

ALEDO INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2010

ALEDO INDEPENDENT SCHOOL DISTRICT

**Table of Contents for
Year Ended August 31, 2010**

Exhibit	Page Number
Certificate of Board	3
Independent Auditor’s Report	4
Management’s Discussion and Analysis	6
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
A-1 Statement of Net Assets	15
B-1 Statement of Activities	16
Governmental Fund Financial Statements:	
C-1 Balance Sheet	18
C-2 Reconciliation for Exhibit C-1	20
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	22
C-4 Reconciliation for Exhibit C-3	24
Proprietary Fund Financial Statement:	
D-1 Statement of Net Assets	25
D-2 Statement of Revenues, Expenses, and Changes in Fund Balance	26
D-3 Statement of Cash Flows	27
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Assets	28
Notes to the Financial Statements	
29	
<u>Required Supplementary Information:</u>	
G-1 Budgetary Comparison Schedule - General Fund	48
<u>Combining Schedules:</u>	
H-1 Combining Balance Sheet – Nonmajor Governmental Funds	50
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	54
<u>Required Texas Education Agency Schedules:</u>	
J-1 Schedule of Delinquent Taxes Receivable	60
J-2 Schedule of Expenditures for Computation of Indirect Cost	62
J-3 Fund Balance and Cash Flow Calculation Worksheet	63
J-4 Budgetary Comparison Schedule – NonMajor Fund – Child Nutrition Program	64
J-5 Budgetary Comparison Schedule – NonMajor Fund – Debt Service Fund	65
<u>Reports on Internal Control, Compliance, and Federal Awards:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	68
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	70
Schedule of Findings and Questioned Costs	72
Schedule of Status of Prior Findings	73
Corrective Action Plan	74
K-1 Schedule of Expenditures of Federal Awards	75
Notes to Schedule of Expenditures of Federal Awards	76
L School First Indicators	77

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATE OF THE BOARD

Aledo Independent School District
Name of School District

Parker
County

184-907
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 15th day of November, 2010.

Signed copy on file.

Signed copy on file.

Signature of Board Secretary

Signature of Board President

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

KIRK & RICHARDSON, P. C.

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406	E-mail: krcpa@flash.net	Fax (817) 451-7597

Independent Auditor's Report

Board of Trustees
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of Aledo 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 the District's Administrators. Our responsibility is to express an opinion 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 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 opinion.

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 aggregate remaining fund information of the District, as of August 31, 2010, and the respective changes in financial position and cash flows, where applicable, 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 November 5, 2010, on our consideration of the District's internal control over financial reporting and 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering 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 6 through 12 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The Texas Education Agency ("TEA") requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNADUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signed copy on file.

Kirk & Richardson, P.C.
November 5, 2010

**ALEDO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010
UNAUDITED**

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

Financial Highlights

- District rated "Superior Achievement" in financial management for the eight consecutive year based on 22 financial indicators of the TEA Financial Integrity Rating System of Texas.
- The "AAA" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. Previously, a substantial and rare underlying rating upgrade from "BBB+" to "A-" was made by Standard and Poor's and Fitch Ratings for Series 2006 Unlimited Tax School Building Bonds and Series 2006-B Unlimited Tax Refunding Bonds, and the 2007-A Unlimited Tax School Building Bonds. The upgrade was based upon the District's sound financial standing. Also as a result of the advance refunding of \$7,520,000 by the District of the Series 1998 Unlimited Tax School Building Bonds by the issuance of Series 2007 Unlimited Tax Refunding Bonds, the District reduced its total debt service requirements by \$988,788. This savings of nearly one million dollars was significant for the school district taxpayers. Fitch Ratings gave important preliminary notice of additional bonds upgrade at the end of the fiscal year which would upgrade Aledo ISD ULT Bonds to an underlying rating of "AA". The expected rating upgrade would "reflect continued solid financial performance, benefiting from conservative fiscal management and also financial flexibility enhanced by recent strong voter support for additional operating tax margin."
- Ending fund balance for the General Fund was \$12,323,022 whereas the Optimum Fund Balance was \$16,774,878. We were able to increase our fund balance within the General Fund by \$545,234 to a year-end balance of \$12,323,022 which was more than the projected increase. The District continues to be prudent by "setting aside" funds for future District operating costs in light of state funding changes which will continue to have a negative impact of the District's fund balance and resources.
- Overall investments performed consistently well against market comparables. With priorities of safety and liquidity the district was not exposed to any significant credit risk.
- The School District and Appraisal District continue to be efficient in collecting ad valorem taxes.
- The Aledo ISD 2010 FIRST Rating Administrative Cost ratio was a conservative .0863 which is 38.17% below the state threshold for these costs.
- Governmental funds reported combined ending fund balances of \$32,434,664, a decrease of \$26,413,583 from the prior year. Most of this decrease (\$27,003,961) resulted from expenditures associated with constructing new facilities within the District. Unreserved, undesignated fund balance total \$12,325,722 and represents approximately 38 percent of the \$32,434,664 total fund balance. The remaining fund balance of \$20,108,942 is *reserved or designated* to indicate that it is not available for new spending because it has

