



# Llano

**LLANO INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
AUGUST 31, 2012**

LLANO INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012

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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, 2012, at a meeting of the Board of Trustees of such school district on the 21<sup>st</sup> day of January 2013.

  
\_\_\_\_\_  
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)

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## 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 (the District), as of and for the year ended August 31, 2012, which collectively comprise the District's basic 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 the 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 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of Llano Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 41 and 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

January 14, 2013

# LLANO INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2012

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, 2012. 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 2011-2012 fiscal year, the District expended the remaining bond funds to renovate an old vacant school building to become the new administrative offices, ABC classrooms, and board room/community center.
- In August 2011, the Board of Trustees approved four goals that were developed by the Trustees and the District's management. These goals address instructional improvements, teacher recruitment and retention, planning for a new administration building, and the gap between the Hispanic sub-group and English language learners. The District worked toward the four goals during 2011-2012, continuing the implementation of aligned curricula for core subjects district-wide, increasing early intervening services, increasing teacher salaries, offering dual credit courses, substantially completing the administration building, and implementation of the plan to close the gap between the Hispanic sub-group and English language learners. The goals were reviewed and updated in September 2012 for the 2012-2013 fiscal year.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$30,139,000 (*net assets*). Of this amount, \$7,506,964 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$1,757,990.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,285,507, a decrease of \$2,013,542 in comparison with the prior year. This decrease was attributable to a decrease in the General fund balance and the expenditure of 2007 bond proceeds and remaining technology allotment, offset by increases in the Debt Service and Child Nutrition Program fund balances.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,934,274, or 14% of total General Fund expenditures. During the year, the fund balance of the General Fund decreased by \$1,367,483.

### 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 \$28,381,010 to \$30,139,000. 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 \$7,506,964.

**LLANO INDEPENDENT SCHOOL DISTRICT**

**NET ASSETS**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 11,234,268	\$ 13,691,614
Capital assets	<u>37,471,285</u>	<u>36,694,797</u>
Total assets	<u>48,705,553</u>	<u>50,386,411</u>
Current liabilities	2,556,277	2,965,433
Long-term liabilities	<u>16,010,276</u>	<u>19,039,968</u>
Total liabilities	<u>18,566,553</u>	<u>22,005,401</u>
Net assets:		
Invested in capital assets, net of related debt	21,431,204	18,694,284
Restricted	1,200,832	896,448
Unrestricted	<u>7,506,964</u>	<u>8,790,278</u>
Total net assets	<u>\$ 30,139,000</u>	<u>\$ 28,381,010</u>

**LLANO INDEPENDENT SCHOOL DISTRICT**

**CHANGES IN NET ASSETS**

	Governmental Activities	
	2012	2011
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 500,043	\$ 511,941
Operating grants and contributions	2,766,990	3,310,008
General revenues:		
Property taxes	34,086,749	34,907,464
Grants and contributions - not restricted	2,928,435	3,033,080
Investment earnings	53,763	44,381
Other	271,760	335,024
Total revenues	40,607,740	42,141,898
Chapter 41 (Robin Hood) payments	17,202,835	16,674,778
Revenues available to the District	23,404,905	25,467,120
<b>EXPENSES</b>		
Instruction and instructional related	11,299,488	12,062,479
Instructional leadership/school administration	1,439,698	1,289,318
Guidance, social work, health and transportation	1,870,837	1,887,391
Food services	1,128,678	1,087,802
Co-curricular/extracurricular activities	1,305,411	1,240,817
General administration and other intergovernmental charges	1,191,013	1,134,314
Plant maintenance and security	2,103,727	2,132,311
Data processing services	524,464	537,843
Debt service	783,599	910,968
Total expenses	21,646,915	22,283,243
<b>INCREASE IN NET ASSETS</b>	1,757,990	3,183,877
<b>NET ASSETS, BEGINNING</b>	28,381,010	25,197,133
<b>NET ASSETS, ENDING</b>	\$ 30,139,000	\$ 28,381,010

The District's net assets increased by \$1,757,990 during the fiscal year. Key elements of this increase are as follows:

- Net assets invested in capital assets, net of related debt, increased by \$2.7 million because capital asset purchases and principal payments on debt exceeded depreciation and bond issuance costs by this amount. During 2011-12, the District paid \$3 million in principal payments on debt. The largest capital asset expenditure was to renovate an old vacant school building to become the new administrative offices, ABC classrooms, and board room/community center.
- Unrestricted net assets decreased by \$1,283,314 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.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The fund balance of the General Fund decreased by \$1,367,483. The major elements of this decrease are discussed below.

- The District originally budgeted a decrease in fund balance of \$479,652. This amount was increased by \$2,517,016 through budget amendments to a decrease in fund balance of \$2,996,668, as explained in the next section (General Fund Budgetary Highlights), below.
- General Fund revenues were \$33,649 more than the final budget:
  - Local M&O tax revenue exceeded budget by approximately \$151,000 due to higher-than-expected collections at year-end.
  - TRS On Behalf revenue fell short of budget by approximately \$20,000. This revenue is directly offset by an expenditure line item, so the net effect is \$0.
  - State revenue fell short of budget by approximately \$93,000 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 \$330,000 less than budgeted:
  - Vacancies and changes in personnel in certain positions throughout the year resulted in salary expenditures that were approximately \$240,000 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 \$90,000 less than budgeted.
- Non-salary expenditures were approximately \$1,266,000 less than budgeted:
  - Recapture (“Robin Hood”) costs were \$547,000 less than the final budget due to a year-end amendment that overestimated final recapture costs due to higher than originally expected tax collections.
  - Instructional and instruction-related non-salary expenditures were approximately \$249,000 less than budgeted as campuses stayed within their budgets for classroom and technology supplies, and expenditures for certain contracted special education services were lower than expected.
  - Student transportation non-salary expenditures were approximately \$62,000 less than budgeted primarily because fuel costs have been unpredictable and thus budgeted levels were higher than actual costs.
  - Co-curricular and extracurricular non-salary expenditures were approximately \$100,000 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 \$46,000 less than budgeted because supply costs, election costs, and employee travel were lower than expected.
  - Plant maintenance and operation expenditures were approximately \$148,000 less than budgeted primarily because utility costs and supplies needed for summer projects were lower than expected.
  - Facilities and construction non-salary expenditures were approximately \$54,000 less than budgeted primarily due to timing differences in the final completion of the renovation project and due to budgeted contingencies in the project that were not spent.
  - Payments to fiscal agents SSA expenditures were approximately \$18,000 less than budgeted due to a grant received in 2011-12 that covered those costs.

The fund balance for 2007 Bond Construction was depleted in 2011-12, decreasing by \$934,500. Bond funds expended in 2011-12 totaled \$934,917, and the proceeds earned \$417 in interest during the fiscal year.

