



Llano

LLANO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2010**

LLANO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010

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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, 2010, at a meeting of the Board of Trustees of such school district on the 17th day of January, 2011.



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, 2010, 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2011, 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 part of the basic financial statements, is required by 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 as a whole. The combining statements and required TEA schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet). Exhibit J-3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

January 10, 2011

**LLANO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2010**

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, 2010. 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 2009-2010 fiscal year, the District used bond funds primarily for the following expenditures:
 - Added necessary furniture, fixtures, and equipment at Packsaddle Elementary to complete the new additions made to the school in the prior year;
 - Completed construction of the renovation of the old cafeteria at Llano Elementary into a teacher workroom, lounge, storage, and training facility;
 - Purchased seven school buses; and
 - Made improvements to the technology infrastructure.

The District expects to expend the remaining bond funds during the 2010-2011 fiscal year.

- In August 2009, the Board of Trustees approved seven goals that were developed by the Trustees and the District's management. These goals address student attendance, instructional improvements, teacher recruitment and retention, long-range planning, local internet access, the gap between the Hispanic subgroup and English language learners, and discipline management on campuses. The District worked toward all seven goals during 2009-2010, increasing activities that encourage attendance, continuing the implementation of aligned curricula for core subjects District-wide, increasing early intervening services, increasing teacher salaries, offering dual credit courses, completing the long-range facilities plan, improving local internet access, developing a plan to close the gap between the Hispanic subgroup and English language learners, and increasing the focus on student discipline. The goals were reviewed and updated in August 2010 for the 2010-2011 fiscal year.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$25,197,133 (*net assets*). Of this amount, \$8,036,247 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$3,198,360.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,313,213, a decrease of \$266,332 in comparison with the prior year. This decrease was attributable to the expenditure of 2007 bond proceeds, and offset by increases in the General, Debt Service, and Child Nutrition Program fund balances.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$3,884,727, or 12% of total General Fund expenditures. During the year, the fund balance of the General Fund increased by \$842,703.

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 \$21,998,773 to \$25,197,133. 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 \$8,036,247.

**LLANO INDEPENDENT SCHOOL DISTRICT
NET ASSETS**

	Governmental Activities	
	2010	2009
Current and other assets	\$ 13,031,296	\$ 13,072,546
Capital assets	<u>38,323,547</u>	<u>38,645,183</u>
Total assets	<u>51,354,843</u>	<u>51,717,729</u>
Current liabilities	3,196,840	2,806,709
Long-term liabilities	<u>22,960,870</u>	<u>26,912,247</u>
Total liabilities	<u>26,157,710</u>	<u>29,718,956</u>
Net assets:		
Invested in capital assets, net of related debt	16,549,827	14,569,948
Restricted	611,059	498,231
Unrestricted	<u>8,036,247</u>	<u>6,930,594</u>
Total net assets	<u>\$ 25,197,133</u>	<u>\$ 21,998,773</u>

**LLANO INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET ASSETS**

	Governmental Activities	
	2010	2009
REVENUES		
Program revenues:		
Charges for services	\$ 506,232	\$ 532,498
Operating grants and contributions	3,387,126	2,674,984
General revenues:		
Property taxes	34,640,272	31,614,232
Grants and contributions - not restricted	1,703,109	3,691,660
Investment earnings	43,914	288,733
Other	328,156	395,984
Total revenues	40,608,809	39,198,091
Chapter 41 (Robin Hood) payments	14,977,333	15,319,542
Revenues available to the District	25,631,476	23,878,549
EXPENSES		
Instruction and instructional related	12,333,105	11,749,949
Instructional leadership/school administration	1,282,773	1,202,418
Guidance, social work, health and transportation	1,779,004	1,641,984
Food services	1,088,221	1,060,397
Co-curricular/extracurricular activities	1,253,003	1,084,654
General administration and other intergovernmental charges	1,035,415	970,566
Plant maintenance and security	2,099,444	1,976,880
Data processing services	523,412	504,797
Debt service	1,038,739	1,205,683
Total expenses	22,433,116	21,397,328
INCREASE IN NET ASSETS	3,198,360	2,481,221
NET ASSETS, BEGINNING	21,998,773	19,517,552
NET ASSETS, ENDING	\$ 25,197,133	\$ 21,998,773

The District's net assets increased by \$3,198,360 during the fiscal year. Key elements of this increase are as follows:

- Unrestricted net assets increased by \$1,105,653 because General Fund revenues exceeded General Fund expenditures by approximately that amount. Please see "Financial Analysis of the District's Funds," below, for an explanation of this increase.
- Net assets invested in capital assets, net of related debt, increased by \$2 million because capital asset purchases and principal payments on debt exceeded depreciation and bond issuance costs by this amount. The largest capital asset expenditures were for the expansion and remodel of facilities at Llano Elementary School, renovation of athletic facilities, and the purchase of seven new school buses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The fund balance of the General Fund increased by \$842,703. The major elements of this increase are discussed below.

- The District originally budgeted an increase in fund balance of \$35,936. This amount was increased by an additional \$494,729 through budget amendments, as explained in the next section (General Fund Budgetary Highlights), below.
- General Fund revenues were \$512,284 less than the final budget:
 - Local M&O tax revenue exceeded budget by approximately \$177,000 due to higher-than-expected collections at year-end.
 - TRS On Behalf revenue fell short of budget by approximately \$21,000. This revenue is directly offset by an expenditure line item, so the net effect is \$0.
 - State revenue fell short of budget by approximately \$585,000 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.
 - Interest on investments revenue fell short of budget by approximately \$86,000 due to lower-than-expected interest rates caused by the current economy.
- Salary expenditures were approximately \$305,000 less than budgeted:
 - Vacancies in certain positions throughout the year resulted in salary expenditures that were approximately \$201,000 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 \$104,000 less than budgeted.
- Non-salary expenditures were approximately \$520,000 less than budgeted:
 - Recapture (“Robin Hood”) costs were \$131,000 more than the final budget because tax collections at year-end were higher than expected. This is a variance of less than 1%.
 - Instructional and instruction-related non-salary expenditures were approximately \$297,000 less than budgeted as campuses stayed within their budgets for classroom supplies, and expenditures for certain contracted special education services were lower than expected.
 - Student transportation non-salary expenditures were approximately \$75,000 less than budgeted primarily because fuel costs did not remain at the budgeted levels.
 - Co-curricular and extracurricular non-salary expenditures were approximately \$42,000 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 \$47,000 less than budgeted because legal fees, supply costs, election costs, and employee travel were lower than expected.
 - Plant maintenance and operation expenditures were approximately \$152,000 less than budgeted primarily because utility costs were lower than expected.
 - Security and monitory services expenditures were approximately \$5,000 less than budgeted because supply costs were lower than expected.
 - Technology expenditures were approximately \$33,000 less than budgeted because this department stayed within its budget for supplies and professional services.

The fund balance for 2007 Bond Construction decreased by \$1,228,846. Bond funds expended in 2009-10 totaled \$1,232,385, and the proceeds earned \$3,539 in interest during the fiscal year.

The fund balance for Other Funds increased by \$122,524. This increase was partially due to an increase in the fund balance of the Debt Service Fund of \$58,930 as tax collections were higher than expected. The increase was also attributable to an increase of \$63,028 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 \$280,234 represents approximately 2.5 months of Child Nutrition Program expenditures.