already been committed (1) to pay debt service (\$7,465,651), (2) for capital projects (\$12,461,061) and (3) for other miscellaneous designations (\$182,230).

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$(6,991,718) (*net assets*). Of this amount, \$13,356,290 (*unrestricted net assets*) may be used to meet the District's ongoing obligations.

Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District started two *business-type activities* during the year, a Pre-K Academy and the Bearcat Store. There are no component units for which it is financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

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

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

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-

wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 18-24 of this report.

- **Proprietary funds.** *Proprietary funds* are used to account for on-going organizations and activities where net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, non-operating revenues and expenses, and transfers are accounted for through the fund affected. Generally accepted accounting principles that apply to similar businesses in the private sector are applicable to proprietary type funds, as net income and financial position are to be determined. These funds utilize the accrual basis of accounting. The District began two enterprise funds during the year, a Pre-K Academy and the Bearcat Store. A budget is not required to be approved by the District's Board of Trustees. Expenses of an enterprise operation, including depreciation, are generally intended to be financed or recovered primarily through user charges, rather than from governmental grants or subsidies.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets that can be found on page 28.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Supplementary information can be found on page 48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$6,991,718, as of August 31, 2010.

The District's Net Assets

	August 31, 2010	August 31, 2009
Current assets	\$ 38,717,973	\$ 70,694,218
Capital assets	127,504,094	105,646,552
Total assets	166,222,067	176,340,770
Current liabilities	5,421,165	9,698,221
Long-term liabilities outstanding	167,792,620	170,209,732
Total liabilities	173,213,785	179,907,953
Net assets:		
Invested in capital assets, net of related debt	(29,422,471)	(64,104,015)
Restricted	9,074,463	46,265,790
Unrestricted	13,356,290	14,271,042
Total net assets	\$ (6,991,718)	\$ (3,567,183)

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is a negative \$29,422,471. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$9,074,463) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$13,356,260, including \$53,182 for Business Type Activities) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's Governmental Activities decreased by \$3,456,250 and the Business-Type Activities increased by \$31,715 for a total decrease of \$3,424,535. The total cost of all *governmental activities* this year was \$50,726,154. The amount that our taxpayers paid for these activities through property taxes was \$34,836,221 or 69%. The total cost of the Business-Type Activities was \$75,410.

Changes in the District's Net Assets

	Fiscal Year August 31, 2010	Fiscal Year August 31, 2009
Revenues:		
Program revenues		
Charges for services	\$ 3,097,083	\$ 3,117,530
Operating grants and contributions	4,619,695	3,309,722
General revenues		
Property taxes	34,836,221	35,206,540
State grants	4,140,047	5,918,146
Special Items	-	-
Other	576,858	1,334,459
Total revenues	47,269,904	48,886,397
Expenses:		
Instruction	24,243,831	25,178,166
Instructional resources and media services	431,105	437,518
Curriculum and staff development	226,287	225,960
Instructional leadership	408,897	420,315
School leadership	2,399,186	2,419,024
Guidance, counseling & evaluation services	722,875	712,911
Health services	342,609	351,349
Student transportation	20,034	-
Food service	1,968,152	1,866,584
Cocurricular/extracurricular activities	2,138,469	2,073,925
General administration	1,718,000	1,511,221
Plant maintenance and operations	4,647,013	4,226,436
Security and monitoring services	379,868	288,105
Data processing services	588,225	578,710
Debt service-interest on long-term debt	7,269,842	7,704,758
Debt service-bond issuance costs	83,665	63,241
Capital outlay	1,021,054	564,694
Payments related to shared service arrangements	2,117,042	2,007,318
Total expenses	50,726,154	50,630,235
Increase (decrease) in net assets	(3,456,250)	(1,743,838)
Net Business-Type Activities	31,715	21,127
Total Increase (decrease) in net assets	(3,424,535)	(1,722,711)
Beginning net assets	(3,567,183)	(1,844,472)
Ending net assets	\$ (6,991,718)	\$ (3,567,183)