The fund balance for Other Funds increased by \$288,441. This increase was mainly due to an increase in the fund balance of the Debt Service Fund of \$317,460 as tax collections were higher than expected. The increase was also attributable to an increase of \$1,719 in the fund balance of the Child Nutrition Program. This program is allowed to maintain a fund balance not greater than three months' operating expenditures. The year-end fund balance of \$302,438 represents approximately 3 months of Child Nutrition Program expenditures. The increase was offset by a decrease of \$30,738 in the fund balance of the Technology Allotment fund as that allotment was eliminated.

### **Expenditures Per Student**

Expenditures per student for fiscal year 2012 and 2011 were \$7,844 and \$7,494, respectively. The increase of \$350 per student was mainly due to a change in the calculation of the weighted average daily attendance (WADA) for fiscal year 2012. For fiscal year 2012, the regular program allotment weight was reduced to 92.39%, which effectively reduced WADA for all districts. If the calculation for WADA had not been changed, our expenditures per student would have remained constant.

Expenditures per student were calculated by dividing total expenditures related to governmental funds less debt service, capital outlay, TRS On-Behalf, and intergovernmental charges by weighted average daily attendance (WADA). Total expenditures less debt service, capital outlay, TRS On-Behalf, and intergovernmental charges for fiscal year 2012 and 2011 were \$17,813,657 and \$18,218,324, respectively. WADA for fiscal year 2012 and 2011 were 2,271 and 2,431, respectively.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The fund balance of the District's General Fund, \$7,076,328, differs from the General Fund's budgetary fund balance of \$5,447,143 (see Exhibit G-1). The fund balance decreased less than 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 \$1,300,000, increases in expected collections of other local revenue in the amount of \$44,250, and an increase in interest on temporary investments of \$18,000. These increases were offset by a decrease in budgeted revenues related to state aid of \$429,000. Significant changes to the budgeted expenditures included increasing facilities acquisition and construction by \$1,921,792 for costs associated with the renovation of an old vacant school building to become the new administrative offices, ABC classrooms, and board room/community center, and costs to waterproof the high school and repair the roof. Additional expenditure changes also included increasing the legal services budget by \$38,000 due to unforeseen legal needs, and increasing recapture ("Robin Hood") costs by \$1,434,040 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 2012, the District had approximately \$37 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 no net change as compared to the prior year. This year's major additions to capital assets include:

#### **Bond-related additions:**

- Renovation of the old junior high (currently a vacant building) to become new administrative offices, ABC classrooms and board room/community center in the amount of \$934,917 (partial renovation costs; remainder funded through the General Fund, see below).

#### **Additions funded through the General Fund:**

- Renovation of the old junior high (currently a vacant building) to become new administrative offices, ABC classrooms and board room/community center in the amount of \$1,653,983 (partial renovation costs; remainder funded through bond funds, see above);
- Partial resurfacing of the track around the football stadium in the amount of \$17,200;
- Purchase of a new floor machine to be utilized by the Packsaddle Elementary custodians in the amount of \$6,015;
- John Deere mower for the maintenance department usage in the amount of \$6,792;
- A HP Proliant Hypru Server for Windows Imaging in the amount of \$8,840;
- A HP Proliant Exchange Server in the amount of \$6,471;
- Carpet in the high school band hall in the amount of \$6,356;
- Corrective angle iron work on the high school roof in the amount of \$24,514; and
- Waterproofing of the stone exterior walls of the high school building in the amount of \$189,264.

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. 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 \$16 million in long-term debt outstanding versus \$19 million last year – a decrease of \$3 million. During the year, principal payments on outstanding long-term debt totaled \$3,000,000. 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 2011-2012 budget and tax rates. The District used a conservative approach to budgeting again for fiscal year 2012-2013.

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 September 2012, the Trustees approved four 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 2012-13 school year:

- Significantly increase students' academic proficiency by recruiting and retaining high quality teachers;
- Plan for retirement of I&S Bonds and future bond elections;
- Develop a plan to improve academic instruction for the district's advanced learners; and
- Implement the plan developed 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 slight 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. During a special session of the 82<sup>nd</sup> Texas legislature, SB 1 was passed that effectively cut state funding for school districts by \$4 billion over the next biennium. The District is expected to have a reduction of approximately \$2 million due to these state wide cuts. The District plans to continue budgeting conservatively to assure that it maintains fund balance and continues to improve the financial stability of the District.

In 2011, the federal government granted funds to schools in Texas in an effort to stimulate the economy. These funds represented new money to Llano ISD, and must be utilized to save or create education jobs. These funds were only available through the 2011-12 school year. All other funds previously granted by the federal government in 2009 and 2010 have been expended and no longer available to use for future years.

## **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, 1400 Oatman, Llano, Texas.



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## BASIC FINANCIAL STATEMENTS

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**LLANO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2012**

<u>Data Control Codes</u>	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
1110 Cash and cash equivalents	\$ 343,660
1120 Current investments	10,092,613
1220 Delinquent property taxes receivables	971,400
1230 Allowance for uncollectible taxes (credit)	( 692,774)
1240 Due from other governments	89,109
1410 Deferred expenses	150,054
1420 Capital bond and other debt issuance costs	280,206
Capital assets:	
1510 Land	816,461
1520 Buildings and improvements, net	30,885,836
1530 Furniture and equipment, net	3,022,366
1580 Construction in progress	<u>2,746,622</u>
1000 Total assets	<u>48,705,553</u>
<b>LIABILITIES</b>	
2110 Accounts payable	509,079
2140 Interest payable	29,818
2150 Payroll deductions and withholdings	365
2160 Accrued wages	569,121
2180 Due to other governments	1,445,408
2300 Unearned revenue	2,486
Noncurrent liabilities:	
2501 Due within one year	2,939,887
2502 Due in more than one year	<u>13,070,389</u>
2000 Total liabilities	<u>18,566,553</u>
<b>NET ASSETS</b>	
3200 Invested in capital assets, net of related debt	21,431,204
Restricted for:	
3820 Federal and state programs	302,538
3850 Debt service	898,294
3900 Unrestricted	<u>7,506,964</u>
3000 Total net assets	<u>\$ 30,139,000</u>