Expenditures Per Student

Expenditures per student for fiscal year 2010 and 2009 were \$7,370 and \$7,512, respectively. The decrease of \$142 per student was mainly due to a change in the calculation of the weighted average daily attendance which now accounts for a mid-sized District adjustment. The decrease was offset by District-wide increases in salaries and wages, plus increased costs related to supplies and materials for instructional uses.

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 2010 and 2009 were \$18,277,033 and \$17,254,320, respectively. WADA for fiscal year 2010 and 2009 were 2,480 and 2,297, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fund balance of the District's General Fund, \$7,584,727, differs from the General Fund's budgetary fund balance of \$7,272,689 (see Exhibit G-1). The fund balance increased more 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 \$1,289,419, increases in expected collections of other local revenue in the amount of \$109,233, and an increase in insurance recovery of \$9,973. Significant changes to the budgeted expenditures included increasing facilities acquisition and construction by \$221,252 for costs associated with the construction and remodel of athletic facilities, technology expenditures \$46,345 due to the receipt of e-rate funds, and increasing recapture ("Robin Hood") costs by \$604,302 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 2010, the District had approximately \$38 million invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. This amount represents a net decrease of \$1 million as compared to the prior year. This year's major additions to capital assets include:

Bond-related additions:

- Purchase of seven school buses in the amount of \$605,153;
- Technology infrastructure improvements in the amount of \$59,442;
- Investigation for lead based paint materials at Llano Elementary in the amount of \$2,250;
- Renovation of old cafeteria at Llano Elementary into new teacher workroom, lounge, storage and training facility in the amount of \$395,946;
- Furniture, fixtures, and equipment at Llano Elementary in the amount of \$18,362;

- Furniture, fixtures, and equipment at Packsaddle Elementary in the amount of \$86,493;
- Completion of the construction of additional classrooms and expanded library, kitchen and parking facilities at Packsaddle Elementary in the amount of \$10,082; and
- Architect, project management and testing fees associated with the above-mentioned projects in the amount of \$54,658.

Additions funded through the General Fund:

- Construction and renovation of athletic facilities in the amount of \$235,707;
- Purchase of a large printer for the high school in the amount of \$5,283;
- Purchase of a suburban, sedan, and driver’s education sedan in the amount of \$69,552;
- Purchase of transfinder software system for the transportation department in the amount of \$12,745;
- Purchase of a fuel management system for the transportation department in the amount of 49,511;
- Purchase of a utility vehicle for the Agriculture department in the amount of \$29,139;
- Purchase of a John Deere Bobcat and riding lawn mower in the amount of \$31,117;

- Carpet in the high school library in the amount of \$14,764;
- Commercial washing machine for Llano Jr. High athletics in the amount of \$6,159;
- Construction of awnings at Llano Jr. High in the amount of \$10,180;
- Purchase of a utility vehicle for the technology department in the amount of \$11,073;
- Purchase of accounting, HR, and payroll system software upgrades in the amount of \$34,248; and
- Roofing repairs to a portable at Llano Jr. High in the amount of \$6,825.

Additions funded through the Federal Funds:

- Purchase of a small bus for Special Education department in the amount of \$49,854;
- Purchase of a room license for Packsaddle Elementary computer lab in the amount of \$27,500; and
- Purchase of engineering math software/curriculum in the amount of \$20,343.

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

School Land

As authorized by the Texas Constitution, Article VII, Section 6, Llano County administers approximately 17,000 acres in Tom Green County solely for the benefit of school children in Llano County. Revenue from the land is shared 90% to the Llano Independent School District and 10% to the Burnet Consolidated School District. Pursuant to the agreement between Llano County and Llano Independent School District, the County and the District have agreed upon the expenses that each entity will pay. Since the Llano Independent School District does not hold title to the lands pursuant to the Constitution, the lands are not recorded on its books. The lands are estimated to have a value of approximately \$10 - \$15 million. Operational proceeds from the land become “Available Funds” and may be used at the District’s discretion. The sale of land or the depletion of natural resources become “Permanent Funds” and can only be used for capital expenditures or the reduction of debt.

Long-term Debt

At year-end, the District had \$23 million in long-term debt outstanding versus \$27 million last year – a decrease of \$4 million. During the year, principal payments on outstanding long-term debt totaled \$3,980,000, \$700,000 of which was the early retirement of a portion of the 1998 bonds that mature in 2017. This early retirement will allow the District to avoid \$220,500 in interest costs. More detailed information on the District’s long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board of Trustees and management considered many factors when setting the fiscal year 2009-2010 budget and tax rates. The District used a conservative approach to budgeting again for fiscal year 2010-2011.

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

In August 2010, the Trustees approved the early retirement in February 2010 of the remaining outstanding callable debt maturing in 2017 of \$750,000. This retirement did not increase in the Interest and Sinking tax rate. This early retirement of debt will allow the District to avoid \$202,500 in interest payments over the next seven years. This is the fourth retirement of callable debt in four years: \$250,000 was retired in 2008, \$1.3 million was retired in 2009, and \$700,000 was retired in 2010.

In August 2010, the Trustees approved six 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 2010-11 school year:

- Increase students' proficiency in English/language arts;
- Significantly increase students' academic proficiency by recruiting and retaining high quality teachers;
- Begin implementation of the comprehensive long range plan for the District;
- Actively pursue effective discipline management/prevention on all campuses;
- 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.; and
- Develop a plan for a community education program which would be available to all Llano County citizens.

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

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

In 2009 and 2010, the federal government granted funds to schools in an effort to stimulate the economy. Some of these funds represent new money to Llano ISD, and some of them replace funds that the state would normally provide through the funding formulas. The District has chosen to expend these funds in a way that will improve the educational experience of its students, while safeguarding against permanent overhead costs that the District cannot reasonably sustain.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and cash equivalents	\$ 921,283
1120 Current investments	11,011,574
1220 Delinquent property taxes receivables	1,064,003
1230 Allowance for uncollectible taxes (credit)	(706,078)
1240 Due from other governments	170,515
1290 Other receivables (net)	5,541
1410 Deferred expenses	185,780
1420 Capital bond and other debt issuance costs	378,678
Capital assets:	
1510 Land	816,461
1520 Buildings and improvements, net	33,237,723
1530 Furniture and equipment, net	4,269,363
1000 Total assets	51,354,843
LIABILITIES	
2110 Accounts payable	289,343
2140 Interest payable	40,579
2160 Accrued wages payable	563,383
2180 Due to other governments	2,282,683
2200 Accrued expenses	20,000
2300 Unearned revenue	852
Noncurrent liabilities:	
2501 Due within one year	3,929,887
2502 Due in more than one year	19,030,983
2000 Total liabilities	26,157,710
NET ASSETS	
3200 Invested in capital assets, net of related debt	16,549,827
Restricted for:	
3820 Federal and state programs	283,040
3850 Debt service	328,019
3900 Unrestricted	8,036,247
3000 Total net assets	\$ 25,197,133