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$32,434,664, a decrease of \$26,413,583. Approximately 38 percent of this total amount (\$12,325,722) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$7,465,651), (2) for capital projects (\$11,659,282) and (3) for other miscellaneous designations (\$182,230).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$12,323,022, out of a total fund balance of \$12,323,022. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance and total fund balance represents 38 percent of the total general fund expenditures.

The fund balance of the District's general fund increased by \$545,234 during the current fiscal year.

The debt service fund has a total fund balance of \$7,465,651, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund is \$9,623.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases. The fund balance of the District's capital projects fund was \$11,659,282 as of August 31, 2010. The net decrease in fund balance for the fiscal year ended August 31, 2010, was \$27,003,961. This decrease resulted from the increase in total expenditures. Expenditures for capital projects totaled \$27,060,109 for the year. The net increase in expenditures over the prior year for capital projects during the period was \$3,059,846.

General Fund Budgetary Highlights

- District recommended and Board approved revisions to budgeted revenue and appropriations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2010, amounts to \$127,504,094 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2010</u>	<u>August 31, 2009</u>
Land	\$ 6,425,388	\$ 6,250,436
Construction in progress	35,321,438	20,044,987
Buildings and improvements	82,115,451	74,933,381
Furniture and equipment	<u>3,641,817</u>	<u>4,417,748</u>
Total at historical cost	<u><u>\$ 127,504,094</u></u>	<u><u>\$ 105,646,552</u></u>

Additional information on the District’s capital assets can be found in note IV-F on page 40 of this report.

Long-term debt. As of August 31, 2010, the District had total general obligation bonded debt outstanding of \$149,179,509, a decrease of \$1,982,201 from the prior year. The District also had accretion of capital appreciation bonds of \$12,725,398 in fiscal year 2010, an increase of \$81,659 over the prior year. The District had a loss on refunding of \$1,100,170, a decrease of \$74,800 from the prior year.

The “AAA” long-term rating on the District’s Texas’ bonds reflects the Texas Permanent School Fund guarantee. The “AA-” Standard & Poor’s underlying rating on the District’s unenhanced debt reflects the District’s: (1) strong assessed value growth, (2) changing property tax base that is becoming more suburban and less agriculture and rural, (3) improved financial performance and position due to the implementation of its financial recovery plan, and (4) moderate overall debt levels with future capital needs, which the District expects to finance through debt issuance. Source: *Standard and Poor’s Ratings Direct*.

Additional information on the District’s long-term debt can be found in note IV-G on pages 41-42 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The District’s 2009-2010 student attendance rate remained stable at 96.2 percent.
- The 2010-2011 “snapshot”: Local property values certified at \$2,622,239,417. The maintenance and operations tax rate was adopted at \$1.17 per \$100 valuation and the debt service tax rate at \$0.2552 per \$100 valuation for a total tax rate of \$1.4252 with no tax increase. The adopted M & O rate exceeded the rollback rate but was approved by the voters on August 28, 2010 in the TRE election. Local M&O revenues estimated at \$28,219,714 and debt service tax revenues of \$6,618,970. State aid is estimated at \$7,193,771 with recapture of an estimated \$936,817. The General Operating budget was adopted in the amount of \$36,358,524.

Requests for Information

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

**ALEDO INDEPENDENT SCHOOL DISTRICT
SUPERINTENDENT CONTRACTS
ADDENDUM TO MANAGEMENT DISCUSSION
AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010
UNAUDITED**

THIS PAGE LEFT BLANK INTENTIONALLY

SUPERINTENDENT'S EMPLOYMENT CONTRACT

STATE OF TEXAS §
 §
COUNTY OF PARKER §

KNOW ALL MEN BY THESE PRESENTS:

COPY

THIS SUPERINTENDENT'S EMPLOYMENT CONTRACT ("Agreement") was approved by the Board (defined below) on January 18, 2010, and is made and entered into effective the 1st day of July, 2010, by and between the Board of Trustees (the "Board") of the Aledo Independent School District (the "District") and Don R. Daniel (the "Superintendent").