**The accompanying notes are an integral part of this financial statement.**

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**LLANO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
11	Instruction	\$ 10,889,531	\$ 16,105	\$ 1,687,938	\$( 9,185,488)
12	Instructional resources and media services	375,571	-	34,815	( 340,756)
13	Curriculum and staff development	34,386	-	13,061	( 21,325)
21	Instructional leadership	162,356	-	8,519	( 153,837)
23	School leadership	1,277,342	-	67,004	( 1,210,338)
31	Guidance, counseling, and evaluation services	630,212	-	47,658	( 582,554)
32	Social work services	30,171	-	1,832	( 28,339)
33	Health services	176,219	-	8,761	( 167,458)
34	Student transportation	1,033,885	-	50,649	( 983,236)
35	Food service	1,128,678	415,475	683,393	( 29,810)
36	Extracurricular activities	1,305,411	68,463	47,530	( 1,189,418)
41	General administration	891,056	-	33,586	( 857,470)
51	Facilities maintenance and operations	2,017,464	-	44,738	( 1,972,726)
52	Security and monitoring services	86,263	-	2,467	( 83,796)
53	Data processing services	524,464	-	17,092	( 507,372)
61	Community services	350	-	-	( 350)
72	Interest on long-term debt	733,612	-	-	( 733,612)
73	Bond issuance costs and fees	49,987	-	-	( 49,987)
91	Contracted instructional services between schools	17,202,835	-	-	( 17,202,835)
93	Payments related to shared services arrangements	17,947	-	17,947	-
99	Other governmental changes	282,010	-	-	( 282,010)
TG	Total governmental activities	\$ 38,849,750	\$ 500,043	\$ 2,766,990	( 35,582,717)

Data  
Control  
Codes

## General revenues:

## Taxes:

MT	Property taxes, levied for general purposes	30,022,618
DT	Property taxes, levied for debt service	4,064,131
GC	Grants and contributions not restricted to specific programs	2,928,435
IE	Investment earnings	53,763
MI	Miscellaneous	271,760
TR	Total general revenues	<u>37,340,707</u>
CN	Change in net assets	1,757,990
NB	Net assets, beginning	<u>28,381,010</u>
NE	Net assets, ending	<u>\$ 30,139,000</u>

**The accompanying notes are an integral part of this financial statement.**

**LLANO INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2012**

Data Control Codes	10	50
<u>          </u>	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
1110	\$ 31,194	\$ 24,447
1120	9,177,865	864,747
1220	850,497	120,903
1230	( 610,304)	( 82,470)
1240	3,360	485
1260	21,843	-
1410	<u>150,054</u>	<u>-</u>
1000	<u>\$ 9,624,509</u>	<u>\$ 928,112</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110	\$ 475,198	\$ -
2150	365	-
2160	506,585	-
2170	-	-
2180	1,445,408	-
2300	<u>120,625</u>	<u>21,471</u>
2000	<u>2,548,181</u>	<u>21,471</u>
Fund balances:		
Nonspendable:		
3430	150,054	-
Restricted for:		
3450	-	-
3480	-	906,641
Assigned for:		
3545	1,992,000	-
3600	<u>4,934,274</u>	<u>-</u>
3000	<u>7,076,328</u>	<u>906,641</u>
4000	<u>\$ 9,624,509</u>	<u>\$ 928,112</u>

**The accompanying notes are an integral part of this financial statement.**

<u>Other Governmental</u>	<u>98 Total Governmental Funds</u>
\$ 288,019	\$ 343,660
50,001	10,092,613
-	971,400
-	( 692,774)
85,264	89,109
-	21,843
-	<u>150,054</u>
<u>\$ 423,284</u>	<u>\$ 10,975,905</u>
\$ 33,881	\$ 509,079
-	365
62,536	569,121
21,843	21,843
-	1,445,408
2,486	<u>144,582</u>
<u>120,746</u>	<u>2,690,398</u>
-	150,054
302,538	302,538
-	906,641
-	1,992,000
-	<u>4,934,274</u>
<u>302,538</u>	<u>8,285,507</u>
<u>\$ 423,284</u>	<u>\$ 10,975,905</u>



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**LLANO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012**

<b>Total Fund Balances - Governmental Funds</b>	\$ 8,285,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,471,285
Uncollected property taxes are reported as deferred revenue in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	142,096
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net assets.	( 16,010,276)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	( 29,818)
Bond issuance costs are reported in the governmental funds as an expenditure and the costs net of amortization are reported as an asset in the statement of net assets.	<u>280,206</u>
<b>Total net assets of governmental activities</b>	<b><u><u>\$ 30,139,000</u></u></b>

**The accompanying notes are an integral part of this financial statement.**

**LLANO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		<u>General</u>	<u>Debt Service</u>
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 30,429,218	\$ 4,056,250
5800	State programs	3,614,439	-
5900	Federal programs	<u>-</u>	<u>-</u>
5020	Total revenues	<u>34,043,657</u>	<u>4,056,250</u>
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	8,225,831	-
0012	Instructional resources and media services	336,638	-
0013	Curriculum and staff development	21,325	-
0021	Instructional leadership	156,642	-
0023	School leadership	1,236,630	-
0031	Guidance, counseling, and evaluation services	614,946	-
0032	Social work services	30,171	-
0033	Health services	176,606	-
0034	Student transportation	759,196	-
0035	Food service	-	-
0036	Extracurricular activities	1,079,918	-
0041	General administration	888,201	-
0051	Facilities maintenance and operations	2,009,207	-
0052	Security and monitoring services	72,601	-
0053	Data processing services	450,274	-
0061	Community services	350	-
Debt service:			
0071	Principal on long-term debt	-	3,000,000
0072	Interest on long-term debt	-	738,040
0073	Bond issuance costs and fees	-	750
0081	Capital outlay	1,867,759	-
Intergovernmental:			
0091	Contracted instructional services between schools	17,202,835	-
0093	Payments related to shared services arrangements	-	-
0099	Other intergovernmental charges	<u>282,010</u>	<u>-</u>
6030	Total expenditures	<u>35,411,140</u>	<u>3,738,790</u>
	<b>NET CHANGE IN FUND BALANCES</b>	( 1,367,483)	317,460
0100	<b>FUND BALANCES, BEGINNING</b>	<u>8,443,811</u>	<u>589,181</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 7,076,328</u>	<u>\$ 906,641</u>

**The accompanying notes are an integral part of this financial statement.**

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 416,799	\$ 34,902,267
124,571	3,739,010
<u>1,956,415</u>	<u>1,956,415</u>
<u>2,497,785</u>	<u>40,597,692</u>
1,309,816	9,535,647
19,644	356,282
13,061	34,386
-	156,642
11,002	1,247,632
16,432	631,378
-	30,171
-	176,606
18,751	777,947
1,084,570	1,084,570
21,678	1,101,596
-	888,201
13,486	2,022,693
-	72,601
-	450,274
-	350
-	3,000,000
-	738,040
-	750
934,917	2,802,676
-	17,202,835
17,947	17,947
-	<u>282,010</u>
<u>3,461,304</u>	<u>42,611,234</u>
( 963,519)	( 2,013,542)
<u>1,266,057</u>	<u>10,299,049</u>
<u>\$ 302,538</u>	<u>\$ 8,285,507</u>

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**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, 2012**

Net change in fund balances - total governmental funds		\$( 2,013,542)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		776,488
<p>Some property taxes are not considered available revenues and are deferred in the governmental funds.</p>		10,048
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current year.</p>		3,000,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Amortization of bond issuance cost	\$( 49,237)	
Amortization of loss on refunding	( 32,666)	
Amortization of premium on issuance of bonds	32,553	
Interest payable	4,541	
Compensated absences	29,805	
		( 15,004)
Change in net assets of governmental activities		\$ 1,757,990