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, 2010

Data Control Codes	Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Government Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 11,757,686	\$ 9,726	\$ 2,072,929	\$(9,675,031)
12	Instructional resources and media services	423,178	-	289,102	(134,076)
13	Curriculum and staff development	152,241	-	115,856	(36,385)
21	Instructional leadership	146,480	-	7,955	(138,525)
23	School leadership	1,136,293	-	93,943	(1,042,350)
31	Guidance, counseling, and evaluation services	639,270	-	55,198	(584,072)
32	Social work services	27,970	-	1,634	(26,336)
33	Health services	178,168	-	9,525	(168,643)
34	Student transportation	933,276	-	27,317	(905,959)
35	Food service	1,088,221	435,446	585,733	(67,042)
36	Extracurricular activities	1,253,003	61,060	25,551	(1,166,392)
41	General administration	782,434	-	28,170	(754,264)
51	Facilities maintenance and operations	2,041,232	-	54,822	(1,986,410)
52	Security and monitoring services	58,212	-	2,275	(55,937)
53	Data processing services	523,412	-	17,116	(506,296)
61	Community services	320	-	-	(320)
72	Interest on long-term debt	988,027	-	-	(988,027)
73	Bond issuance costs and fees	50,712	-	-	(50,712)
91	Contracted instructional services between schools	14,977,333	-	-	(14,977,333)
93	Payments related to shared services arrange	14,355	-	-	(14,355)
99	Other governmental changes	238,626	-	-	(238,626)
TG	Total governmental activities	\$ 37,410,449	\$ 506,232	\$ 3,387,126	(33,517,091)
Data Control Codes					
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				29,653,253
DT	Property taxes, levied for debt service				4,987,019
GC	Grants and contributions not restricted to specific programs				1,703,109
IE	Investment earnings				43,914
MI	Miscellaneous				328,156
TR	Total general revenues				<u>36,715,451</u>
CN	Change in net assets				3,198,360
NB	Net assets, beginning				<u>21,998,773</u>
NE	Net assets, ending				<u>\$ 25,197,133</u>

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

LLANO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes	10	50
<u>Codes</u>	<u>General</u>	<u>Debt Service</u>
ASSETS		
1110 Cash and cash equivalents	\$ 396,260	\$ 200,608
1120 Current investments	9,790,402	128,556
1220 Delinquent property taxes receivable	924,369	139,634
1230 Allowance for uncollectible taxes	(604,775)	(101,303)
1240 Receivables from other governments	8,331	1,103
1260 Due from other funds	83,348	-
1290 Other receivables	4,325	-
1410 Deferred expenditures	185,780	-
1000 Total assets	<u>\$ 10,788,040</u>	<u>\$ 368,598</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
2110 Accounts payable	\$ 255,944	\$ -
2160 Accrued wages payable	495,474	-
2170 Due to other funds	400	-
2180 Due to other governments	2,282,683	-
2200 Accrued expenditures	-	-
2300 Deferred revenue	168,812	14,332
2000 Total liabilities	<u>3,203,313</u>	<u>14,332</u>
Fund balances:		
Reserved for:		
3450 Food service	-	-
Designated for:		
3510 Construction	3,700,000	-
Unreserved, reported in nonmajor:		
3600 General fund	3,884,727	-
3610 Special revenue funds	-	-
3620 Capital projects funds	-	-
3640 Debt service	-	354,266
3000 Total fund balances	<u>7,584,727</u>	<u>354,266</u>
4000 Total liabilities and fund balances	<u>\$ 10,788,040</u>	<u>\$ 368,598</u>

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

Other Governmental	98 Total Governmental Funds
\$ 324,415	\$ 921,283
1,092,616	11,011,574
-	1,064,003
-	(706,078)
161,081	170,515
400	83,748
1,216	5,541
-	185,780
<u>\$ 1,579,728</u>	<u>\$ 12,736,366</u>
\$ 33,399	\$ 289,343
67,909	563,383
83,348	83,748
-	2,282,683
20,000	20,000
<u>852</u>	<u>183,996</u>
<u>205,508</u>	<u>3,423,153</u>
280,234	280,234
-	3,700,000
-	3,884,727
2,806	2,806
1,091,180	1,091,180
-	354,266
<u>1,374,220</u>	<u>9,313,213</u>
<u>\$ 1,579,728</u>	<u>\$ 12,736,366</u>

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

	Total Fund Balances - Governmental Funds	\$ 9,313,213
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	38,323,547
2	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.	183,144
3	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.	(22,960,870)
4	Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,579)
5	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>378,678</u>
19	Total net assets of governmental activities	\$ <u>25,197,133</u>

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, 2010

Data Control Codes		General	Debt Service
REVENUES			
5700	Local and intermediate sources	\$ 30,172,191	\$ 5,009,853
5800	State program revenues	2,364,896	-
5900	Federal program revenues	-	-
5020	Total revenues	<u>32,537,087</u>	<u>5,009,853</u>
EXPENDITURES			
Current:			
0011	Instruction	8,855,589	-
0012	Instructional resources and media services	124,307	-
0013	Curriculum and staff development	34,332	-
0021	Instructional leadership	140,230	-
0023	School leadership	1,066,462	-
0031	Guidance, counseling, and evaluation services	615,020	-
0032	Social work services	27,970	-
0033	Health services	178,058	-
0034	Student transportation	784,462	-
0035	Food service	-	-
0036	Extracurricular activities	1,082,443	-
0041	General administration	772,118	-
0051	Facilities maintenance and operations	2,041,925	-
0052	Security and monitoring services	43,689	-
0053	Data processing services	479,239	-
0061	Community services	320	-
Debt service:			
0071	Principal on long-term debt	-	3,980,000
0072	Interest on long-term debt	-	969,446
0073	Bond issuance costs and fees	-	1,475
0081	Capital outlay	242,532	-
Intergovernmental:			
0091	Contracted instructional services between schools	14,977,333	-
0093	Payments related to shared services arrangements	14,355	-
0099	Other intergovernmental charges	238,626	-
6030	Total expenditures	<u>31,719,010</u>	<u>4,950,921</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>818,077</u>	<u>58,932</u>
OTHER FINANCING SOURCES (USES)			
7912	Proceeds from sale of assets	24,626	-
7080	Total other financing sources (uses)	<u>24,626</u>	<u>-</u>
	NET CHANGE IN FUND BALANCES	842,703	58,932
0100	FUND BALANCES, BEGINNING	<u>6,742,024</u>	<u>295,334</u>
3000	FUND BALANCES, ENDING	<u>\$ 7,584,727</u>	<u>\$ 354,266</u>

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

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 442,973	\$ 35,625,017
85,664	2,450,560
<u>2,636,425</u>	<u>2,636,425</u>
<u>3,165,062</u>	<u>40,712,002</u>
1,601,536	10,457,125
274,451	398,758
115,856	150,188
-	140,230
37,684	1,104,146
24,250	639,270
-	27,970
110	178,168
605,153	1,389,615
1,031,246	1,031,246
-	1,082,443
-	772,118
14,134	2,056,059
861	44,550
59,957	539,196
-	320
-	3,980,000
-	969,446
-	1,475
567,791	810,323
-	14,977,333
-	14,355
-	<u>238,626</u>
<u>4,333,029</u>	<u>41,002,960</u>
<u>(1,167,967)</u>	<u>(290,958)</u>
-	<u>24,626</u>
-	<u>24,626</u>
(1,167,967)	(266,332)
<u>2,542,187</u>	<u>9,579,545</u>
<u>\$ 1,374,220</u>	<u>\$ 9,313,213</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, 2010

Net change in fund balances - total governmental funds	\$(266,332)
<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>	(312,771)
<p>In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital asset sold.</p>	(8,865)
<p>Some property taxes are not considered available revenues and are deferred in the governmental funds.</p>	(118,954)
<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>	3,958,390
<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	3,142
Compensated absences	<u>(6,900)</u>
	<u>(53,108)</u>
Change in net assets of governmental activities	<u>\$ 3,198,360</u>