WITNESSETH:

NOW, THEREFORE, the Board and the Superintendent, for and in consideration of the terms hereinafter established and pursuant to Section 11.201 of the Texas Education Code, have agreed, and do hereby agree, as follows:

I. Term

- 1.1 The Board, by and on behalf of the District, does hereby employ the Superintendent, and the Superintendent does hereby accept employment as Superintendent of Schools for the District for a term of five (5) years, commencing on July 1, 2010, and ending June 30, 2015. The District may, by action of the Board, and with the consent and approval of the Superintendent, extend the term of this Contract as permitted by state law.
- 1.2 The Board has not adopted any policy, rule, regulation, law, or practice providing for tenure. No right of tenure is created by this Contract. No property interest, express or implied, is created in continued employment beyond the Contract term.

II. Employment

- 1.3 Duties. The Superintendent is the chief executive of the District and shall faithfully perform the duties of the Superintendent of Schools for the District as prescribed in the job description and as may be lawfully assigned by the Board, and shall comply with all lawful Board directives, state and federal law, district policy, rules, and regulations as they exist or may hereafter be amended. Specifically, it shall be the duty of the Superintendent to recommend for employment all professional employees of the District subject to the Board's approval. It shall be the further duty of the Superintendent to employ all other personnel consistent with the Board's policies. It shall be the further duty of the Superintendent to direct, assign, reassign, and evaluate all of the employees of the District consistent with Board policies and federal and state law. It shall be the further duty of the Superintendent to organize, reorganize, and arrange the staff of the District, and to develop and establish administrative regulations, rules, and procedures which the Superintendent deems necessary for the efficient and effective operation of the District consistent with the Board's lawful directives, the Board's policies, and state and federal law. It shall be the further duty of the Superintendent to accept all resignations of employees for the District consistent with the Board's policies, except the Superintendent's resignation, which must be accepted by the Board. The Superintendent shall perform the duties of the Superintendent of Schools for the District with reasonable care, diligence, skill, and expertise.
- 2.2 Professional Certification. The Superintendent shall at all times during the term of this Contract, and any renewal or extension thereof, hold and maintain a valid certificate required of a superintendent by the State of Texas and issued by the State Board for Educator Certification and any other certificates required by law.
- 2.3 Reassignment. The Superintendent cannot be reassigned from the position of Superintendent to another position without the Superintendent's express written consent.

- 2.4. Board Meetings. The Superintendent shall attend, and shall be permitted to attend, all meetings of the Board, both public and closed, with the exception of those closed meetings devoted to the consideration or discussion of any action or lack of action on the Superintendent's Contract, including but not limited to salary or benefits, or the Superintendent's evaluation or performance, or for purposes of attorney-client consultations between the Board and the District's attorney, or for purposes of resolving conflicts between individual Board members, or when the Board is acting in its capacity as a tribunal. In the event of illness or Board-approved absence, the Superintendent's designee shall attend such meetings.
- 2.5 Criticisms, Complaints, and Suggestions. The Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggestions called to the Board's attention to the Superintendent for study and appropriate action, and the Superintendent shall investigate such matters and inform the Board of the results of such efforts.
- 2.6 Indemnification. The District shall defend, hold harmless and indemnify the Superintendent regarding any claims, demands, duties, actions or other legal proceedings against the Superintendent for any act or failure to act involving the exercise of judgment and discretion within the normal course and scope of the Superintendent's duties as Superintendent of the District, to the extent and to the limit permitted by law. This paragraph does not apply if the Superintendent is found to have acted with gross negligence or with intent to violate a person's clearly established legal rights, or to have engaged in criminal conduct. The District may, at its sole discretion, fulfill its obligation under this paragraph by purchasing appropriate insurance coverage for the benefit of the Superintendent. No individual member of the Board shall be personally liable for indemnifying or defending the Superintendent under this paragraph. The District's obligation to indemnify, defend and hold the Superintendent harmless under this paragraph survives the termination of this Contract.

