



Llano

LLANO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2009**

LLANO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2009

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
 <u>Basic Financial Statements</u>	
Government-wide Statements:	
A-1 Statement of Net Assets	13
B-1 Statement of Activities	14
Governmental Fund Financial Statements:	
C-1 Balance Sheet	15
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	21
E-2 Statement of Changes in Fiduciary Fund Net Assets	22
Notes to the Financial Statements	23
 <u>Required Supplementary Information</u>	
G-1 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	41
Notes to Required Supplementary Information	42
 <u>Combining Statements</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	43
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	47
Private Purpose Trust Funds:	
H-10 Combining Statement of Net Assets	51
H-11 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	53
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes Receivable	55
J-2 Schedule of Expenditures for Computations of Indirect Cost for 2010 – 2011	57
J-3 Fund Balance and Cash Flow Calculation Worksheet (Unaudited)	58
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – National School Breakfast and Lunch Program	59
J-5 Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Debt Service Fund	60

(continued)

LLANO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2009
(Continued)
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	<u>Federal Awards Section</u>	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	63
K-1	Schedule of Expenditures of Federal Awards	65
	Notes to Schedule of Expenditures of Federal Awards	66
	Schedule of Findings and Questioned Costs	67
	Summary Schedule of Prior Audit Findings	68

CERTIFICATE OF BOARD

Llano Independent School District
Name of School District

Llano
County

150-901
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, 2009, at a meeting of the Board of Trustees of such school district on the 25th day of January, 2010.

Signature of Board Secretary

Signature of Board President

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

THIS PAGE LEFT BLANK INTENTIONALLY



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Llano Independent School District
Llano, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Llano Independent School District, as of and for the year ended August 31, 2009, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of Llano 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 Llano Independent School District, as of August 31, 2009, 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 11, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 41 and 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Llano Independent School District's basic financial statements. The combining statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the basic financial statements of Llano Independent School District. The combining statements, required TEA schedules, and accompanying Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Pattillo, Brown & Hill, L.L.P.

December 11, 2009

LLANO INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2009

Our discussion and analysis of Llano Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2009. Please read it in conjunction with the District's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- In May 2007, the voters of Llano County approved a bond issue for the District. During the 2008-2009 fiscal year, the District used bond funds primarily for construction at the District's two elementary schools:
 - Packsaddle Elementary construction included additional classrooms, expansion of the library and kitchen, and repairs to the kitchen floor.
 - Llano Elementary construction included a new cafetorium and re-roofing of parts of the existing buildings.

The District expects to expend the remaining bond funds during the 2009-2010 fiscal year.

- In July 2008, the Board of Trustees approved eight goals that were developed by the Trustees and the District's management. These goals address student attendance, instructional improvements, teacher recruitment and retention, long-range planning, local internet access and discipline management on campuses. The District worked toward all eight goals during 2008-2009, increasing activities that encourage attendance, continuing the implementation of aligned curricula for core subjects District-wide, increasing early intervening services, increasing teacher salaries, offering dual credit courses, completing a draft of the long-range facilities plan, improving local internet access, and increasing the focus on student discipline. The goals were reviewed and updated in August 2009 for the 2009-2010 fiscal year.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$21,998,773 (*net assets*). Of this amount, \$6,930,594 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$2,481,221.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,579,545, a decrease of \$8,610,477 in comparison with the prior year. \$8,089,794 of this decrease was attributable to the expenditure of 2007 bond proceeds.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$4,742,024, or 15% of total General Fund expenditures. During the year, the fund balance of the General Fund decreased by \$567,088 due to budgeted construction and remodel expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 13 and 14). These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about resources held for benefits of parties outside the District.

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary objective is to show the results of operations and whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

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

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

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

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

Reporting the District’s Most Significant Funds

Fund Financial Statements

The Fund financial statements begin on page 15 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District’s administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental type funds.

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

The District as Trustee

Reporting the District’s Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Statement of Changes in Fund Net Assets on pages 21 and 22. These resources are excluded from the District’s other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets of the District’s governmental activities increased from \$19,517,552 to \$21,998,773. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$6,930,594.

The unrestricted net assets of \$6,930,594 represent a \$7,986,410 increase since August 31, 2002. The District has followed a financial recovery plan that resulted in the unrestricted net assets growing over a period of several fiscal years. This allows the District to have sufficient provision for future years’ programs.

LLANO INDEPENDENT SCHOOL DISTRICT

NET ASSETS

	Governmental Activities	
	2009	2008
Current and other assets	\$ 13,072,546	\$ 20,328,774
Capital assets	<u>38,645,183</u>	<u>30,843,391</u>
Total assets	<u>51,717,729</u>	<u>51,172,165</u>
Current liabilities	2,806,709	1,916,695
Long-term liabilities	<u>26,912,247</u>	<u>29,737,918</u>
Total liabilities	<u>29,718,956</u>	<u>31,654,613</u>
Net assets:		
Invested in capital assets, net of related debt	14,569,948	11,558,485
Restricted	498,231	424,766
Unrestricted	<u>6,930,594</u>	<u>7,534,301</u>
Total net assets	<u>\$ 21,998,773</u>	<u>\$ 19,517,552</u>

LLANO INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET ASSETS

	Governmental Activities	
	2009	2008
REVENUES		
Program revenues:		
Charges for services	\$ 532,498	\$ 551,308
Operating grants and contributions	2,674,984	2,536,631
General revenues:		
Property taxes	31,614,232	27,809,068
Grants and contributions - not restricted	3,691,660	3,734,568
Investment earnings	288,733	963,483
Other	395,984	330,212
Total revenues	39,198,091	35,925,270
Chapter 41 (Robin Hood) payments	15,319,542	12,264,986
Revenues available to the District	23,878,549	23,660,284
EXPENSES		
Instruction and instructional related	11,749,949	10,486,333
Instructional leadership/school administration	1,202,418	1,185,007
Guidance, social work, health and transportation	1,641,984	1,529,847
Food services	1,060,397	999,834
Co-curricular/extracurricular activities	1,084,654	956,038
General administration and other intergovernmental charges	970,566	952,206
Plant maintenance and security	1,976,880	1,744,868
Data processing services	504,797	477,904
Debt service	1,205,683	1,436,687
Total expenses	21,397,328	19,768,724
INCREASE IN NET ASSETS	2,481,221	3,891,560
NET ASSETS, BEGINNING	19,517,552	15,625,992
NET ASSETS, ENDING	\$ 21,998,773	\$ 19,517,552
EXPENDITURES PER STUDENT	\$ 9,315	\$ 8,463

The District's net assets increased by \$2,481,221 during the fiscal year. Key elements of this increase are as follows:

- Unrestricted net assets decreased by \$603,707 because General Fund expenditures exceeded General Fund revenues by approximately that amount. Please see "Financial Analysis of the District's Funds" below for an explanation of this decrease.

- Net assets invested in capital assets, net of related debt, increased by \$3 million because capital asset purchases and principal payments on debt exceeded depreciation and bond issuance costs by this amount. The largest capital asset expenditures were for the expansion and remodel of facilities at Packsaddle Elementary and Llano Elementary School.

Expenditures per student increased by \$852 due to District-wide increases in salaries and wages, plus increased depreciation costs due to new construction and other recent capital asset acquisitions.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The fund balance of the General Fund decreased by \$567,088. The major elements of this decrease are discussed below.