**The accompanying notes are an integral part of this financial statement.**

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**LLANO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2012**

	Private Purpose Trusts	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 163,324	\$ 183,304
Investments - current	<u>38,444</u>	<u>-</u>
Total assets	<u>201,768</u>	<u>\$ 183,304</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>183,304</u>
Total liabilities	<u>-</u>	<u>\$ 183,304</u>
<b>NET ASSETS</b>		
Restricted for scholarships	<u>201,768</u>	
Total net assets	<u>\$ 201,768</u>	

**The accompanying notes are an integral part of this financial statement.**



**LLANO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

	<u>Private Purpose Trusts</u>
<b>ADDITIONS</b>	
Contributions:	
Local and intermediate sources	\$ 16,711
Total contributions	<u>16,711</u>
Total additions	<u>16,711</u>
<b>DEDUCTIONS</b>	
Other operating costs	<u>18,035</u>
Total deductions	<u>18,035</u>
<b>CHANGE IN NET ASSETS</b>	( 1,324)
<b>NET ASSETS, BEGINNING</b>	<u>203,092</u>
<b>NET ASSETS, ENDING</b>	<u><u>\$ 201,768</u></u>

The accompanying notes are an integral part of this financial statement.

**LLANO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**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 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.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. This District's private purpose trust fund's activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The District uses an agency fund to account for assets held for student groups. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

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 net 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.

**(continued)**

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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, 2012, the rates were \$1.04 and \$0.14, 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. *Deferred Expenses/Expenditures***

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as deferred expenses/expenditures.

**4. *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)**

**5. *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

**6. *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.

**7. *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)

#### 8. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The School Board delegated the responsibility to assign fund balance not to exceed \$50,000 individually or 10% of unassigned fund balance in total to the Superintendent or his designee. The School Board has the authority to assign any amount of fund balance.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

(continued)

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **9. *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.

#### **10. *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, 2012, will change.

#### **11. *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, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Logic	\$ 3,935,066	47
Lone Star - Corporate	6,195,988	61
TexSTAR	1	50

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, 2012, the District's deposit balance was entirely covered by FDIC insurance and securities held in the name of the District by the pledging financial institution.

(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 & Poor's Investors Service.

Logic	AAAm
Lone Star	AAAf/S1+
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, 2012, are summarized below.

<u>Fund</u>	<u>Property Tax Penalty and Interest</u>	<u>Federal Programs</u>
General	\$ 3,360	\$ -
Debt service	485	-
Nonmajor governmental funds	<u>-</u>	<u>85,264</u>
	<u>\$ 3,845</u>	<u>\$ 85,264</u>

(continued)

## II. DETAILED NOTES ON ALL FUNDS (Continued)

### C. Capital Assets

Capital assets activity for the year ended August 31, 2012, was as follows:

	Beginning Balance 08/31/11	Increases	Decreases/ Reclassifications	Ending Balance 08/31/12
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 816,461	\$ -	\$ -	\$ 816,461
Construction in progress	<u>157,724</u>	<u>2,588,898</u>	<u>-</u>	<u>2,746,622</u>
Total capital assets, not being depreciated	<u>974,185</u>	<u>2,588,898</u>	<u>-</u>	<u>3,563,083</u>
Capital assets, being depreciated:				
Buildings	44,503,227	213,778	-	44,717,005
Furniture and equipment	<u>7,483,618</u>	<u>51,673</u>	<u>-</u>	<u>7,535,291</u>
Total capital assets, being depreciated	<u>51,986,845</u>	<u>265,451</u>	<u>-</u>	<u>52,252,296</u>
Less accumulated depreciation for:				
Buildings	( 12,455,848)	( 1,375,321)	-	( 13,831,169)
Furniture and equipment	<u>( 3,810,385)</u>	<u>( 702,540)</u>	<u>-</u>	<u>( 4,512,925)</u>
Total accumulated depreciation	<u>( 16,266,233)</u>	<u>( 2,077,861)</u>	<u>-</u>	<u>( 18,344,094)</u>
Total capital assets, being depreciated, net	<u>35,720,612</u>	<u>( 1,812,410)</u>	<u>-</u>	<u>33,908,202</u>
Governmental activities capital assets, net	<u>\$ 36,694,797</u>	<u>\$ 776,488</u>	<u>\$ -</u>	<u>\$ 37,471,285</u>

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

<b>Governmental activities:</b>	
Instruction	\$ 1,372,476
Instructional resources and media services	19,420
Instructional leadership	6,249
School leadership	31,185
Student (pupil) transportation	256,283
Food services	45,690
Extracurricular activities	203,815
General administration	8,447
Facilities maintenance and operations	31,133
Security and monitoring services	13,662
Data processing services	<u>89,501</u>
Total depreciation expense - governmental activities	<u>\$ 2,077,861</u>

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund Receivables and Payables**

The composition of interfund balances as of August 31, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ <u>21,843</u>
		\$ <u>21,843</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.

**E. 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)	\$ 120,625	\$ -
Delinquent property taxes receivable (Debt service fund)	21,471	-
Grants drawn down prior to meeting all eligibility requirements	<u>-</u>	<u>2,486</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 142,096</u>	<u>\$ 2,486</u>

**F. Long-term Debt**

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

	<u>Balance 08/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08/31/12</u>	<u>Amounts Due in One Year</u>
Bonds	\$ 18,760,000	\$ -	\$ 3,000,000	\$ 15,760,000	\$ 2,940,000
Deferred loss on refunding	( 98,784)	-	( 32,666)	( 66,118)	( 32,666)
Premium on bonds	273,797	-	32,553	241,244	32,553
Compenasted absences	<u>104,955</u>	<u>10,800</u>	<u>40,605</u>	<u>75,150</u>	<u>-</u>
Totals	<u>\$ 19,039,968</u>	<u>\$ 10,800</u>	<u>\$ 3,040,492</u>	<u>\$ 16,010,276</u>	<u>\$ 2,939,887</u>

Compensated absences are generally liquidated by the General Fund.