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, 2010

	Private Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 6	\$ 143,388
Investments - current	<u>149,493</u>	<u>-</u>
Total assets	<u>149,499</u>	<u>\$ 143,388</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>143,388</u>
Total liabilities	<u>-</u>	<u>\$ 143,388</u>
NET ASSETS		
Restricted for scholarships	<u>149,499</u>	
Total net assets	<u>\$ 149,499</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, 2010**

	<u>Private Purpose Trusts</u>
ADDITIONS	
Contributions:	
Local and intermediate sources	\$(9,428)
Total contributions	<u>(9,428)</u>
Total additions	<u>(9,428)</u>
DEDUCTIONS	
Other operating costs	<u>3,750</u>
Total deductions	<u>3,750</u>
CHANGE IN NET ASSETS	(13,178)
NET ASSETS, BEGINNING	<u>162,677</u>
NET ASSETS, ENDING	<u>\$ 149,499</u>

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

LLANO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The District reports the following major governmental funds:

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

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

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, 2010, the rates were \$1.04 and \$0.175, respectively, per \$100 of assessed value.

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

3. *School Land*

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets*

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

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

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

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

5. *Long-term Obligations*

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

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

6. *Compensated Absences*

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Fund Equity*

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

- \$3,700,000 toward future capital projects.

8. *Net Assets*

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

9. *Estimates*

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

The amount of state foundation revenue and recapture cost for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2010, will change.

10. *Data Control Codes*

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2010, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Logic	\$ 9,594,317	54
Lone Star - Corporate	364,414	58
TexSTAR	1,092,616	81
Domestic equity	109,718	-

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, 2010, the District's \$1,125,721 deposit balance was entirely covered by FDIC insurance and securities held in the name of the District by the pledging financial institution.

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

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Credit Risk

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

Logic	AAAm
Lone Star	AAAf
TexSTAR	AAAm

B. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives penalty and interest payments in relation to property taxes. Amounts due from federal, state and local governments as of August 31, 2010, are summarized below.

<u>Fund</u>	<u>Property Tax Penalty and Interest</u>	<u>Federal Programs</u>	<u>State Programs</u>
General	\$ 8,331	\$ -	\$ -
Debt service	1,103	-	-
Nonmajor governmental funds	<u>-</u>	<u>160,631</u>	<u>450</u>
	<u>\$ 9,434</u>	<u>\$ 160,631</u>	<u>\$ 450</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

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

	Beginning Balance 09/01/09	Increases	Decreases/ Reclassifications	Ending Balance 08/31/10
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 816,461	\$ -	\$ -	\$ 816,461
Construction in progress	<u>1,184,988</u>	<u>810,323</u>	<u>(1,995,311)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,001,449</u>	<u>810,323</u>	<u>(1,995,311)</u>	<u>816,461</u>
Capital assets, being depreciated:				
Buildings	42,555,074	1,782,065	(34,812)	44,302,327
Furniture and equipment	<u>6,629,222</u>	<u>1,249,308</u>	<u>(407,506)</u>	<u>7,471,024</u>
Total capital assets, being depreciated	<u>49,184,296</u>	<u>3,031,373</u>	<u>(442,318)</u>	<u>51,773,351</u>
Less accumulated depreciation for:				
Buildings	(9,704,131)	(1,395,285)	34,812	(11,064,604)
Furniture and equipment	<u>(2,836,431)</u>	<u>(763,871)</u>	<u>398,641</u>	<u>(3,201,661)</u>
Total accumulated depreciation	<u>(12,540,562)</u>	<u>(2,159,156)</u>	<u>433,453</u>	<u>(14,266,265)</u>
Total capital assets, being depreciated, net	<u>36,643,734</u>	<u>872,217</u>	<u>(8,865)</u>	<u>37,507,086</u>
Governmental activities capital assets, net	<u>\$ 38,645,183</u>	<u>\$ 1,682,540</u>	<u>\$ (2,004,176)</u>	<u>\$ 38,323,547</u>

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

Governmental activities:	
Instruction	\$ 1,397,535
Instructional resources and media services	24,420
Curriculum and instructional staff development	2,053
Instructional leadership	6,250
School leadership	32,147
Student (pupil) transportation	280,621
Food services	56,671
Extracurricular activities	199,700
General administration	9,726
Facilities maintenance and operations	47,393
Security and monitoring services	13,662
Data processing services	<u>88,978</u>
Total depreciation expense - governmental activities	<u>\$ 2,159,156</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2010, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 83,348
Nonmajor governmental	General	<u>400</u>
		<u>\$ 83,748</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)	\$ 168,812	\$ -
Delinquent property taxes receivable (Debt service fund)	14,332	-
Grants drawn down prior to meeting all eligibility requirements	<u>-</u>	<u>852</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 183,144</u>	<u>\$ 852</u>

F. Long-term Debt

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

	<u>Balance 09/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08/31/10</u>	<u>Amounts Due in One Year</u>
Bonds	\$ 26,634,978	\$ -	\$ 3,944,978	\$ 22,690,000	\$ 3,930,000
Deferred loss on refunding	(164,116)	-	(32,666)	(131,450)	(32,666)
Accretion of interest on CABs	13,412	21,610	35,022	-	-
Premium on bonds	338,903	-	32,553	306,350	32,553
Compenasted absences	<u>89,070</u>	<u>16,170</u>	<u>9,270</u>	<u>95,970</u>	<u>-</u>
Totals	<u>\$ 26,912,247</u>	<u>\$ 37,780</u>	<u>\$ 3,989,157</u>	<u>\$ 22,960,870</u>	<u>\$ 3,929,887</u>

Compensated absences are generally liquidated by the General Fund.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term Debt

Bonds Payable

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

A summary of changes in unlimited tax bonds payable for the year ended August 31, 2010, is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amount Original Issue</u>	<u>Interest Paid in Current Year</u>	<u>Amount Payable 09/01/09</u>	<u>Issued</u>	<u>Retired</u>	<u>Amount Outstanding 08/31/10</u>
Unlimited Tax School Building Bonds Series 1998	4.5% to 5.25%	\$ 19,050,000	\$ 49,500	\$ 1,450,000	\$ -	\$ 700,000	\$ 750,000
Unlimited Tax Refunding Bond Series 2005	4.5% to 5.25%	4,860,000	148,171	3,825,000	-	285,000	3,540,000
Unlimited Tax Bond Series 2007	4.25% to 5%	14,310,000	590,575	13,060,000	-	700,000	12,360,000
Unlimited Tax Refunding Bonds Series 2009	3% to 5%	8,299,978	181,200	8,299,978	-	2,259,978	6,040,000
Totals			\$ 969,446	\$ 26,634,978	\$ -	\$ 3,944,978	\$ 22,690,000

(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	
2011	\$ 3,930,000	\$ 861,790	\$ 4,791,790
2012	3,000,000	738,040	3,738,040
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
2016-2020	5,330,000	1,890,530	7,220,530
2021-2025	3,650,000	906,600	4,556,600
2026-2027	<u>1,735,000</u>	<u>87,875</u>	<u>1,822,875</u>
Totals	<u>\$ 22,690,000</u>	<u>\$ 6,200,110</u>	<u>\$ 28,890,110</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, 2010.