- The District originally budgeted a decrease in fund balance of \$1,011,185, primarily because of planned capital expenditures for construction and renovation of athletic facilities. This amount was decreased by an additional \$380,037 through budget amendments, as explained in the next section (General Fund Budgetary Highlights), below.
- General Fund revenues were \$141,555 more than the final budget:
 - Local M&O tax revenue exceeded budget by approximately \$156,000 due to higher-than-expected collections at year-end.
 - TRS On Behalf revenue fell short of budget by approximately \$28,000. This revenue is directly offset by an expenditure line item, so the net effect is \$0.
 - State revenue fell short of budget by approximately \$270,000 because of the increase in local revenue and recapture (“Robin Hood”) costs. Current school finance formulas absorb any increase in local tax revenue collections by increasing recapture expenses and decreasing state revenue.
- Salary expenditures were approximately \$277,000 less than budgeted:
 - Vacancies in certain positions throughout the year resulted in salary expenditures that were approximately \$196,000 less than budgeted.
 - Vacancies in certain positions and a lack of participation by some employees in the health insurance plan offered by the District, resulted in payroll benefit and tax expenditures that were approximately \$81,000 less than budgeted.
- Non-salary expenditures were approximately \$688,000 less than budgeted:
 - Recapture (“Robin Hood”) costs were \$114,000 less than the final budget. This is a variance of less than 1%.
 - Instructional and instruction-related non-salary expenditures were approximately \$200,000 less than budgeted as campuses stayed within their budgets for classroom supplies, and expenditures for certain contracted special education services were lower than expected.
 - Student transportation non-salary expenditures were approximately \$166,000 less than budgeted as primarily because fuel costs did not remain at the budgeted levels.
 - Co-curricular and extracurricular non-salary expenditures were approximately \$52,000 less than budgeted primarily because the athletic department stayed within its budget for supplies, entry fees and travel.
 - General administration non-salary expenditures were approximately \$40,000 less than budgeted because legal fees, supply costs and employee travel were lower than expected.
 - Plant maintenance and operation expenditures were approximately \$53,000 less than budgeted primarily because utility costs were lower than expected.

- Security and monitory services expenditures were approximately \$13,000 less than budgeted because maintenance agreements on security cameras were lower than expected.
- Technology expenditures were approximately \$40,000 less than budgeted because this department stayed within its budget for supplies and professional services.

The fund balance for 2007 Bond Construction decreased by \$8,089,794. Bond funds expended in 2008-09 totaled \$8,172,723, and the proceeds earned \$82,929 in interest during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance of the District's General Fund, \$6,742,024, differs from the General Fund's budgetary fund balance of \$5,917,890 (see Exhibit G-1). The fund balance did not decrease by the amount expected, primarily because the District did not expend all of the budgeted funds, as discussed in the preceding section.

During the year, the District amended the budget as it was deemed necessary. Significant changes to budgeted revenues included an increase in expected property tax collections in the amount of \$675,500, increases in expected collections of other local revenue in the amount of \$56,313, and a decrease in expected state revenue of \$27,623. Significant changes to the budgeted expenditures included increasing facilities acquisition and construction by \$310,284 for costs associated with the construction and remodel of athletic facilities, increasing technology expenditures \$42,547 due to the receipt of e-rate funds, and increasing recapture ("Robin Hood") costs by \$647,362 due to enrollment that was lower than expected and tax collections that were higher than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had approximately \$39 million invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. This amount represents a net increase of \$9 million as compared to the prior year. This year's major additions to capital assets include:

Bond-related additions:

- Purchase of one school bus in the amount of \$86,521.
- Technology infrastructure improvements in the amount of \$79,344.
- Completion of the installation of HVAC units at Llano Elementary, Llano Junior High and the building that houses the disciplinary alternative education program in the amount of \$84,754.
- Completion of the re-roofing of a portion of the Llano Elementary campus in the amount of \$46,097.
- Construction of a new cafetorium at Llano Elementary in the amount of \$2,291,920.
- Asbestos abatement of the old cafeteria at Llano Elementary in the amount of \$7,950.
- Completion of the equipping and installation of a portable building at Llano Junior High in the amount of \$2,068.
- Construction of additional classrooms and expanded library, kitchen and parking facilities at Packsaddle Elementary in the amount of \$5,387,666.
- Architect, project management and testing fees associated with the above-mentioned projects in the amount of \$186,402.

Additions funded through the General Fund:

- Construction and renovation of athletic facilities in the amount of \$1,496,665.
- Purchase of a steamer for the high school cafeteria in the amount of \$12,080.
- Purchase of a utility vehicle for athletics in the amount of \$5,422.
- Purchase of two servers totaling \$19,462.
- Purchase of a one-man lift in the amount of \$6,345.
- Purchase of an irrigation water reel for the athletic fields in the amount of \$5,620.
- Purchase of lawn maintenance equipment in the amount of \$10,479.
- Re-roofing a building at the baseball field in the amount of \$5,500.
- Purchase and installation of a metal building at the high school campus in the amount of \$7,632.
- Carpet and tile in the high school administrative offices in the amount of \$5,708.

More information on the District's capital assets can be found in the notes to the financial statements.

School Land

As authorized by the Texas Constitution, Article VII, Section 6, Llano County administers approximately 17,000 acres in Tom Green County solely for the benefit of school children in Llano County. Revenue from the land is shared 90% to the Llano Independent School District and 10% to the Burnet Consolidated School District. Pursuant to the agreement between Llano County and Llano Independent School District, the County and the District have agreed upon the expenses that each entity will pay. Since the Llano Independent School District does not hold title to the lands pursuant to the Constitution, the lands are not recorded on its books. The lands are estimated to have a value of approximately \$13 million. Operational proceeds from the land become "Available Funds" and may be used at the District's discretion. The sale of land or the depletion of natural resources become "Permanent Funds" and can only be used for capital expenditures or the reduction of debt.

Long-term Debt

At year-end, the District had \$27 million in long-term debt outstanding versus \$30 million last year – a decrease of \$3 million. During the year, principal payments on outstanding long-term debt totaled \$3,220,000, \$1,300,000 of which was the early retirement of a portion of the 1998 bonds that mature in 2017. This early retirement will allow the District to avoid \$468,000 in interest costs. More detailed information on the District's long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board of Trustees and management considered many factors when setting the fiscal year 2008-2009 budget and tax rates. The District used a conservative approach to budgeting again for fiscal year 2009-2010.

In March 2009, the Trustees approved the refinancing of \$8.3 million of its Series 1998 bonds to reduce interest costs to taxpayers. In recent years, the Trustees have redeemed portions of these bonds to reduce interest costs. Low interest rates and an improved bond rating gave the District additional savings by refinancing these bonds. The last payment on the refinanced bonds will mature in 2013 instead of the original date of 2018 for the 1998 bonds.

In August 2009, the Trustees approved the early retirement in February 2010 of \$700,000 of outstanding callable debt maturing in 2017. This retirement did not increase in the Interest and Sinking tax rate. This early retirement of debt will allow the District to avoid \$220,500 in interest payments over the next seven years. This is the third retirement of callable debt in three years: \$250,000 was retired in 2008, and \$1.3 million was retired in 2009.