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Long-term Debt (Continued)**

*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, 2012, is as follows:

Description	Interest Rate Payable	Amount Original Issue	Interest Paid in Current Year	Amount Outstanding 08/31/11	Issued	Retired	Amount Outstanding 08/31/12
Unlimited Tax Refunding Bond Series 2005	3.25% to 4.5%	\$ 4,860,000	\$ 125,640	\$ 3,245,000	\$ -	\$ 305,000	\$ 2,940,000
Unlimited Tax Bond Series 2007	4.25% to 5%	14,310,000	524,875	11,630,000	-	760,000	10,870,000
Unlimited Tax Refunding Bonds Series 2009	0.0% to 3%	8,299,978	87,525	3,885,000	-	1,935,000	1,950,000
Totals			\$ 738,040	\$ 18,760,000	\$ -	\$ 3,000,000	\$ 15,760,000

(continued)

## II. DETAILED NOTES ON ALL FUNDS (Continued)

### F. Long-term Debt (Continued)

#### *Bonds Payable* (Continued)

Debt service requirements for bonds are as follows:

Year Ended August 31,	Governmental Activities		Total Requirements
	Principal	Interest	
2013	\$ 2,940,000	\$ 635,090	\$ 3,575,090
2014	1,030,000	562,510	1,592,510
2015	1,075,000	517,675	1,592,675
2016	1,120,000	470,560	1,590,560
2017	1,170,000	422,025	1,592,025
2018-2022	4,390,000	1,468,045	5,858,045
2023-2027	<u>4,035,000</u>	<u>524,375</u>	<u>4,559,375</u>
Totals	<u>\$ 15,760,000</u>	<u>\$ 4,600,280</u>	<u>\$ 20,360,280</u>

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, 2012.

#### *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, 2012, \$1,380,000 of bonds considered defeased is still outstanding.

### G. 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 2012 were \$109,790.

(continued)

**II. DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Operating Leases (Continued)**

The following is a summary of minimum future payments on non-cancellable operating leases in effect as of August 31, 2012.

<u>Year Ending</u>	
2013	\$ 67,807
2014	67,807
2015	63,723
2016	42,632
2017	<u>20,069</u>
Total	<u>\$ 262,038</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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

(continued)

### III. OTHER INFORMATION (Continued)

#### A. Defined Benefit Pension Plan (Continued)

Contribution rates and contributions for fiscal years 2010-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the District is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Amounts					
Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2010	6.4%	\$ 750,582	6.644%	\$ 579,849	\$ 111,541
2011	6.4%	760,124	6.644%	595,748	120,461
2012	6.4%	744,706	6.000%	537,500	108,460

#### B. Health Insurance

During the period ended August 31, 2012, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$240 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the state-wide plan 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](http://www.trs.state.tx.us), under the TRS Publications heading.

(continued)



### III. OTHER INFORMATION

#### 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](http://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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2010-2012.

Contribution Rates and Amounts						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2010	0.65%	\$ 76,238	1.0%	\$ 117,289	0.55%	\$ 64,509
2011	0.65%	77,200	1.0%	118,769	0.55%	65,323
2012	0.65%	75,635	1.0%	116,360	0.55%	63,998

**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 \$26,226, \$27,862, and \$29,919 were recognized for the years ended August 31, 2012, 2011, and 2010, respectively, as equal revenues and expenditures.

(continued)

**III. OTHER INFORMATION (Continued)**

**C. Retiree Health Plan (Continued)**

*Early Retiree Reinsurance Program– On-behalf Payments.* The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPAVA). A provision of the PPAVA allows the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive a reimbursement from the federal government for a portion of the cost to provide health benefits to retirees between the ages of 55 – 64 and their covered dependents regardless of age. The on-behalf payment of \$28,918 was recognized for the year ended August 31, 2012, as equal revenues and expenditures.

**D. Risk Management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries insurance through the TASB Risk Management Fund (the Fund). During the year ended August 31, 2012, the District participated in the following programs with coverage in the following areas:

<u>Program</u>	<u>Coverage Areas</u>
Property Casualty program	Auto physical damage Crime Equipment breakdown Property
Liability program	Auto liability General liability Manuscript special Sexual misconduct endorsement SP legal liability

The fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the property and liability programs. 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, 2012, the fund anticipates Llano ISD has no additional liability for either the property or liability program beyond the contractual obligations for payment of contributions.

During the year ended August 31, 2012, Llano ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund. The fund's Workers' Compensation program is authorized by Chapter 504, Texas Labor Code. 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, 2011, the fund carries a discounted reserve of \$72,540,560 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2012, 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)

During the year ended August 31, 2012, the District also provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund. 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.

The fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly 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 the Unemployment Compensation pool.

The TASB Risk Management 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 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, 2011, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

No settlements have exceeded coverage since the District joined the fund. In fiscal years 2012 and 2011, the District paid \$233,267 and \$231,397, respectively, to the fund for property, liability, workers' compensation, and unemployment protection. The District did not receive any dividends due to favorable losses in prior years.

#### E. Litigation 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 Llano County Appraisal District is a party in legal proceedings as a result of certain property taxpayers contesting their property value from tax year 2006 through tax year 2011. Llano ISD will be affected by the outcome of these proceedings as the amount of taxes paid to the District are based on property values. Should the taxpayers prevail, the amount of M&O taxes the District will have to refund will be offset by additional state aid owed to the District for those years and a refund of Chapter 41 payments made by the District as the M&O tax collections for those years affect state aid as well as Chapter 41 payments. No accrual has been made since the amount has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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**LLANO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 28,914,267	\$ 30,283,202	\$ 30,429,218	\$ 146,016
5800	State programs	<u>4,154,561</u>	<u>3,726,806</u>	<u>3,614,439</u>	<u>( 112,367)</u>
5020	Total revenues	<u>33,068,828</u>	<u>34,010,008</u>	<u>34,043,657</u>	<u>33,649</u>
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	8,780,879	8,661,655	8,225,831	435,824
0012	Instructional resources and media sources	377,317	357,497	336,638	20,859
0013	Curriculum and staff development	59,355	55,595	21,325	34,270
0021	Instructional leadership	159,198	160,325	156,642	3,683
0023	School leadership	1,089,855	1,257,860	1,236,630	21,230
0031	Guidance, counseling, and evaluation services	640,078	640,078	614,946	25,132
0032	Social work services	31,042	31,042	30,171	871
0033	Health services	168,570	183,367	176,606	6,761
0034	Student transportation	879,279	875,804	759,196	116,608
0036	Extracurricular activities	1,165,563	1,205,654	1,079,918	125,736
0041	General administration	912,242	941,999	888,201	53,798
0051	Facilities maintenance and operations	2,137,954	2,136,532	2,009,207	127,325
0052	Security and monitoring services	69,915	76,415	72,601	3,814
0053	Data processing services	462,863	450,704	450,274	430
0061	Community services	400	400	350	50
0081	Capital outlay	-	1,921,792	1,867,759	54,033
Intergovernmental:					
Contracted instructional services					
0091	between schools	16,315,960	17,750,000	17,202,835	547,165
0093	Payments related to shared services arrangements	16,000	17,947	-	17,947
0099	Other governmental charges	<u>282,010</u>	<u>282,010</u>	<u>282,010</u>	<u>-</u>
6030	Total expenditures	<u>33,548,480</u>	<u>37,006,676</u>	<u>35,411,140</u>	<u>1,595,536</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	( 479,652)	( 2,996,668)	( 1,367,483)	1,629,185
0100	<b>FUND BALANCES, BEGINNING</b>	<u>8,443,811</u>	<u>8,443,811</u>	<u>8,443,811</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 7,964,159</u>	<u>\$ 5,447,143</u>	<u>\$ 7,076,328</u>	<u>\$ 1,629,185</u>