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, 2010, \$2,415,000 of bonds considered defeased is still outstanding.

Redemption of Bonds

The District has called for redemption of the Unlimited Tax Series Building Bonds, Series 1998. The stated maturity of the bonds is February 15, 2018. The principal amount of \$750,000 will be called on February 15, 2011.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

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 2010 were \$74,341.

The following is a summary of minimum future payments on non-cancellable operating leases in effect as of August 31, 2010.

<u>Year Ending</u>	
2011	\$ 83,265
2012	69,828
2013	41,194
2014	40,042
2015	<u>35,473</u>
Total	<u>\$ 269,802</u>

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

(continued)

III. OTHER INFORMATION (Continued)

A. Defined Benefit Pension Plan (Continued)

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2010, 2009, and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period September through December 2009 and increased to 6.644% for the period of January through August 2010. State contributions to TRS made on behalf of Llano Independent School District's employees for the years ended August 31, 2010, 2009 and 2008 were \$579,849, \$561,922, and \$530,991, respectively. Llano Independent School District paid additional state contributions for the years ended August 31, 2010, 2009, and 2008 in the amount of \$111,541, \$108,649, and \$93,752, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. These contributions equaled the required contributions each year, respectively.

B. Health Insurance

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2010, and terms of coverage and premium costs are included in the contractual provisions.

(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, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009, and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$117,289, \$113,566, and \$107,297, respectively, the active member contributions were \$76,238, \$73,818, and \$69,744, respectively, and the school district's contributions were \$64,509, \$62,461, and \$59,013, respectively, which equaled the required contributions each year.

Medicare Part D – On-behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$29,919, \$25,389, and \$24,307 were recognized for the years ended August 31, 2010, 2009, and 2008, respectively, as equal revenues and expenditures.

(continued)

III. OTHER INFORMATION (Continued)

D. Risk Management

Property Casualty Program

During the year ended August 31, 2010, Llano ISD participated in the TASB Risk Management Fund's (the Fund) Property Casualty Program with coverage in Auto Liability, Auto Physical Damage, Crime, Equipment Breakdown, General Liability, Manuscript Special, Property, Sexual Misconduct Endorsement, and Special Legal Liability. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2010, the Fund anticipates Llano ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

Workers' Compensation Pool

During the year ended August 31, 2010, Llano ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2010, the Fund carries a discounted reserve of \$73,463,401 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2010, the Fund anticipated no additional liability to members beyond their contractual obligations for payment of contributions.

(continued)

III. OTHER INFORMATION (Continued)

D. Risk Management (Continued)

Workers' Compensation Pool (Continued)

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

Unemployment Compensation Pool

During the year ended August 31, 2010, Llano ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

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

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.

(continued)

III. OTHER INFORMATION (Continued)

E. Litigation and Contingencies (Continued)

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 2009. 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 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 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, 2010

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 28,694,694	\$ 30,103,479	\$ 30,172,191	\$ 68,712
5800	State program revenues	<u>2,970,249</u>	<u>2,970,518</u>	<u>2,364,896</u>	<u>(605,622)</u>
5020	Total revenues	<u>31,664,943</u>	<u>33,073,997</u>	<u>32,537,087</u>	<u>(536,910)</u>
EXPENDITURES					
Current:					
0011	Instruction	9,344,539	9,299,460	8,855,589	443,871
0012	Instructional resources and media sources	355,249	235,141	124,307	110,834
0013	Curriculum and staff development	65,060	64,636	34,332	30,304
0021	Instructional leadership	144,613	144,613	140,230	4,383
0023	School leadership	1,036,768	1,069,158	1,066,462	2,696
0031	Guidance, counseling, and evaluation services	624,102	624,167	615,020	9,147
0032	Social work services	28,827	28,827	27,970	857
0033	Health services	191,399	191,399	178,058	13,341
0034	Student transportation	746,386	871,377	784,462	86,915
0036	Extracurricular activities	1,091,072	1,123,711	1,082,443	41,268
0041	General administration	816,212	816,407	772,118	44,289
0051	Facilities maintenance and operations	2,159,774	2,199,874	2,041,925	157,949
0052	Security and monitoring services	58,419	61,119	43,689	17,430
0053	Data processing services	483,467	504,769	479,239	25,530
0061	Community services	350	350	320	30
Debt service:					
0071	Principal on long-term debt	2,000	2,000	-	2,000
0081	Capital outlay	-	221,252	242,532	(21,280)
Intergovernmental:					
Contracted instructional services					
0091	between schools	14,242,144	14,846,446	14,977,333	(130,887)
0093	Payments related to shared services arrangements	-	-	14,355	(14,355)
0099	Other governmental charges	<u>238,626</u>	<u>238,626</u>	<u>238,626</u>	<u>-</u>
6030	Total expenditures	<u>31,629,007</u>	<u>32,543,332</u>	<u>31,719,010</u>	<u>824,322</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>35,936</u>	<u>530,665</u>	<u>818,077</u>	<u>287,412</u>
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	<u>-</u>	<u>-</u>	<u>24,626</u>	<u>24,626</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>24,626</u>	<u>24,626</u>
1200	NET CHANGE IN FUND BALANCES	35,936	530,665	842,703	312,038
0100	FUND BALANCES, BEGINNING	<u>6,742,024</u>	<u>6,742,024</u>	<u>6,742,024</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 6,777,960</u>	<u>\$ 7,272,689</u>	<u>\$ 7,584,727</u>	<u>\$ 312,038</u>

LLANO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2010

Budgetary Information

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

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

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

Excess of Expenditures Over Appropriations

The District exceeded appropriations in the General Fund by \$21,280 in facilities acquisition and construction, \$130,887 in contracted instructional services between schools, and by \$14,355 in payments to shared services arrangements. This budget overrun was funded by unexpended budgeted funds in other functions.

COMBINING STATEMENTS

LLANO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

	Special Revenue Funds			
	204	211	224	225
	ESEA Title IV Safe & Drug Free Schools	ESEA I, A Improving Basic Program	IDEA- Part B Preschool	IDEA- Part B Preschool
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Current investments	-	-	-	-
Due from other governments	1,019	27,297	16,773	657
Due from other funds	-	-	-	-
Other receivables, net	-	-	-	-
Total assets	1,019	27,297	16,773	657
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	4,234	-
Accrued wages payable	-	22,558	10,685	559
Due to other funds	1,019	4,739	1,854	98
Accrued expenditures	-	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	1,019	27,297	16,773	657
Fund balances:				
Reserved for:				
Food service	-	-	-	-
Unreserved and undesignated:				
Reported in special revenue funds	-	-	-	-
Reported in capital project funds	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ 1,019	\$ 27,297	\$ 16,773	\$ 657

Special Revenue Funds						
226 IDEA- Part B Discretionary	240 National Breakfast & Lunch Program	243 Vocational Ed Technical Preparation	244 Vocational Ed Basic Grant	255 ESEA II, A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization
\$ -	\$ 299,619	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
551	16,081	-	-	6,633	-	55,800
-	-	-	-	-	-	-
-	1,216	-	-	-	-	-
<u>551</u>	<u>316,916</u>	<u>-</u>	<u>-</u>	<u>6,633</u>	<u>-</u>	<u>55,800</u>
91	18,933	-	-	-	-	-
-	17,749	-	-	3,608	-	12,750
460	-	-	-	3,025	-	43,050
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>551</u>	<u>36,682</u>	<u>-</u>	<u>-</u>	<u>6,633</u>	<u>-</u>	<u>55,800</u>
-	280,234	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>280,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 551</u>	<u>\$ 316,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,633</u>	<u>\$ -</u>	<u>\$ 55,800</u>