In August 2009, the Trustees approved seven goals for the District. The Trustees and the District's management spent considerable time and effort on a collaborative effort to set forth the goals for the District for the next fiscal year and beyond. These goals are the basis for actions taken by the District. Each year, the goals are reviewed and modified as needed. The goals are summarized below for the 2009-10 school year:

- Reduce the absentee rate by 25%.
- Increase students' proficiency in math and science.
- Significantly increase students' academic proficiency by recruiting and retaining high quality teachers.
- Development of a comprehensive long-range plan for the District.
- Achieve an appropriate level of internet access for students and teachers.
- Actively pursue effective discipline management/prevention on all campuses.
- Develop strategies to close the gap between the Hispanic sub-group and English language learners and the rest of the student body in regards to test scores, parent participation, extra-curricular participation, etc.

The District continues to see increases in assessed valuations and growth in the tax base. This growth is anticipated to continue, although modestly in comparison to recent years. Because of the District's high property wealth relative to its student population, Llano Independent School District's wealth equalization payments exceed 50% of its tax collections.

The current school finance system does not provide for revenue increases to match inflation. The District plans to continue budgeting conservatively to assure that it maintains or increases fund balance and continues to improve the financial stability of the District.

In 2009, the federal government granted funds to schools in an effort to stimulate the economy. Some of these funds represent new money to Llano ISD, and some of them replace funds that the state would normally provide through the funding formulas. The District has chosen to expend these funds in a way that will improve the educational experience of its students, while safeguarding against permanent overhead costs that the District cannot reasonably sustain.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration office, 200 East Lampasas, Llano, Texas.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2009

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 511,699
1120 Current Investments	11,366,184
1220 Property Taxes Receivable (Delinquent)	1,106,266
1230 Allowance for Uncollectible Taxes	(647,406)
1240 Due from Other Governments	139,122
1250 Accrued Interest	1,461
1290 Other Receivables, net	2,909
1410 Deferred Expenses	164,396
1420 Capitalized Bond and Other Debt Issuance Costs	427,915
Capital Assets:	
1510 Land	816,461
1520 Buildings, Net	32,850,943
1530 Furniture and Equipment, Net	3,792,791
1580 Construction in Progress	1,184,988
1000 Total Assets	51,717,729
LIABILITIES	
2110 Accounts Payable	425,772
2140 Interest Payable	43,721
2160 Accrued Wages Payable	520,194
2180 Due to Other Governments	1,277,071
2200 Accrued Expenses	539,831
2300 Deferred Revenues	120
Noncurrent Liabilities	
2501 Due Within One Year	3,258,277
2502 Due in More Than One Year	23,653,970
2000 Total Liabilities	29,718,956
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	14,569,948
3820 Restricted for Federal and State Programs	222,160
3850 Restricted for Debt Service	276,071
3900 Unrestricted Net Assets	6,930,594
3000 Total Net Assets	\$ 21,998,773

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

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Assets
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 11,311,163	\$ 11,635	\$ 1,635,801	\$ (9,663,727)
12 Instructional Resources and Media Services	385,168	-	49,117	(336,051)
13 Curriculum and Instructional Staff Development	53,618	-	17,164	(36,454)
21 Instructional Leadership	143,986	-	6,929	(137,057)
23 School Leadership	1,058,432	-	83,834	(974,598)
31 Guidance, Counseling and Evaluation Services	625,287	-	136,089	(489,198)
32 Social Work Services	23,420	-	1,376	(22,044)
33 Health Services	161,251	-	8,906	(152,345)
34 Student (Pupil) Transportation	831,706	-	28,888	(802,818)
35 Food Services	1,060,397	445,495	588,683	(26,219)
36 Extracurricular Activities	1,084,654	75,368	20,654	(988,632)
41 General Administration	734,079	-	24,330	(709,749)
51 Plant Maintenance and Operations	1,920,128	-	54,863	(1,865,265)
52 Security and Monitoring Services	56,752	-	2,936	(53,816)
53 Data Processing Services	504,797	-	15,414	(489,383)
61 Community Services	320	-	-	(320)
72 Debt Service - Interest on Long Term Debt	1,153,426	-	-	(1,153,426)
73 Debt Service - Bond Issuance Cost and Fees	52,257	-	-	(52,257)
91 Contracted Instructional Services Between Schools	15,319,542	-	-	(15,319,542)
99 Other Intergovernmental Charges	236,487	-	-	(236,487)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 36,716,870	\$ 532,498	\$ 2,674,984	(33,509,388)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		27,084,190
DT	Property Taxes, Levied for Debt Service		4,530,042
GC	Grants and Contributions not Restricted		3,691,660
IE	Investment Earnings		288,733
MI	Miscellaneous Local and Intermediate Revenue		395,984
TR	Total General Revenues		35,990,609
CN	Change in Net Assets		2,481,221
NB	Net Assets--Beginning		19,517,552
NE	Net Assets--Ending		\$ 21,998,773

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

LLANO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 2007 Bond Issue
ASSETS			
1110 Cash and Cash Equivalents	\$ 250,023	\$ 4,456	\$ 1,787
1120 Investments - Current	8,128,352	269,369	2,968,463
1220 Property Taxes - Delinquent	967,911	138,355	-
1230 Allowance for Uncollectible Taxes (Credit)	(555,186)	(92,220)	-
1240 Due from Other Governments	3,542	543	-
1250 Accrued Interest	1,404	57	-
1260 Due from Other Funds	57,706	-	-
1290 Other Receivables	-	-	-
1410 Deferred Expenditures	164,396	-	-
1000 Total Assets	<u>\$ 9,018,148</u>	<u>\$ 320,560</u>	<u>\$ 2,970,250</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 199,013	\$ 768	\$ 200,799
2160 Accrued Wages Payable	451,993	-	-
2170 Due to Other Funds	-	-	-
2180 Due to Other Governments	1,277,071	-	-
2200 Accrued Expenditures	70,407	-	449,424
2300 Deferred Revenues	277,640	24,458	-
2000 Total Liabilities	<u>2,276,124</u>	<u>25,226</u>	<u>650,223</u>
Fund Balances:			
Reserved For:			
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	2,000,000	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	4,742,024	-	-
3610 Reported in Special Revenue Funds	-	-	-
3620 Reported in Capital Projects Funds	-	-	2,320,027
3640 Reported in Debt Service Funds	-	295,334	-
3000 Total Fund Balances	<u>6,742,024</u>	<u>295,334</u>	<u>2,320,027</u>
4000 Total Liabilities and Fund Balances	<u>\$ 9,018,148</u>	<u>\$ 320,560</u>	<u>\$ 2,970,250</u>

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

Other Funds	Total Governmental Funds
\$ 255,433	\$ 511,699
-	11,366,184
-	1,106,266
-	(647,406)
135,037	139,122
-	1,461
-	57,706
2,909	2,909
-	164,396
<u>\$ 393,379</u>	<u>\$ 12,702,337</u>
\$ 25,192	\$ 425,772
68,201	520,194
57,706	57,706
-	1,277,071
20,000	539,831
120	302,218
<u>171,219</u>	<u>3,122,792</u>
217,206	217,206
-	2,000,000
-	4,742,024
4,954	4,954
-	2,320,027
-	295,334
<u>222,160</u>	<u>9,579,545</u>
<u>\$ 393,379</u>	<u>\$ 12,702,337</u>

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2009

Total Fund Balances - Governmental Funds	\$	9,579,545
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$41,536,309 and the accumulated depreciation was \$10,692,918. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		1,091,676
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays and debt principal payments is to increase net assets.		12,972,497
3 The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,937,438)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		292,493
19 Net Assets of Governmental Activities	\$	21,998,773