**LLANO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**AUGUST 31, 2012**

**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.

## COMBINING STATEMENTS



**LLANO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012**

	Special Revenue Funds			
	211 ESEA I, A Improving Basic Program	224 IDEA- Part B Preschool	225 IDEA- Part B Preschool	226 IDEA- Part B Discretionary
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Current investments	-	-	-	-
Due from other governments	<u>32,959</u>	<u>26,633</u>	<u>682</u>	<u>230</u>
Total assets	<u>\$ 32,959</u>	<u>\$ 26,633</u>	<u>\$ 682</u>	<u>\$ 230</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 4,275	\$ -	\$ -	\$ -
Accrued wages	24,455	14,638	583	-
Due to other funds	4,229	11,995	99	230
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>32,959</u>	<u>26,633</u>	<u>682</u>	<u>230</u>
Fund balances:				
Restricted for:				
Federal or state programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 32,959</u>	<u>\$ 26,633</u>	<u>\$ 682</u>	<u>\$ 230</u>

Special Revenue Funds						
240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	283 IDEA, Pt B ARRA Formula	284 IDEA B Part B Preschool ARRA
\$ 281,822	\$ -	\$ -	\$ 1,216	\$ -	\$ -	\$ -
50,000	-	-	-	-	-	-
<u>16,108</u>	<u>-</u>	<u>4,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 347,930</u>	<u>\$ -</u>	<u>\$ 4,842</u>	<u>\$ 1,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 26,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,122	-	3,738	-	-	-	-
-	-	1,104	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,216</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>45,492</u>	<u>-</u>	<u>4,842</u>	<u>1,216</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>302,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>302,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 347,930</u>	<u>\$ -</u>	<u>\$ 4,842</u>	<u>\$ 1,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LLANO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012**

	Special Revenue Funds		
	285 ESEA I, A Improving Basic Program	287 Education Jobs	410 State Textbook
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 3,445
Current investments	-	-	-
Due from other governments	-	3,810	-
Total assets	\$ -	\$ 3,810	\$ 3,445
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 3,233
Accrued wages	-	-	-
Due to other funds	-	3,810	-
Deferred revenues	-	-	212
Total liabilities	-	3,810	3,445
Fund balances:			
Restricted for:			
Federal or state programs	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ 3,810	\$ 3,445

**EXHIBIT H-1**  
(Continued)

Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
411 Technology Allotment	429 Ready to Read	Total Nonmajor Special Revenue	697 2007 Bond Issue	Total Nonmajor Capital Projects	
\$ 100	\$ 1,058	\$ 287,641	\$ 378	\$ 378	\$ 288,019
-	-	50,000	1	1	50,001
-	-	85,264	-	-	85,264
<u>\$ 100</u>	<u>\$ 1,058</u>	<u>\$ 422,905</u>	<u>\$ 379</u>	<u>\$ 379</u>	<u>\$ 423,284</u>
\$ -	\$ -	\$ 33,878	\$ 3	\$ 3	\$ 33,881
-	-	62,536	-	-	62,536
-	-	21,467	376	376	21,843
-	1,058	2,486	-	-	2,486
-	1,058	120,367	379	379	120,746
100	-	302,538	-	-	302,538
100	-	302,538	-	-	302,538
<u>\$ 100</u>	<u>\$ 1,058</u>	<u>\$ 422,905</u>	<u>\$ 379</u>	<u>\$ 379</u>	<u>\$ 423,284</u>

**LLANO INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

	Special Revenue Funds			
	211 ESEA I, A Improving Basic Program	224 IDEA, Part B Formula	225 IDEA- Part B Preschool	226 IDEA- Part B Discretionary
<b>REVENUES</b>				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	-	-	-	-
Federal programs	<u>419,004</u>	<u>270,766</u>	<u>10,201</u>	<u>137,150</u>
Total revenues	<u>419,004</u>	<u>270,766</u>	<u>10,201</u>	<u>137,150</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	397,551	255,010	10,201	100,452
Instruction resources and media services	16,728	-	-	-
Curriculum and instructional staff development	4,725	-	-	-
School leadership	-	-	-	-
Guidance, counseling and evaluation services	-	15,756	-	-
Student transportation	-	-	-	18,751
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Capital outlay	-	-	-	-
Intergovernmental:				
Payments related to shared services arrangements	-	-	-	17,947
Total expenditures	<u>419,004</u>	<u>270,766</u>	<u>10,201</u>	<u>137,150</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	283 IDEA, Pt B ARRA Formula	284 IDEA B Part B Preschool ARRA
\$ 416,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,204	-	-	-	-	-	-
<u>662,189</u>	<u>28,305</u>	<u>79,315</u>	<u>-</u>	<u>38,610</u>	<u>12,290</u>	<u>2,179</u>
<u>1,099,775</u>	<u>28,305</u>	<u>79,315</u>	<u>-</u>	<u>38,610</u>	<u>12,290</u>	<u>2,179</u>
-	28,305	63,477	-	38,610	8,114	2,179
-	-	-	-	-	-	-
-	-	4,836	-	-	3,500	-
-	-	11,002	-	-	-	-
-	-	-	-	-	676	-
-	-	-	-	-	-	-
1,084,570	-	-	-	-	-	-
-	-	-	-	-	-	-
13,486	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,098,056</u>	<u>28,305</u>	<u>79,315</u>	<u>-</u>	<u>38,610</u>	<u>12,290</u>	<u>2,179</u>
1,719	-	-	-	-	-	-
<u>300,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 302,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LLANO INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012**

	Special Revenue Funds		
	285 ESEA I, A Improving Basic Program	287 Education Jobs	410 State Textbook
<b>REVENUES</b>			
Local and intermediate sources	\$ -	\$ -	\$ -
State programs	-	-	103,266
Federal programs	787	295,619	-
Total revenues	787	295,619	103,266
<b>EXPENDITURES</b>			
Current:			
Instruction	787	273,941	100,451
Instruction resources and media services	-	-	2,815
Curriculum and instructional staff development	-	-	-
School leadership	-	-	-
Guidance, counseling and evaluation services	-	-	-
Student transportation	-	-	-
Food services	-	-	-
Extracurricular activities	-	21,678	-
Facilities maintenance and operations	-	-	-
Capital outlay	-	-	-
Intergovernmental:			
Payments related to shared services arrangements	-	-	-
Total expenditures	787	295,619	103,266
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES, BEGINNING</b>	-	-	-
<b>FUND BALANCES, ENDING</b>	\$ -	\$ -	\$ -