LLANO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

	Special Revenue Funds			
	270 ESEA VI, Pt B Rural & Low Income	279 Title II Part D ARRA	283 IDEA, Pt B ARRA Formula	284 IDEA B Part B Preschool ARRA
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Current investments	-	-	-	-
Due from other governments	21,000	682	13,138	-
Due from other funds	-	-	-	-
Other receivables, net	-	-	-	-
Total assets	21,000	682	13,138	-
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	7,017	-
Accrued wages payable	-	-	-	-
Due to other funds	21,000	682	6,121	-
Accrued expenditures	-	-	-	-
Deferred revenues	-	-	-	-
Total liabilities	21,000	682	13,138	-
Fund balances:				
Reserved for:				
Food service	-	-	-	-
Unreserved and undesignated:				
Reported in special revenue funds	-	-	-	-
Reported in capital project funds	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	\$ 21,000	\$ 682	\$ 13,138	\$ -

Special Revenue Funds						
285 ESEA I, A Improving Basic Program	385 Visually Impaired	397 Advance Placement Incentives	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	429 Ready to Read
\$ -	\$ -	\$ -	\$ -	\$ 2,942	\$ -	\$ 852
-	-	-	-	-	-	-
1,000	-	450	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,000</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>2,942</u>	<u>-</u>	<u>852</u>
150	-	-	-	136	-	-
-	-	-	-	-	-	-
850	-	450	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	852
<u>1,000</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>136</u>	<u>-</u>	<u>852</u>
-	-	-	-	-	-	-
-	-	-	-	2,806	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,806</u>	<u>-</u>	<u>-</u>
<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 2,942</u>	<u>\$ -</u>	<u>\$ 852</u>

**LLANO INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010**

	Total Nonmajor Special Revenue Funds	Capital Project Funds		Total Nonmajor Capital Project Funds
		699 1998 Bond Construction	697 2007 Bond Issue	
ASSETS				
Cash and cash equivalents	\$ 303,413	\$ 20,000	\$ 1,002	\$ 21,002
Current investments	-	-	1,092,616	1,092,616
Due from other governments	161,081	-	-	-
Due from other funds	-	-	400	400
Other receivables, net	1,216	-	-	-
Total assets	<u>465,710</u>	<u>20,000</u>	<u>1,094,018</u>	<u>1,114,018</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	30,561	-	2,838	2,838
Accrued wages payable	67,909	-	-	-
Due to other funds	83,348	-	-	-
Accrued expenditures	-	20,000	-	20,000
Deferred revenues	852	-	-	-
Total liabilities	<u>182,670</u>	<u>20,000</u>	<u>2,838</u>	<u>22,838</u>
Fund balances:				
Reserved for:				
Food service	280,234	-	-	-
Unreserved and undesignated:				
Reported in special revenue funds	2,806	-	-	-
Reported in capital project funds	-	-	1,091,180	1,091,180
Total fund balances	<u>283,040</u>	<u>-</u>	<u>1,091,180</u>	<u>1,091,180</u>
Total liabilities and fund balances	<u>\$ 465,710</u>	<u>\$ 20,000</u>	<u>\$ 1,094,018</u>	<u>\$ 1,114,018</u>

<u>Total Nonmajor Governmental Funds</u>	
\$	324,415
	1,092,616
	161,081
	400
	<u>1,216</u>
	<u>1,579,728</u>
	33,399
	67,909
	83,348
	20,000
	<u>852</u>
	<u>205,508</u>
	280,234
	2,806
	<u>1,091,180</u>
	<u>1,374,220</u>
\$	<u>1,579,728</u>

LLANO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

	Special Revenue Funds			
	204	211	224	225
	ESEA Title IV Safe & Drug Free Schools	ESEA I, A Improving Basic Program	IDEA, Part B Formula	IDEA- Part B Preschool
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	7,320	433,304	350,313	9,689
Total revenues	<u>7,320</u>	<u>433,304</u>	<u>350,313</u>	<u>9,689</u>
EXPENDITURES				
Current:				
Instruction	4,161	413,655	328,324	9,689
Instruction resources and media services	-	6,942	-	-
Curriculum and instructional staff development	205	5,822	154	-
School leadership	629	6,885	100	-
Guidance, counseling and evaluation services	1,354	-	21,735	-
Health services	110	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Security and monitoring services	861	-	-	-
Data processing services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,320</u>	<u>433,304</u>	<u>350,313</u>	<u>9,689</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
226	240	243	244	255	262	266
IDEA- Part B Discretionary	National Breakfast & Lunch Program	Vocational Ed Technical Preparation	Vocational Ed Basic Grant	ESEA II, A Training and Recruiting	Title II, D Education Technology	Title XIV ARRA State Stabilization
\$ -	\$ 439,434	\$ -	\$ -	\$ -	\$ -	\$ -
-	19,049	-	-	-	-	-
<u>103,480</u>	<u>649,925</u>	<u>-</u>	<u>24,602</u>	<u>98,026</u>	<u>4,130</u>	<u>585,654</u>
<u>103,480</u>	<u>1,108,408</u>	<u>-</u>	<u>24,602</u>	<u>98,026</u>	<u>4,130</u>	<u>585,654</u>
103,480	-	-	20,814	62,595	1,620	318,181
-	-	-	-	-	-	267,473
-	-	-	3,190	6,248	2,096	-
-	-	-	-	28,620	-	-
-	-	-	598	563	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,031,246	-	-	-	-	-
-	14,134	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>103,480</u>	<u>1,045,380</u>	<u>-</u>	<u>24,602</u>	<u>98,026</u>	<u>4,130</u>	<u>585,654</u>
-	63,028	-	-	-	-	-
<u>-</u>	<u>217,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 280,234</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, 2010

	Special Revenue Funds			
	270 ESEA VI, Pt B Rural & Low Income	279 Title II Part D ARRA	283 IDEA, Pt B ARRA Formula	284 IDEA B Part B Preschool ARRA
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State program revenues	-	-	-	-
Federal program revenues	<u>47,418</u>	<u>7,404</u>	<u>164,907</u>	<u>4,796</u>
Total revenues	<u>47,418</u>	<u>7,404</u>	<u>164,907</u>	<u>4,796</u>
EXPENDITURES				
Current:				
Instruction	46,768	5,195	138,360	4,796
Instruction resources and media services	-	-	-	-
Curriculum and instructional staff development	650	1,908	25,297	-
School leadership	-	200	1,250	-
Guidance, counseling and evaluation services	-	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Facilities maintenance and operations	-	-	-	-
Security and monitoring services	-	-	-	-
Data processing services	-	101	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>47,418</u>	<u>7,404</u>	<u>164,907</u>	<u>4,796</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds						
285 ESEA I, A Improving Basic Program	385 Visually Impaired	397 Advance Placement Incentives	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	429 Ready to Read
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	450	13,564	52,565	-	36
<u>145,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>145,457</u>	<u>-</u>	<u>450</u>	<u>13,564</u>	<u>52,565</u>	<u>-</u>	<u>36</u>
75,621	-	-	13,564	51,999	2,714	-
-	-	-	-	-	-	36
69,836	-	450	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>145,457</u>	<u>-</u>	<u>450</u>	<u>13,564</u>	<u>51,999</u>	<u>2,714</u>	<u>36</u>
-	-	-	-	566	(2,714)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,240</u>	<u>2,714</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,806</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, 2010**