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

LLANO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	60 2007 Bond Issue
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 27,691,580	\$ 4,534,621	\$ 82,929
5800 State Program Revenues	4,357,582	-	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	32,049,162	4,534,621	82,929
EXPENDITURES:			
Current:			
0011 Instruction	8,690,706	-	-
0012 Instructional Resources and Media Services	326,783	-	-
0013 Curriculum and Instructional Staff Development	34,401	-	-
0021 Instructional Leadership	137,345	-	-
0023 School Leadership	986,621	-	-
0031 Guidance, Counseling and Evaluation Services	512,943	-	-
0032 Social Work Services	23,420	-	-
0033 Health Services	161,251	-	-
0034 Student (Pupil) Transportation	627,291	-	86,521
0035 Food Services	-	-	-
0036 Extracurricular Activities	957,550	-	-
0041 General Administration	721,021	-	-
0051 Facilities Maintenance and Operations	1,894,762	-	84,754
0052 Security and Monitoring Services	41,732	-	-
0053 Data Processing Services	433,278	-	79,344
0061 Community Services	320	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	3,220,000	-
0072 Debt Service - Interest on Long Term Debt	-	1,153,169	-
0073 Debt Service - Bond Issuance Cost and Fees	1,000	142,025	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,509,797	-	7,922,104
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	15,319,542	-	-
0099 Other Intergovernmental Charges	236,487	-	-
6030 Total Expenditures	32,616,250	4,515,194	8,172,723
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(567,088)	19,427	(8,089,794)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	8,299,978	-
7916 Premium or Discount on Issuance of Bonds	-	77,501	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(8,379,700)	-
7080 Total Other Financing Sources (Uses)	-	(2,221)	-
1200 Net Change in Fund Balances	(567,088)	17,206	(8,089,794)
0100 Fund Balance - September 1 (Beginning)	7,309,112	278,128	10,409,821
3000 Fund Balance - August 31 (Ending)	\$ 6,742,024	\$ 295,334	\$ 2,320,027

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

Other Funds	Total Governmental Funds
\$ 459,024	\$ 32,768,154
215,340	4,572,922
<u>1,790,772</u>	<u>1,790,772</u>
2,465,136	39,131,848
1,212,514	9,903,220
33,965	360,748
17,164	51,565
391	137,736
38,095	1,024,716
112,344	625,287
-	23,420
-	161,251
-	713,812
1,008,055	1,008,055
-	957,550
108	721,129
11,630	1,991,146
1,358	43,090
312	512,934
-	320
-	3,220,000
-	1,153,169
-	143,025
-	9,431,901
-	15,319,542
-	236,487
<u>2,435,936</u>	<u>47,740,103</u>
29,200	(8,608,255)
-	8,299,978
-	77,501
-	<u>(8,379,700)</u>
-	(2,221)
29,200	(8,610,476)
<u>192,960</u>	<u>18,190,021</u>
<u>\$ 222,160</u>	<u>\$ 9,579,545</u>

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(8,610,476)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays and debt principal payments is to increase net assets.		12,972,497
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,937,438)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		56,638
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>2,481,221</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2009

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 5	\$ 142,710
Investments - Current	162,672	-
Total Assets	<u>162,677</u>	<u>\$ 142,710</u>
LIABILITIES		
Due to Student Groups	-	\$ 142,710
Total Liabilities	<u>-</u>	<u>\$ 142,710</u>
NET ASSETS		
Restricted for Scholarships	<u>162,677</u>	
Total Net Assets	<u>\$ 162,677</u>	

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

LLANO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 12,168
Total Additions	<u>12,168</u>
DEDUCTIONS:	
Other Operating Costs	<u>2,052</u>
Total Deductions	<u>2,052</u>
Change in Net Assets	10,116
Total Net Assets - September 1 (Beginning)	<u>152,561</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 162,677</u></u>

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

LLANO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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

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

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

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund accounts for resources accumulated and payments made for principal and interest in long-term general obligation debt of governmental funds.

2007 Bond Issue – The 2007 Bond Issue Fund is used to account for the expansion of the Packsaddle Elementary campus in Kingsland, a new cafeteria at Llano Elementary, replacement of buses and air conditioners, improvements to the District’s technology infrastructure, and other items that will benefit students of the District for years to come.

Additionally, the District reports the following fund types:

Fiduciary Funds:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both principal and the income be used for purposes that benefit parties outside the District.

Agency Funds – The District accounts for resources held for others in a custodial capacity in Agency Funds. The District’s Agency Funds are Student Activity Funds.

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

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and Investments*

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended August 31, 2009, the rates were \$1.04 and \$.175, respectively, per \$100 of assessed value.

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

3. *School Land*

As authorized by the Texas Constitution, Article VII, Section 6, Llano County administers approximately 17,000 acres in Tom Green County solely for the benefit of school children in Llano County. Revenue from the land is shared 90% to the Llano Independent School District and 10% to the Burnet Consolidated School District. Pursuant to the agreement between Llano County and Llano Independent School District, the County and the District have agreed upon the expenses that each entity will pay. Since the Llano Independent School District does not hold title to the lands pursuant to the Constitution, the lands are not recorded on its books. Operational proceeds from the land become “Available Funds” and may be used at the District’s discretion. The sale of land or the depletion of natural resources become “Permanent Funds” and can only be used for capital expenditures or the reduction of debt.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-60
Vehicles	7-10
Furniture and equipment	5-10

5. *Long-term Obligations*

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

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

6. *Compensated Absences*

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. *Fund Equity*

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

- \$2,000,000 toward future capital projects.

8. *Net Assets*

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

9. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue and recapture cost for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2009, will change.

10. *Data Control Codes*

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2009, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Logic	\$ 8,171,579	73
Lone Star - Corporate	269,562	58
TexSTAR	2,968,463	75
Domestic equity	119,252	-

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District's policies do not permit some of these investments. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2009, the District's \$826,546 deposit balance was entirely covered by FDIC insurance and securities held in the name of the District by the pledging financial institution. In addition, the District's highest deposit balance occurred in December 2008, and was entirely covered by FDIC insurance and securities held in the name of the District by the pledging financial institution.

Domestic equity is reported in the Reynolds Scholarship Private Purpose Trust Fund and is in the name of Llano High School Class of 2012 – Packsaddle First Graders.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Credit Risk

It is the District's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The District's investment pools are rated as follows by Moody's or Standard and Poor's Investors Service.

Logic	AAAm
Lone Star	AAAf
TexSTAR	AAAm

B. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives penalty and interest payments in relation to property taxes. Amounts due from federal, state and local governments as of August 31, 2009, are summarized below.

