	11671001213901	20,285
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	11694501213901	73,104
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	12694501213901	5,349
Total CFDA Number 84.367			<u>78,453</u>
Summer School LEP	84.369	69551002	2,149
SLDS- Classroom Link to ISDs *	84.372	10635002213901	1,136
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001213901	29,716
<i>ARRA - SSA IDEA-Part B Formula *</i>	84.391	10554001213901	67,100
<i>ARRA - SSA IDEA Part B, Preschool *</i>	84.392	10555001213901	10,232
<i>ARRA Title XIV State Fiscal Stabilization Fund *</i>	84.394	10557001213901	6,652
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	11557001213901	473,761
Total CFDA Number 84.394			<u>480,413</u>
Total Passed Through State Department of Education			<u>1,420,911</u>
Total U. S. Department of Education			<u>1,420,911</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401001	101,269
National School Lunch Program *	10.555	71301001	321,614
Commodity Supplemental Food Program (Non-cash)	10.565	213001A	52,260
Total Passed Through State Department of Education			<u>475,143</u>
Total U. S. Department of Agriculture			<u>475,143</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,896,054</b>

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

The accompanying notes are an integral part of this schedule.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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.

**GLEN ROSE INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2011**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material 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?	\$ 1,071,056