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Capital Project Funds</u>		<u>Total Nonmajor Capital Project Funds</u>
		<u>699</u>	<u>697</u>	
		<u>1998 Bond Construction</u>	<u>2007 Bond Issue</u>	
REVENUES				
Local and intermediate sources	\$ 439,434	\$ -	\$ 3,539	\$ 3,539
State program revenues	85,664	-	-	-
Federal program revenues	<u>2,636,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,161,523</u>	<u>-</u>	<u>3,539</u>	<u>3,539</u>
EXPENDITURES				
Current:				
Instruction	1,601,536	-	-	-
Instruction resources and media services	274,451	-	-	-
Curriculum and instructional staff development	115,856	-	-	-
School leadership	37,684	-	-	-
Guidance, counseling and evaluation services	24,250	-	-	-
Health services	110	-	-	-
Student transportation	-	-	605,153	605,153
Food services	1,031,246	-	-	-
Facilities maintenance and operations	14,134	-	-	-
Security and monitoring services	861	-	-	-
Data processing services	515	-	59,442	59,442
Capital outlay	<u>-</u>	<u>-</u>	<u>567,791</u>	<u>567,791</u>
Total expenditures	<u>3,100,643</u>	<u>-</u>	<u>1,232,386</u>	<u>1,232,386</u>
NET CHANGE IN FUND BALANCES	60,880	-	(1,228,847)	(1,228,847)
FUND BALANCES, BEGINNING	<u>222,160</u>	<u>-</u>	<u>2,320,027</u>	<u>2,320,027</u>
FUND BALANCES, ENDING	<u>\$ 283,040</u>	<u>\$ -</u>	<u>\$ 1,091,180</u>	<u>\$ 1,091,180</u>

<u>Total Nonmajor Governmental Funds</u>	
\$	442,973
	85,664
	<u>2,636,425</u>
	<u>3,165,062</u>
	1,601,536
	274,451
	115,856
	37,684
	24,250
	110
	605,153
	1,031,246
	14,134
	861
	59,957
	<u>567,791</u>
	<u>4,333,029</u>
(1,167,967)
	<u>2,542,187</u>
\$	<u><u>1,374,220</u></u>

LLANO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
AUGUST 31, 2010

	827 Reynolds Scholarship	828 Edinger Scholarship	829 Mahon-Dahl Scholarship	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 3	\$ 3	\$ 6
Investments	<u>109,719</u>	<u>29,655</u>	<u>10,119</u>	<u>149,493</u>
Total current assets	<u>109,719</u>	<u>29,658</u>	<u>10,122</u>	<u>149,499</u>
Total assets	<u>109,719</u>	<u>29,658</u>	<u>10,122</u>	<u>149,499</u>
NET ASSETS				
Restricted for scholarships	<u>109,719</u>	<u>29,658</u>	<u>10,122</u>	<u>149,499</u>
Total net assets	<u>\$ 109,719</u>	<u>\$ 29,658</u>	<u>\$ 10,122</u>	<u>\$ 149,499</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, 2010**

	827 Reynolds Scholarship	828 Edinger Scholarship	829 Mahon-Dahl Scholarship	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ADDITIONS				
Local and intermediate sources	\$(9,533)	\$ 77	\$ 28	\$(9,428)
Total additions	<u>(9,533)</u>	<u>77</u>	<u>28</u>	<u>(9,428)</u>
DEDUCTIONS				
Other operating costs	<u>-</u>	<u>2,250</u>	<u>1,500</u>	<u>3,750</u>
Total deductions	<u>-</u>	<u>2,250</u>	<u>1,500</u>	<u>3,750</u>
CHANGE IN NET ASSETS	(9,533)	(2,173)	(1,472)	(13,178)
NET ASSETS, BEGINNING	<u>119,252</u>	<u>31,831</u>	<u>11,594</u>	<u>162,677</u>
NET ASSETS, ENDING	<u>\$ 109,719</u>	<u>\$ 29,658</u>	<u>\$ 10,122</u>	<u>\$ 149,499</u>

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REQUIRED TEA SCHEDULES

**LLANO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2010**

<u>Last Ten Years Ended August 31,</u>	1		2	3	10	20
	<u>Tax Rates</u>			Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 09/01/09	Current Year's Total Levy
	<u>Maintenance</u>	<u>Debt Service</u>				
2001 and prior years	Various	Various	Various	\$ 14,489	\$ -	
2002	\$ 1.470000	\$ 0.140000	\$ 1,179,459,280	6,125	-	
2003	1.500000	0.120000	1,316,006,034	12,991	-	
2004	1.500000	0.104000	1,412,703,279	20,556	-	
2005	1.500000	0.102000	1,508,025,758	36,599	-	
2006	1.422000	0.107000	1,697,409,206	51,508	-	
2007	1.300000	0.107700	1,862,797,755	105,297	-	
2008	1.040000	0.150000	2,286,016,807	168,449	-	
2009	1.040000	0.175000	2,581,923,292	690,252	-	
2010	1.040000	0.175000	2,837,174,239	-	34,471,667	
1000 Totals				<u>\$ 1,106,266</u>	<u>\$ 34,471,667</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 08/31/10</u>
\$ 727	\$ 47	\$(1,424)	\$ 12,291
618	59	(376)	5,072
835	66	(661)	11,429
2,088	145	(743)	17,580
13,062	888	(1,070)	21,579
12,799	963	(3,184)	34,562
37,000	3,065	(3,525)	61,707
64,976	9,371	298	94,400
408,302	68,705	(10,763)	202,482
<u>28,856,451</u>	<u>4,855,652</u>	<u>(156,663)</u>	<u>602,901</u>
<u>\$ 29,396,858</u>	<u>\$ 4,938,961</u>	<u>\$(178,111)</u>	<u>\$ 1,064,003</u>

LLANO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011 - 2012
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 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	\$ -	\$ -	\$ 321,637	\$ 257,279	\$ -	\$ -	\$ 578,916
6149	Fringe benefits	-	-	-	-	-	-	-
6149	Fringe benefits	-	-	-	-	-	-	-
6211	Legal services	-	-	20,346	-	-	-	20,346
6212	Audit services	-	-	-	19,000	-	-	19,000
6213	Tax appraisal and collection	-	274,086	-	-	-	-	274,086
6214	Lobbying	-	-	-	-	-	-	-
621X	Other professional services	850	-	-	7,225	-	-	8,075
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	600	3,147	-	-	3,747
6240	Contractor maintenance and repair	-	-	-	-	24,564	-	24,564
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	6,079	3,454	-	-	9,533
6290	Miscellaneous contractors	2,317	-	550	11,767	-	-	14,634
6320	Textbooks and reading	-	-	840	-	-	-	840
6330	Testing materials	-	-	-	-	-	-	-
63XX	Other supplies materials	-	-	26,553	22,357	-	-	48,910
6410	Travel, subsistence, stipends	1,915	-	4,074	2,577	-	-	8,566
6420	Insurance and bonding costs	-	-	5,831	-	-	-	5,831
6430	Election costs	4,930	-	-	-	-	-	4,930
6490	Miscellaneous operating	801	-	19,718	3,467	-	-	23,986
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	-	-
6000	Total	\$ 10,813	\$ 274,086	\$ 406,228	\$ 330,273	\$ 24,564	\$ -	\$ 1,045,964