<u>Fund</u>	<u>Property Tax Penalty and Interest</u>	<u>Federal Programs</u>	<u>State Programs</u>
General	\$ 3,542	\$ -	\$ -
Debt service	543	-	-
Nonmajor governmental funds	<u>-</u>	<u>131,912</u>	<u>3,125</u>
	<u>\$ 4,085</u>	<u>\$ 131,912</u>	<u>\$ 3,125</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital assets activity for the year ended August 31, 2009, was as follows:

	Beginning Balance 09/01/08	Increases	Decreases/ Reclassifications	Ending Balance 08/31/09
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 816,461	\$ -	\$ -	\$ 816,461
Construction in process	<u>2,764,904</u>	<u>1,184,988</u>	<u>(2,764,904)</u>	<u>1,184,988</u>
Total capital assets, not being depreciated	<u>3,581,365</u>	<u>1,184,988</u>	<u>(2,764,904)</u>	<u>2,001,449</u>
Capital assets, being depreciated:				
Buildings	33,776,353	8,807,276	(28,555)	42,555,074
Furniture and equipment	<u>4,178,591</u>	<u>2,520,272</u>	<u>(69,641)</u>	<u>6,629,222</u>
Total capital assets, being depreciated	<u>37,954,944</u>	<u>11,327,548</u>	<u>(98,196)</u>	<u>49,184,296</u>
Less accumulated depreciation for:				
Buildings	(8,416,156)	(1,308,128)	20,153	(9,704,131)
Furniture and equipment	<u>(2,276,762)</u>	<u>(629,310)</u>	<u>69,641</u>	<u>(2,836,431)</u>
Total accumulated depreciation	<u>(10,692,918)</u>	<u>(1,937,438)</u>	<u>89,794</u>	<u>(12,540,562)</u>
Total capital assets, being depreciated, net	<u>27,262,026</u>	<u>9,390,110</u>	<u>(8,402)</u>	<u>36,643,734</u>
Governmental activities capital assets, net	<u>\$ 30,843,391</u>	<u>\$ 10,575,098</u>	<u>\$(2,773,306)</u>	<u>\$ 38,645,183</u>

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

Governmental activities:	
Instruction	\$ 1,336,585
Instructional resources and media services	24,420
Curriculum and instructional staff development	2,053
Instructional leadership	6,250
School leadership	32,306
Student (pupil) transportation	204,416
Food services	59,862
Co-curricular/extracurricular	132,526
General administration	4,565
Plant maintenance and operations	41,889
Security monitoring services	13,662
Data processing services	<u>78,904</u>
Total depreciation expense - governmental activities	<u>\$ 1,937,438</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of August 31, 2009, is as follows:

Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ <u>57,706</u>

Balances resulted from the time lag between the dates that payments for expenditures are made and the date a granting agency reimbursed the District.

Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General fund)	\$ 277,640	\$ -
Delinquent property taxes receivable (Debt service fund)	24,458	-
Grants drawn down prior to meeting all eligibility requirements	<u>-</u>	<u>120</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 302,098</u>	<u>\$ 120</u>

E. Long-term Debt

The following is a summary of changes in long-term debt:

	<u>Balance 09/01/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08/31/09</u>	<u>Amounts Due in One Year</u>
Bonds	\$ 29,855,000	\$ 8,299,978	\$ 11,520,000	\$ 26,634,978	\$ 3,244,978
Deferred loss on refunding	(117,082)	(79,700)	(32,666)	(164,116)	(32,666)
Accretion of interest on CABs	-	13,412	-	13,412	13,412
Premium on bonds	293,956	77,501	32,554	338,903	32,553
Compensated absences	<u>-</u>	<u>89,070</u>	<u>-</u>	<u>89,070</u>	<u>-</u>
Totals	<u>\$ 30,031,874</u>	<u>\$ 8,400,261</u>	<u>\$ 11,519,888</u>	<u>\$ 26,912,247</u>	<u>\$ 3,258,277</u>

Compensated absences are generally liquidated by the General Fund.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt

Bonds Payable

The District issues unlimited tax school building bonds to provide funds for the acquisition and construction of major capital facilities. Unlimited tax school building bonds have been issued for governmental activities. Unlimited tax school building bonds are direct obligations and pledge the full faith and credit of the District.

A summary of changes in unlimited tax bonds payable for the year ended August 31, 2009, is as follows:

Description	Interest Rate Payable	Amount Original Issue	Interest Paid in Current Year	Amount Payable 09/01/08	Issued	Retired	Amount Outstanding 08/31/09
Unlimited Tax School Building Bonds Series 1998	4.5% to 5.25%	\$ 19,050,000	\$ 318,125	\$ 12,025,000	\$ -	\$ 10,575,000	\$ 1,450,000
Unlimited Tax Refunding Bond Series 2005	4.5% to 5.25%	4,860,000	157,271	4,100,000	-	275,000	3,825,000
Unlimited Tax Bond Series 2007	4.25% to 5%	14,310,000	621,400	13,730,000	-	670,000	13,060,000
Unlimited Tax Refunding Bonds Series 2009	3% to 5%	8,299,978	75,500	-	8,299,978	-	8,299,978
Total bonds			\$ 1,172,296	\$ 29,855,000	\$ 8,299,978	\$ 11,520,000	\$ 26,634,978

Debt service requirements for bonds are as follows:

Year Ended August 31,	Governmental Activities		Total Requirements
	Principal	Interest	
2010	\$ 3,280,000	\$ 985,196	\$ 4,265,196
2011	3,180,000	910,165	4,090,165
2012	3,000,000	803,290	3,803,290
2013	2,940,000	700,340	3,640,340
2014	1,030,000	627,760	1,657,760
2015 - 2019	6,795,000	2,282,989	9,077,989
2020 - 2024	3,905,000	1,088,066	4,993,066
2025 - 2027	2,540,000	194,750	2,734,750
	26,670,000	\$ 7,592,556	\$ 34,262,556
Less: Interest accretion on CABs	35,022		
Par value of bonds	\$ 26,634,978		

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt

Bonds Payable

There are a number of limitations and restrictions contained in the bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2009.

The District has called for redemption of the Unlimited Tax School Building Bonds, Series 1998. The stated maturity of the bonds is February 15, 2018. The principal amount of \$700,000 will be called on February 15, 2010.

Accretion on Capital Appreciation Bonds

A portion of the bonds sold in the Unlimited Tax Refunding Bond Series 2009 were capital appreciation bonds. These obligations have par values of \$2,259,978 and maturity values of \$2,295,000. The interest on these obligations will be paid upon maturity in the fiscal years ending August 31, 2010. The accreted values of these bonds at August 31, 2009, are \$13,412.

Advance Refunding

The District issued \$8,299,978 of unlimited tax refunding bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$8,300,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$79,700. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to decrease total debt service payments over the next 15 years by \$959,900 and resulted in an economic gain of \$444,999.

Prior Year Defeasance of Bonds

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2009, \$2,565,000 of bonds considered defeased is still outstanding.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Operating Leases

The District is committed under various non-cancellable leases for copier machines. These leases are considered for accounting purposes to be operating leases. None of the leases contain renewal or purchase options. Operating lease expenditures for fiscal year 2009 were \$80,082.

The following is a summary of minimum future payments on non-cancellable operating leases in effect as of August 31, 2009.

<u>Year Ending</u>	
2010	\$ 60,552
2011	43,222
2012	29,721
2013	<u>1,151</u>
Total	<u>\$ 134,646</u>

G. Governmental Fund Expenditures per Weighted Average Daily Attendance

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Total expenditures	\$ 32,616,250	\$ 15,123,853	\$ 47,740,103
Less: Chapter 41 (Robin Hood) payments	<u>15,319,542</u>	<u>-</u>	<u>15,319,542</u>
Expenditures for students and debt service	<u>\$ 17,296,708</u>	<u>\$ 15,123,853</u>	<u>\$ 32,420,561</u>
Expenditures per students (expenditures divided by weighted average daily attendance of students)	<u>\$ 7,531</u>	<u>\$ 6,585</u>	<u>\$ 14,116</u>

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2009, 2008 and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. State contributions to TRS made on behalf of Llano Independent School District's employees for the years ended August 31, 2009, 2008 and 2007 were \$561,922, \$530,991, and \$471,575, respectively. Llano Independent School District paid additional state contributions for the years ended August 31, 2009, 2008, and 2007 in the amount of \$108,649, \$93,752, and \$63,174, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. These contributions equaled the required contributions each year, respectively.