**EXHIBIT H-2**  
(Continued)

Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
411 Technology Allotment	429 Ready to Read	Total Nonmajor Special Revenue	697 2007 Bond Issue	Total Nonmajor Capital Projects	
\$ -	\$ -	\$ 416,382	\$ 417	\$ 417	\$ 416,799
-	101	124,571	-	-	124,571
-	-	1,956,415	-	-	1,956,415
-	101	2,497,368	417	417	2,497,785
30,738	-	1,309,816	-	-	1,309,816
-	101	19,644	-	-	19,644
-	-	13,061	-	-	13,061
-	-	11,002	-	-	11,002
-	-	16,432	-	-	16,432
-	-	18,751	-	-	18,751
-	-	1,084,570	-	-	1,084,570
-	-	21,678	-	-	21,678
-	-	13,486	-	-	13,486
-	-	-	934,917	934,917	934,917
-	-	17,947	-	-	17,947
<u>30,738</u>	<u>101</u>	<u>2,526,387</u>	<u>934,917</u>	<u>934,917</u>	<u>3,461,304</u>
( 30,738)	-	( 29,019)	( 934,500)	( 934,500)	( 963,519)
<u>30,838</u>	<u>-</u>	<u>331,557</u>	<u>934,500</u>	<u>934,500</u>	<u>1,266,057</u>
<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 302,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,538</u>



**LLANO INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**AUGUST 31, 2012**

	827 Reynolds <u>Scholarship</u>	828 Edinger <u>Scholarship</u>	829 Mahon-Dahl <u>Scholarship</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 162,818	\$ 503	\$ 3	\$ 163,324
Investments	<u>-</u>	<u>28,783</u>	<u>9,661</u>	<u>38,444</u>
Total current assets	<u>162,818</u>	<u>29,286</u>	<u>9,664</u>	<u>201,768</u>
Total assets	<u>162,818</u>	<u>29,286</u>	<u>9,664</u>	<u>201,768</u>
<b>NET ASSETS</b>				
Restricted for scholarships	<u>162,818</u>	<u>29,286</u>	<u>9,664</u>	<u>201,768</u>
Total net assets	<u>\$ 162,818</u>	<u>\$ 29,286</u>	<u>\$ 9,664</u>	<u>\$ 201,768</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, 2012**

	827 Reynolds Scholarship	828 Edinger Scholarship	829 Mahon-Dahl Scholarship	Totals
<b>ADDITIONS</b>				
Local and intermediate sources	\$ 16,621	\$ 68	\$ 22	\$ 16,711
Total additions	<u>16,621</u>	<u>68</u>	<u>22</u>	<u>16,711</u>
<b>DEDUCTIONS</b>				
Other operating costs	18,035	-	-	18,035
Total deductions	<u>18,035</u>	<u>-</u>	<u>-</u>	<u>18,035</u>
<b>CHANGE IN NET ASSETS</b>	( 1,414)	68	22	( 1,324)
<b>NET ASSETS, BEGINNING</b>	<u>164,232</u>	<u>29,218</u>	<u>9,642</u>	<u>203,092</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 162,818</u>	<u>\$ 29,286</u>	<u>\$ 9,664</u>	<u>\$ 201,768</u>

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## REQUIRED TEA SCHEDULES

**LLANO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2012**

Last Ten Years Ended August 31,	1		2	3	10	20
	Tax Rates			Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 09/02/11	Current Year's Total Levy
	<u>Maintenance</u>	<u>Debt Service</u>				
2003 and prior years	Various	Various		Various	\$ 24,227	\$ -
2004	1.500000	0.104000		1,412,703,279	14,731	-
2005	1.500000	0.102000		1,508,025,758	16,901	-
2006	1.422000	0.107000		1,697,409,206	22,221	-
2007	1.300000	0.107700		1,862,797,755	38,498	-
2008	1.040000	0.150000		2,286,016,807	52,079	-
2009	1.040000	0.175000		2,581,923,292	108,786	-
2010	1.040000	0.175000		2,837,174,239	193,820	-
2011	1.040000	0.175000		2,859,324,774	533,700	-
2012	1.040000	0.140000		2,866,927,712	-	<u>33,829,747</u>
<b>1000 Totals</b>					<u>\$ 1,004,963</u>	<u>\$ 33,829,747</u>

**EXHIBIT J-1**

31	32	40	50
<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 08/31/12</u>
\$ 1,279	\$ 85	\$( 231)	\$ 22,632
411	29	( 446)	13,845
1,200	82	( 571)	15,048
6,697	504	1	15,021
10,588	877	( 234)	26,799
15,766	2,274	6,295	40,334
40,436	6,804	7,490	69,036
72,036	12,122	1,684	111,346
269,009	45,266	( 12,416)	207,009
<u>29,313,188</u>	<u>3,946,007</u>	<u>( 120,222)</u>	<u>450,330</u>
<u>\$ 29,730,610</u>	<u>\$ 4,014,050</u>	<u>\$( 118,650)</u>	<u>\$ 971,400</u>

**LLANO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013 - 2014  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**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	\$ -	\$ -	\$ 337,152	\$ 318,090	\$ -	\$ -	\$ 655,242
6149	Fringe benefits	-	-	-	-	-	-	-
6149	Fringe benefits	-	-	-	-	-	-	-
6211	Legal services	-	35,075	94,186	-	-	-	129,261
6212	Audit services	-	-	-	20,250	-	-	20,250
6213	Tax appraisal and collection	-	282,010	-	-	-	-	282,010
6214	Lobbying	-	-	-	-	-	-	-
621X	Other professional services	700	-	-	4,725	-	-	5,425
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	600	3,147	-	-	3,747
6240	Contractor maintenance and repair	-	-	-	-	25,150	-	25,150
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	7,759	2,778	-	-	10,537
6290	Miscellaneous contractors	3,589	-	180	4,262	-	-	8,031
6320	Textbooks and reading	-	-	250	-	-	-	250
6330	Testing materials	-	-	-	-	-	-	-
63XX	Other supplies materials	113	-	22,774	4,005	-	-	26,892
6410	Travel, subsistence, stipends	300	-	2,322	1,664	-	-	4,286
6420	Insurance and bonding costs	-	-	5,746	-	-	-	5,746
6430	Election costs	35	-	-	-	-	-	35
6490	Miscellaneous operating	230	-	13,737	4,532	-	-	18,499
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	-	-
6000	Total	\$ 4,967	\$ 317,085	\$ 484,706	\$ 363,453	\$ 25,150	\$ -	\$ 1,195,361

Total expenditures/expenses for General and Special Revenue Funds

9 \$ 37,937,527

Less: Deductions of unallowable costs

FISCAL YEAR

Total capital outlay (6600)	10	\$ 1,919,432
Total debt and lease (6500)	11	-
Plant maintenance (Function 51, 6100-6400)	12	1,986,331
Food (Function 35, 6341 and 6499)	13	478,704
Stipends (6413)	14	1,918
Column 4 (above) - Total indirect cost		<u>363,453</u>
Subtotal		<u>4,749,838</u>
Net allowed direct cost		33,187,689

CUMULATIVE

Total cost of buildings before depreciation (1520)	15	44,717,005
Historical cost of buildings over 50 years old	16	761,773
Amount of federal money in building cost (net of #16)	17	-
Total cost of furniture and equipment before depreciation (1530 & 1540)	18	7,535,291
Historical cost of furniture and equipment over 16 years old	19	291,713
Amount of federal money in furniture and equipment (net of #19)	20	228,558

- (8) Note A - \$ 25,150 in Function 53 expenditures are included in this report on administrative costs.  
\$ 282,010 in Function 99, expenditures for appraisal district costs are included in this report on administrative costs.