Total expenditures/expenses for General and Special Revenue Funds

9 \$ 36,052,039

Less: Deductions of unallowable costs

FISCAL YEAR

Total capital outlay (6600)	10	\$ 614,000
Total debt and lease (6500)	11	-
Plant maintenance (Function 51, 6100-6400)	12	1,993,839
Food (Function 35, 6341 and 6499)	13	445,440
Stipends (6413)	14	-
Column 4 (above) - Total indirect cost		<u>330,273</u>
Subtotal		<u>3,383,552</u>
Net allowed direct cost		32,668,487

CUMULATIVE

Total cost of buildings before depreciation (1520)	15	44,302,327
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	7,471,024
Historical cost of furniture and equipment over 16 years old	19	149,077
Amount of federal money in furniture and equipment (net of #19)	20	47,918

(8) Note A - \$35,220 in Function 53 expenditures are included in this report on administrative costs. \$238,626 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

**LLANO INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET - UNAUDITED
 GENERAL FUND
 AUGUST 31, 2010**

Data Control Codes	Explanation	
1	Total General Fund Balance 08/31/10 (Exhibit C-1 object 3000 for the General Fund only).	\$ 7,584,727
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only).	\$ -
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only).	3,700,000
4	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues).	-
5	Estimate of two months' average cash disbursements during fiscal year.	3,450,000
6	Estimate of delayed payments from state sources (58XX).	-
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-
8	Estimate of delayed payments from federal sources (59XX).	-
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds).	-
10	Optimum Fund Balance and Cash Flow	<u>7,150,000</u>
11	Excess/(deficit) undesignated unreserved General Fund fund balance	<u>\$ 434,727</u>

The projected use of net positive undesignated unreserved general fund balance is for capital projects.

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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 454,500	\$ 454,500	\$ 439,434	\$(15,066)
5800	State program revenues	5,000	5,000	19,049	14,049
5900	Federal program revenues	<u>551,000</u>	<u>557,577</u>	<u>649,925</u>	<u>92,348</u>
5020	Total revenues	<u>1,010,500</u>	<u>1,017,077</u>	<u>1,108,408</u>	<u>91,331</u>
EXPENDITURES					
Current:					
0035	Food service	1,034,236	1,038,813	1,031,246	7,567
0051	Facilities maintenance and operations	<u>12,200</u>	<u>14,200</u>	<u>14,134</u>	<u>66</u>
6030	Total expenditures	<u>1,046,436</u>	<u>1,053,013</u>	<u>1,045,380</u>	<u>7,633</u>
1200	NET CHANGE IN FUND BALANCES	(35,936)	(35,936)	63,028	98,964
0100	FUND BALANCES, BEGINNING	<u>217,206</u>	<u>217,206</u>	<u>217,206</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 181,270</u>	<u>\$ 181,270</u>	<u>\$ 280,234</u>	<u>\$ 98,964</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, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 4,751,186	\$ 4,938,554	\$ 5,009,853	\$ 71,299
5020	Total revenues	<u>4,751,186</u>	<u>4,938,554</u>	<u>5,009,853</u>	<u>71,299</u>
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	3,944,978	3,980,000	3,980,000	-
0072	Interest on long-term debt	1,003,346	968,324	969,446	(1,122)
0073	Bond issuance costs and fees	<u>3,000</u>	<u>3,000</u>	<u>1,475</u>	<u>1,525</u>
6030	Total expenditures	<u>4,951,324</u>	<u>4,951,324</u>	<u>4,950,921</u>	<u>403</u>
1200	NET CHANGE IN FUND BALANCES	(200,138)	(12,770)	58,932	71,702
0100	FUND BALANCES, BEGINNING	<u>295,334</u>	<u>295,334</u>	<u>295,334</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 95,196</u>	<u>\$ 282,564</u>	<u>\$ 354,266</u>	<u>\$ 71,702</u>

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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

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Llano Independent School District, as of and for the year ended August 31, 2010, which collectively comprise Llano Independent School District's basic financial statements and have issued our report thereon dated January 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 10, 2011



**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 U. S. Office of Management and Budget (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, 2010. 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. 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, 2010.

Internal Control Over Compliance

The management of Llano Independent School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 10, 2011

**LLANO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010**

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
<u>Passed through the Texas Education Agency</u>			
School Breakfast Program	10.553	71401001	\$ 160,034
National School Lunch Program	10.555	71301001	442,314
Total Child Nutrition Cluster			<u>602,348</u>
Total Passed through the Texas Education Agency			<u>602,348</u>
<u>Passed through the Texas Department of Agriculture</u>			
Commodities - Non-cash assistance	10.565	150001A	47,577
Total Passed through the Texas Department of Agriculture			<u>47,577</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>649,925</u>
U. S. DEPARTMENT OF EDUCATION			
<u>Passed through the Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101150901	410,746
ESEA, Title I, Part A - Improving Basic Programs	84.010A	09610101150901	22,558
ESEA, Title I, Part A - Improving Basic Programs - ARRA	84.389A	10551001150901	145,457
Total Title I, Part A Cluster			<u>578,761</u>
IDEA - Part B, Formula	84.027A	106600011509016600	339,628
IDEA - Part B, Formula	84.027A	116600011509016600	10,685
IDEA - Part B, Discretionary	84.027A	106600021509016677	101,111
IDEA - Part B, Formula (Deaf)	84.027A	10660006150901	2,369
IDEA - Part B, Preschool	84.173A	106610011509016610	9,130
IDEA - Part B, High Cost Risk Pool	84.173A	116610011509016610	559
IDEA - Part B, Formula - ARRA	84.391A	10554001150901	164,907
IDEA - Part B, Preschool - ARRA	84.392A	10555001150901	4,796
Total Special Education Cluster (IDEA)			<u>633,185</u>
Career and Technical Education - Basic Grant	84.048A	10420006150901	24,602

LLANO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF EDUCATION (Continued)			
<u>Passed through the Texas Education Agency(Continued)</u>			
ESEA, Title IV - Safe and Drug Free Schools	84.186A	10691001150901	\$ 7,320
ESEA Title VI - Part B, Subpart 2, Rural & Low Income Sch. Prog.	84.358B	10696001150901	47,418
ESEA, Title II, Part D - Education Technology	84.318X	10630001150901	4,130
ESEA, Title II, Part D - Education Technology - ARRA	84.386A	10553001150901	7,404
Total Title II, Part D - Ed Tech Cluster			<u>11,534</u>
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	10694501150901	91,986
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	11694501150901	6,040
Total ESEA, Title II, Part A - Teacher/Principal Training			<u>98,026</u>
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	10557001150901	530,800
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394A	11557001150901	54,854
Total Title XIV, State Fiscal Stabilization Fund - ARRA			<u>585,654</u>
Total Passed through the Texas Education Agency			<u>1,986,500</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>1,986,500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,636,425</u>

LLANO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
AUGUST 31, 2010

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, 2010**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

None

Identification of major programs:

CFDA Numbers:

84.027, 84.173, 84.391, 84.392

84.010, 84.389

84.394

Name of federal program or cluster:

IDEA B

Title I

Title XIV

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes

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, 2010**

None

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