(continued)

III. OTHER INFORMATION

B. Health Insurance

During the year ended August 31, 2009, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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 insurer is renewable September 1, 2009, and terms of coverage and premium costs are included in the contractual provisions.

C. Retiree Health Plan

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

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 2009, 2008, and 2007. 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, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$113,566, \$107,297, and \$100,977, respectively, the active member contributions were \$73,818, \$69,744, and \$65,635, respectively, and the school district's contributions were \$62,461, \$59,013, and \$55,537, respectively, which equaled the required contributions each year.

Medicare Part D – On-behalf Payments. 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. These on-behalf payments of \$25,389, \$24,307, and \$21,629 were recognized for the years ended August 31, 2009, 2008, and 2007, respectively, as equal revenues and expenditures.

(continued)

III. OTHER INFORMATION (Continued)

D. Risk Management

Property Casualty Program

During the year ended August 31, 2009, Llano ISD participated in the TASB Risk Management Fund's (the Fund) Property Casualty Program 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 and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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 of 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, 2009, the Fund anticipates Llano ISD has no additional liability beyond 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 February of the following year. The Fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation Pool

During the year ended August 31, 2009, Llano ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2009, the Fund carries a discounted reserve of \$72,996,132 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2009, the Fund anticipated no additional liability to members beyond their contractual obligations for payment of contributions.

(continued)

III. OTHER INFORMATION (Continued)

D. Risk Management (Continued)

Workers' Compensation Pool (Continued)

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 approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the year ended August 31, 2009, Llano ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

E. Shared Services Arrangements

The District participates in two Shared Services Arrangements ("SSA") for which Region XIII, Education Service Center, is the fiscal agent. The District accounts for revenues received and expenditures incurred in these programs and has disclosed them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region XIII, Education Service Center, 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.

(continued)

III. OTHER INFORMATION (Continued)

E. Shared Services Arrangements (Continued)

The following are SSAs with Region XIII, Education Service Center:

<u>Fund</u>	<u>Description</u>
263	ESEA Title III, Part A, English Language Acquisitions and Enhancements
301	ESEA Title I, Part C, Education of Migratory Children

F. Commitments and Contingencies

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

The District has construction contracts totaling \$10,636,194. As of August 31, 2009, \$9,876,776 of this balance has been paid to contractors. The total retainage balance held by the District is \$519,830.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 26,803,420	\$ 27,534,733	\$ 27,691,580	\$ 156,847
5800	State Program Revenues	4,683,622	4,655,984	4,357,582	(298,402)
5020	Total Revenues	31,487,042	32,190,717	32,049,162	(141,555)
EXPENDITURES:					
Current:					
0011	Instruction	8,975,173	8,971,548	8,690,706	280,842
0012	Instructional Resources and Media Services	332,785	357,225	326,783	30,442
0013	Curriculum and Instructional Staff Development	46,975	56,391	34,401	21,990
0021	Instructional Leadership	139,214	139,214	137,345	1,869
0023	School Leadership	993,684	1,008,900	986,621	22,279
0031	Guidance, Counseling and Evaluation Services	517,878	522,895	512,943	9,952
0032	Social Work Services	21,252	24,037	23,420	617
0033	Health Services	185,450	185,657	161,251	24,406
0034	Student (Pupil) Transportation	812,873	811,393	627,291	184,102
0036	Extracurricular Activities	976,896	1,008,680	957,550	51,130
0041	General Administration	806,344	806,244	721,021	85,223
0051	Facilities Maintenance and Operations	1,971,679	1,966,438	1,894,762	71,676
0052	Security and Monitoring Services	66,540	71,640	41,732	29,908
0053	Data Processing Services	432,389	474,936	433,278	41,658
0061	Community Services	350	350	320	30
Debt Service:					
0073	Debt Service - Bond Issuance Cost and Fees	2,000	2,000	1,000	1,000
Capital Outlay:					
0081	Facilities Acquisition and Construction	1,194,228	1,504,512	1,509,797	(5,285)
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	14,786,030	15,433,392	15,319,542	113,850
0099	Other Intergovernmental Charges	236,487	236,487	236,487	-
6030	Total Expenditures	32,498,227	33,581,939	32,616,250	965,689
1200	Net Change in Fund Balances	(1,011,185)	(1,391,222)	(567,088)	824,134
0100	Fund Balance - September 1 (Beginning)	7,309,112	7,309,112	7,309,112	-
3000	Fund Balance - August 31 (Ending)	\$ 6,297,927	\$ 5,917,890	\$ 6,742,024	\$ 824,134

LLANO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2009

Budgetary Information

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

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The District had no outstanding end-of-year encumbrances.

Excess of Expenditures Over Appropriations

The District exceeded appropriations in the General Fund by \$5,285 in the facilities acquisition and construction function. This budget overrun was funded by unexpended budgeted funds in other functions.

COMBINING STATEMENTS

LLANO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	21,443	14,987
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 21,443</u>	<u>\$ 14,987</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ 1
2160	Accrued Wages Payable	-	20,845	14,548
2170	Due to Other Funds	-	598	438
2200	Accrued Expenditures	-	-	-
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	<u>-</u>	<u>21,443</u>	<u>14,987</u>
Fund Balances:				
Reserved For:				
3450	Food Service	-	-	-
Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 21,443</u>	<u>\$ 14,987</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	243 Vocational Ed Technical Preparation	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income
\$ -	\$ 230,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,516	18,233	-	-	7,019	-	55,149	-
-	2,909	-	-	-	-	-	-
<u>\$ 3,516</u>	<u>\$ 251,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,019</u>	<u>\$ -</u>	<u>\$ 55,149</u>	<u>\$ -</u>
\$ 3,516	\$ 18,700	\$ -	\$ -	\$ 1,540	\$ -	\$ -	\$ -
-	15,595	-	-	3,226	-	13,490	-
-	-	-	-	2,253	-	41,659	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,516</u>	<u>34,295</u>	<u>-</u>	<u>-</u>	<u>7,019</u>	<u>-</u>	<u>55,149</u>	<u>-</u>
-	217,206	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>217,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,516</u>	<u>\$ 251,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,019</u>	<u>\$ -</u>	<u>\$ 55,149</u>	<u>\$ -</u>

LLANO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	385 Visually Impaired	404 Student Success Initiative	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	10,227	840	245	2,881
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 10,227</u>	<u>\$ 840</u>	<u>\$ 245</u>	<u>\$ 2,881</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 595	\$ 840	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	9,632	-	245	2,881
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>10,227</u>	<u>840</u>	<u>245</u>	<u>2,881</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,227</u>	<u>\$ 840</u>	<u>\$ 245</u>	<u>\$ 2,881</u>

411	428	429	Total	699	Total
Technology	High School	Ready to	Nonmajor	1998 Bond	Nonmajor
Allotment	Allotment	Read	Special	Construction	Governmental
			Revenue Funds		Funds
\$ 2,240	\$ 2,714	\$ 120	\$ 235,433	\$ 20,000	\$ 255,433
-	-	-	135,037	-	135,037
-	-	-	2,909	-	2,909
<u>\$ 2,240</u>	<u>\$ 2,714</u>	<u>\$ 120</u>	<u>\$ 373,379</u>	<u>\$ 20,000</u>	<u>\$ 393,379</u>
\$ -	\$ -	\$ -	\$ 25,192	\$ -	\$ 25,192
-	-	-	68,201	-	68,201
-	-	-	57,706	-	57,706
-	-	-	-	20,000	20,000
-	-	120	120	-	120
<u>-</u>	<u>-</u>	<u>120</u>	<u>151,219</u>	<u>20,000</u>	<u>171,219</u>
-	-	-	217,206	-	217,206
2,240	2,714	-	4,954	-	4,954
<u>2,240</u>	<u>2,714</u>	<u>-</u>	<u>222,160</u>	<u>-</u>	<u>222,160</u>
<u>\$ 2,240</u>	<u>\$ 2,714</u>	<u>\$ 120</u>	<u>\$ 373,379</u>	<u>\$ 20,000</u>	<u>\$ 393,379</u>