**LLANO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 400,500	\$ 402,045	\$ 416,382	\$ 14,337
5800	State programs	19,500	19,500	21,204	1,704
5900	Federal programs	<u>655,000</u>	<u>665,105</u>	<u>662,189</u>	<u>( 2,916)</u>
5020	Total revenues	<u>1,075,000</u>	<u>1,086,650</u>	<u>1,099,775</u>	<u>13,125</u>
<b>EXPENDITURES</b>					
Current:					
0035	Food service	1,083,112	1,121,762	1,084,570	37,192
0051	Facilities maintenance and operations	<u>16,900</u>	<u>16,900</u>	<u>13,486</u>	<u>3,414</u>
6030	Total expenditures	<u>1,100,012</u>	<u>1,138,662</u>	<u>1,098,056</u>	<u>40,606</u>
1100	<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>( 25,012)</u>	<u>( 52,012)</u>	<u>1,719</u>	<u>53,731</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	<u>( 25,012)</u>	<u>( 52,012)</u>	<u>1,719</u>	<u>53,731</u>
0100	<b>FUND BALANCES, BEGINNING</b>	<u>300,719</u>	<u>300,719</u>	<u>300,719</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 275,707</u>	<u>\$ 248,707</u>	<u>\$ 302,438</u>	<u>\$ 53,731</u>



**LLANO INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES</b>				
5700	Local and intermediate sources	\$ 3,850,699	\$ 3,850,699	\$ 4,056,250	\$ 205,551
5020	Total revenues	<u>3,850,699</u>	<u>3,850,699</u>	<u>4,056,250</u>	<u>205,551</u>
	<b>EXPENDITURES</b>				
	Debt service:				
0071	Principal on long-term debt	3,000,000	3,000,000	3,000,000	-
0072	Interest on long-term debt	738,040	738,040	738,040	-
0073	Bond issuance costs and fees	<u>3,000</u>	<u>3,000</u>	<u>750</u>	<u>2,250</u>
6030	Total expenditures	<u>3,741,040</u>	<u>3,741,040</u>	<u>3,738,790</u>	<u>2,250</u>
1100	<b>EXCESS (DEFICIENCY) OF</b>				
	<b>REVENUES OVER EXPENDITURES</b>	<u>109,659</u>	<u>109,659</u>	<u>317,460</u>	<u>207,801</u>
1200	<b>NET CHANGE IN FUND BALANCES</b>	109,659	109,659	317,460	207,801
0100	<b>FUND BALANCES, BEGINNING</b>	<u>589,181</u>	<u>589,181</u>	<u>589,181</u>	<u>-</u>
3000	<b>FUND BALANCES, ENDING</b>	<u>\$ 698,840</u>	<u>\$ 698,840</u>	<u>\$ 906,641</u>	<u>\$ 207,801</u>

FEDERAL AWARDS SECTION

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

Board of Trustees  
Llano Independent School District  
Llano, Texas

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, 2012, which collectively comprise Llano Independent School District's basic financial statements and have issued our report thereon dated January 14, 2013. 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**

Management of Llano Independent School District, is responsible for establishing and maintaining effective 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 Llano Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Llano Independent School District's internal control over financial reporting.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

January 14, 2013



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

Board of Trustees  
Llano Independent School District  
Llano, Texas

**Compliance**

We have audited Llano Independent School District's compliance (the "District"), with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2012. 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

## Internal Control Over Compliance

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

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Llano Independent School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion Llano Independent School District's compliance but not to provide an opinion on the effectiveness of Llano Independent School District's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Llano Independent School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

January 14, 2013

**LLANO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed through the Texas Education Agency</u>			
School Breakfast Program	10.553	71401001	\$ 154,325
National School Lunch Program	10.555	71301001	455,760
Total Passed through the Texas Education Agency			<u>610,085</u>
<u>Passed through the Texas Department of Agriculture</u>			
Commodities - Non-cash assistance	10.555	150001A	52,104
Total Passed through the Texas Department of Agriculture			<u>52,104</u>
Total Child Nutrition Cluster			<u>662,189</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<u>662,189</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
<u>Passed through the Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101150901	394,309
ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101150901	24,695
ESEA, Title I, Part A - Improving Basic Programs - ARRA	84.389A	10551001150901	787
Total Title I, Part A Cluster			<u>419,791</u>
IDEA - Part B, Formula	84.027A	126600011509016600	255,960
IDEA - Part B, Formula	84.027A	136600011509016600	14,806
IDEA - Part B, Discretionary	84.027A	126600021509016677	100,452
IDEA - Part B, High Cost Risk Pool	84.027A	12660006150901	36,698
IDEA - Part B, Preschool	84.173A	126610011509016610	9,618
IDEA - Part B, Preschool	84.173A	136610011509016610	583
IDEA - Part B, Formula - ARRA	84.391A	10554001150901	12,290
IDEA - Part B, Preschool - ARRA	84.392A	10555001150901	2,179
Total Special Education Cluster (IDEA)			<u>432,586</u>
Carl Perkins Basic Grant Formula	84.048A	12420006150901	<u>28,305</u>

(continued)



**LLANO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2012**

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION (Continued)</b>			
<u>Passed through the Texas Education Agency (Continued)</u>			
ESEA Title VI - Part B, Subpart 2, Rural & Low Income School Program	84.358B	12696001150901	\$ <u>38,610</u>
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	12694501150901	75,063
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	13694501150901	<u>4,252</u>
Total ESEA, Title II, Part A - Teacher/Principal Training			<u>79,315</u>
Education Jobs Fund	84.410A	11550101150901	<u>295,619</u>
Total Passed through the Texas Education Agency			<u>1,294,226</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>1,294,226</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ <u>1,956,415</u>

**LLANO INDEPENDENT SCHOOL DISTRICT**

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

**AUGUST 31, 2012**

**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, 2012**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
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Identification of major programs:

CFDA Numbers: 10.553, 10.555	Name of federal program or cluster: Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted 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, 2012**

None

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