LLANO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	5,888	430,471	381,226	10,583
5020	Total Revenues	<u>5,888</u>	<u>430,471</u>	<u>381,226</u>	<u>10,583</u>
EXPENDITURES:					
Current:					
0011	Instruction	2,410	411,195	349,663	10,583
0012	Instructional Resources and Media Services	-	6,986	-	-
0013	Curriculum and Instructional Staff Development	205	5,010	965	-
0021	Instructional Leadership	-	-	391	-
0023	School Leadership	1,224	7,280	725	-
0031	Guidance, Counseling and Evaluation Services	691	-	29,482	-
0035	Food Services	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	1,358	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	<u>5,888</u>	<u>430,471</u>	<u>381,226</u>	<u>10,583</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	243 Vocational Ed Technical Preparation	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income
\$ -	\$ 459,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	5,395	-	-	-	-	-	-
107,117	591,968	5,873	26,954	97,621	3,937	55,149	62,918
107,117	1,056,387	5,873	26,954	97,621	3,937	55,149	62,918
107,117	-	4,349	23,881	60,193	2,152	28,170	62,918
-	-	-	-	-	-	26,979	-
-	-	1,524	-	8,349	1,111	-	-
-	-	-	-	-	-	-	-
-	-	-	-	28,504	362	-	-
-	-	-	3,073	467	-	-	-
-	1,008,055	-	-	-	-	-	-
-	-	-	-	108	-	-	-
-	11,630	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	312	-	-
107,117	1,019,685	5,873	26,954	97,621	3,937	55,149	62,918
-	36,702	-	-	-	-	-	-
-	180,504	-	-	-	-	-	-
\$ -	\$ 217,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LLANO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	385 Visually Impaired	404 Student Success Initiative	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	527	30,347
5900	Federal Program Revenues	10,227	840	-	-
5020	Total Revenues	<u>10,227</u>	<u>840</u>	<u>527</u>	<u>30,347</u>
EXPENDITURES:					
Current:					
0011	Instruction	595	840	527	30,347
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	9,632	-	-	-
0035	Food Services	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	<u>10,227</u>	<u>840</u>	<u>527</u>	<u>30,347</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411	428	429	Total	699	Total
Technology	High School	Ready to	Nonmajor	1998 Bond	Nonmajor
Allotment	Allotment	Read	Special	Construction	Governmental
			Revenue Funds		Funds
\$ -	\$ -	\$ -	\$ 459,024	\$ -	\$ 459,024
54,422	123,995	654	215,340	-	215,340
-	-	-	1,790,772	-	1,790,772
<u>54,422</u>	<u>123,995</u>	<u>654</u>	<u>2,465,136</u>	<u>-</u>	<u>2,465,136</u>
61,781	55,139	654	1,212,514	-	1,212,514
-	-	-	33,965	-	33,965
-	-	-	17,164	-	17,164
-	-	-	391	-	391
-	-	-	38,095	-	38,095
-	68,999	-	112,344	-	112,344
-	-	-	1,008,055	-	1,008,055
-	-	-	108	-	108
-	-	-	11,630	-	11,630
-	-	-	1,358	-	1,358
-	-	-	312	-	312
<u>61,781</u>	<u>124,138</u>	<u>654</u>	<u>2,435,936</u>	<u>-</u>	<u>2,435,936</u>
(7,359)	(143)	-	29,200	-	29,200
<u>9,599</u>	<u>2,857</u>	<u>-</u>	<u>192,960</u>	<u>-</u>	<u>192,960</u>
<u>\$ 2,240</u>	<u>\$ 2,714</u>	<u>\$ -</u>	<u>\$ 222,160</u>	<u>\$ -</u>	<u>\$ 222,160</u>

LLANO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2009

	825 PEAK and Crenwelge Scholarships	826 Small Schools Academic Scholar	827 Reynolds Scholarship	828 Edinger Scholarship
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 3
Investments - Current	-	-	119,252	31,828
Total Assets	<u>-</u>	<u>-</u>	<u>119,252</u>	<u>31,831</u>
NET ASSETS				
Restricted for Scholarships	<u>-</u>	<u>-</u>	<u>119,252</u>	<u>31,831</u>
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,252</u>	<u>\$ 31,831</u>

829	Total
Mahon-Dahl	Private
Scholarship	Purpose
	Trust Funds
\$ 2	\$ 5
<u>11,592</u>	<u>162,672</u>
<u>11,594</u>	<u>162,677</u>
<u>11,594</u>	<u>162,677</u>
<u>\$ 11,594</u>	<u>\$ 162,677</u>

LLANO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	825 PEAK and Crenwelge Scholarships	826 Small Schools Academic Scholar	827 Reynolds Scholarship	828 Edinger Scholarship
ADDITIONS:				
Local and Intermediate Sources	\$ 8	\$ 19	\$ 11,158	\$ 405
Total Additions	<u>8</u>	<u>19</u>	<u>11,158</u>	<u>405</u>
DEDUCTIONS:				
Other Operating Costs	<u>432</u>	<u>1,120</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>432</u>	<u>1,120</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(424)	(1,101)	11,158	405
Total Net Assets - September 1 (Beginning)	<u>424</u>	<u>1,101</u>	<u>108,094</u>	<u>31,426</u>
Total Net Assets - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,252</u>	<u>\$ 31,831</u>

829 Mahon-Dahl Scholarship	Total Private Purpose Trust Funds
\$ 578	\$ 12,168
<u>578</u>	<u>12,168</u>
500	2,052
<u>500</u>	<u>2,052</u>
78	10,116
<u>11,516</u>	<u>152,561</u>
<u>\$ 11,594</u>	<u>\$ 162,677</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED TEA SCHEDULES

LLANO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2009

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.470000	0.170000	1,038,029,139
2002	1.470000	0.140000	1,179,459,280
2003	1.500000	0.120000	1,316,006,034
2004	1.500000	0.104000	1,412,703,279
2005	1.500000	0.102000	1,508,025,758
2006	1.422000	0.107000	1,697,409,206
2007	1.300000	0.107700	1,862,797,755
2008	1.040000	0.150000	2,286,016,807
2009 (School year under audit)	1.040000	0.175000	2,581,923,292
1000 TOTALS			

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$ 12,328	\$ -	\$ 573	\$ 46	\$ (230)	\$ 11,479
3,643	-	491	57	(85)	3,010
8,676	-	2,010	191	(350)	6,125
16,950	-	3,238	259	(462)	12,991
50,710	-	28,667	1,988	501	20,556
63,153	-	40,281	2,739	16,466	36,599
92,828	-	53,918	4,057	16,655	51,508
266,845	-	184,300	15,169	37,921	105,297
657,209	-	440,546	63,540	15,326	168,449
-	31,370,368	26,141,730	4,398,849	(139,537)	690,252
<u>\$ 1,172,342</u>	<u>\$ 31,370,368</u>	<u>\$ 26,895,754</u>	<u>\$ 4,486,895</u>	<u>\$ (53,795)</u>	<u>\$ 1,106,266</u>

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2009

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 306,077	\$ 238,952	\$ -	\$ -	\$ 545,029
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	146	-	32,934	-	-	-	33,080
6212	Audit Services	-	-	-	18,500	-	-	18,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	29,816	-	-	-	-	29,816
621X	Other Professional Services	850	-	-	5,770	-	-	6,620
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	600	3,147	-	-	3,747
6240	Contr. Maint. and Repair	-	-	-	-	17,032	-	17,032
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	7,683	3,775	-	-	11,458
6290	Miscellaneous Contr.	2,138	-	4,099	2,239	-	-	8,476
6320	Textbooks and Reading	-	-	744	-	-	-	744
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	62	-	19,997	3,881	-	-	23,940
6410	Travel, Subsistence, Stipends	5,339	-	3,155	1,627	-	-	10,121
6420	Ins. and Bonding Costs	-	-	6,635	-	-	-	6,635
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	570	-	18,089	3,804	-	-	22,463
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 9,105	\$ 29,816	\$ 400,013	\$ 281,695	\$ 17,032	\$ -	\$ 737,661

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 35,052,790

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,574,914
Total Debt & Lease(6500)	(11)	1,000
Plant Maintenance (Function 51, 6100-6400)	(12)	1,878,240
Food (Function 35, 6341 and 6499)	(13)	436,993
Stipends (6413)	(14)	1,396
Column 4 (above) - Total Indirect Cost		281,695

SubTotal: 4,174,238

Net Allowed Direct Cost \$ 30,878,552

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 42,555,074
Historical Cost of Building over 50 years old	(16)	761,773
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 6,629,220
Historical Cost of Furniture & Equipment over 16 years old	(19)	257,334
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	47,918

(8) NOTE A: \$16,532 in Function 53 expenditures are included in this report on administrative costs.
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2009

UNAUDITED

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 6,742,024
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	2,000,000	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	2,300,000	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	-	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	3,000	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	130,000	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	4,433,000	
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	\$ 2,309,024	

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

Future capital projects

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 439,419	\$ 444,298	\$ 459,024	\$ 14,726
5800 State Program Revenues	5,000	5,395	5,395	-
5900 Federal Program Revenues	512,000	517,305	591,968	74,663
5020 Total Revenues	956,419	966,998	1,056,387	89,389
EXPENDITURES:				
0035 Food Services	1,028,559	1,040,138	1,008,055	32,083
0051 Facilities Maintenance and Operations	12,200	12,200	11,630	570
6030 Total Expenditures	1,040,759	1,052,338	1,019,685	32,653
1200 Net Change in Fund Balances	(84,340)	(85,340)	36,702	122,042
0100 Fund Balance - September 1 (Beginning)	180,504	180,504	180,504	-
3000 Fund Balance - August 31 (Ending)	\$ 96,164	\$ 95,164	\$ 217,206	\$ 122,042

THIS PAGE LEFT BLANK INTENTIONALLY

LLANO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,411,043	\$ 4,411,043	\$ 4,534,621	\$ 123,578
5020	Total Revenues	4,411,043	4,411,043	4,534,621	123,578
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	3,220,000	3,220,000	3,220,000	-
0072	Debt Service - Interest on Long Term Debt	1,296,046	1,296,046	1,153,169	142,877
0073	Debt Service - Bond Issuance Cost and Fees	3,000	3,000	142,025	(139,025)
6030	Total Expenditures	4,519,046	4,519,046	4,515,194	3,852
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(108,003)	(108,003)	19,427	127,430
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	8,299,978	8,299,978
7916	Premium or Discount on Issuance of Bonds	-	-	77,501	77,501
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(8,379,700)	(8,379,700)
7080	Total Other Financing Sources (Uses)	-	-	(2,221)	(2,221)
1200	Net Change in Fund Balances	(108,003)	(108,003)	17,206	125,209
0100	Fund Balance - September 1 (Beginning)	278,129	278,128	278,128	-
3000	Fund Balance - August 31 (Ending)	\$ 170,126	\$ 170,125	\$ 295,334	\$ 125,209

THIS PAGE LEFT BLANK INTENTIONALLY

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



**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
Llano Independent School District
Llano, Texas

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Llano Independent School District as of and for the year ended August 31, 2009, which collectively comprise Llano Independent School District's basic financial statements and have issued our report thereon dated December 11, 2009. 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 Llano 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Llano Independent School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Llano 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 the District in a separate letter dated December 11, 2009.

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

Pattillo, Brown & Hill, L.L.P.

December 11, 2009



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

Board of Trustees
Llano Independent School District
Llano, Texas

Compliance

We have audited the compliance of Llano Independent School District (the “District”), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The District’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The management of Llano 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 the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Pattillo, Brown & Hill, L.L.P.

December 11, 2009

LLANO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2009

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Temple College</u>			
Career and Technical - Technical Preparation	84.243A	P009603	\$ 1,400
Career and Technical - Technical Preparation	84.243A	P009560	1,774
Career and Technical - Technical Preparation	84.243A	P009567	2,699
Total CFDA Number 84.243A			<u>5,873</u>
Total Passed Through Temple College			<u>\$ 5,873</u>
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	09610101150901	\$ 409,028
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101150901	21,443
Total CFDA Number 84.010A			<u>430,471</u>
IDEA - Part B, Formula	84.027	09660001509016600	366,240
IDEA - Part B, Formula	84.027	10660001509016600	14,987
IDEA - Part B, Discretionary	84.027	096600021509016677	104,406
IDEA - Part B, High Cost Risk Pool	84.027	09660006150901	2,711
Total CFDA Number 84.027			<u>488,344</u>
Career and Technical - Basic Grant	84.048	09420006150901	26,954
IDEA - Part B, Preschool	84.173	096610011509016610	10,085
IDEA - Part B, Preschool	84.173	106610011509016610	497
Total CFDA Number 84.173			<u>10,582</u>
ESEA Title IV - Safe and Drug-Free Schools	84.186A	09691001150901	5,888
Title II, Part D -Enhancing Ed. Through Technology	84.318X	0963000150901	3,937
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	09696001150901	62,918
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	09694501150901	90,602
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501150901	7,019
Total CFDA Number 84.367A			<u>97,621</u>
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551001150901	840
IDEA, Part B, Formula - ARRA	84.391	10554001150901	10,227
AARA of 2009-Title XIV-State Fiscal Stabilization	84.394	N/A	55,149
Total Passed Through State Department of Education			<u>\$ 1,192,931</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 1,198,804</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
Commodity Supplemental - Non-Cash Assistance	10.565	150001A	\$ 44,669
Total Passed Through the State Department of Agriculture			<u>\$ 44,669</u>
<u>Passed Through State Department of Education</u>			
School Breakfast Program	10.553	71400901	\$ 140,729
National School Lunch Program	10.555	71300901	406,570
Total Passed Through State Department of Education			<u>\$ 547,299</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 591,968</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,790,772</u>

LLANO INDEPENDENT SCHOOL DISTRICT

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

AUGUST 31, 2009

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Llano Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the financial statements.

LLANO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The District was classified as a low-risk auditee in the context of OMB Circular A-133
Major federal program	IDEA, Part B, CFDA #84.027, 84.173 IDEA, Part B-ARRA, CFDA #84.391 Title I, Part A, CFDA #84.010 Title I, Part A-ARRA CFDA #84.389

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

LLANO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2009

None