III. Compensation

- 3.1 Salary. The District shall provide the Superintendent with an annual salary in the sum of \$158,000. This annual salary rate shall be paid to the Superintendent in equal installments consistent with the Board's policies.
- 3.2 Salary Adjustments. At any time during the term of this Contract, the Board may, in its discretion, review and adjust the salary of the Superintendent, but in no event shall the Superintendent be paid less than the salary set forth pursuant to Section 3.1 of this Contract except by mutual agreement of the two parties. Such adjustments, if any, shall be made pursuant to a lawful Board resolution. In such event, the parties agree to provide their best efforts and reasonable cooperation to execute a new contract incorporating the adjusted salary.
- 3.3 Reimbursed Expenses. The District shall pay or reimburse the Superintendent for reasonable expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract. The District agrees to pay the actual and incidental costs incurred by the Superintendent for out-of-district travel. Such actual or incidental costs may include, but are not limited to, gasoline, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of the business of the District. The Superintendent shall comply with all procedures and documentation requirements in accordance with Board policies.
- 3.4 Automobile Allowance. The District shall provide the Superintendent with an in-district automobile travel allowance in the sum of Six Hundred and No/100Dollars (\$600.00) per month.
- 3.5 Health Insurance. The District shall pay the same premiums for hospitalization, major medical, and dental insurance coverage for the Superintendent pursuant to the group health plan provided by the District for its administrative employees.
- 3.6 Vacation. The Superintendent may take, at the Superintendent's choice, subject to reasonable notice to the Board, three weeks (fifteen workweek days) of vacation per contract year, with the days to be in a single period or at different times. The vacation days taken by the Superintendent will be taken at such time or times as will least interfere with performance of the Superintendent's duties as set forth in this Contract, also to bank up to five (5) days of vacation a year to a maximum of twenty-five (25) days, payable upon separation from the District.

- 3.7 Professional Growth. The Superintendent shall devote the Superintendent's time, attention, and energy to the direction, administration, and supervision of the District. The Board, however, encourages the continued professional growth of the Superintendent through the Superintendent's active attendance and participation in appropriate professional meetings at the local, regional, state, and national levels. The Board shall encourage the use of data and information sources, and shall encourage the participation of the Superintendent in pertinent education seminars and courses offered by public or private institutions or by educational associations, as well as the participation in informational meetings with those individuals whose particular skills, expertise, or backgrounds would serve to improve the capacity of the Superintendent to perform the Superintendent's professional responsibilities for the District. In its encouragement of the Superintendent to grow professionally, the Board shall permit a reasonable amount of release time for the Superintendent, as the Superintendent and Board deem appropriate, to attend such seminars, courses, or meetings. The District shall pay the Superintendent's membership dues to the American Association of School Administrators and the Texas Association of School Administrators, as well as other memberships necessary to maintain and improve the Superintendent's professional skills with prior Board approval. The District shall bear the reasonable costs and expenses for such attendance or membership.
- 3.8 Cellular Telephone. The District shall provide a cellular telephone for the Superintendent's business and personal use.
- 3.9 Outside Consultation. With the prior notice to the Board and approval of the Board, the Superintendent may serve as a consultant to other school districts or educational agencies, lecture, engage in writing activities and speaking engagements, and engage in other activities that are of a short-term duration.

IV. Annual Performance Goals

- 4.1 Development of Goals. The Superintendent shall submit to the Board each year, for the Board's consideration and Adoption, a preliminary list of goals for the District and the Superintendent. The goals approved by the Board shall at all times be reduced to writing and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated.

V. Review of Performance

- 5.1 Time and Basis of Evaluation. The Board shall evaluate and assess in writing the performance of the Superintendent in January of each year during the term of this Contract ("Superintendent's Evaluation"). The Superintendent's evaluation instrument and process shall be developed and/or revised with input from the Superintendent and shall be reasonably related to the duties of the Superintendent as outlined in the Superintendent's job description.
- 5.2 Confidentiality. Unless the Superintendent expressly requests otherwise in writing, the evaluation of the Superintendent shall at all times be conducted in executive session and shall be considered confidential to the extent permitted by law. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.
- 5.3 Evaluation Format and Procedures. The evaluation format and procedure shall be in accordance with the evaluation instrument selected by the Board in accordance with Article V of this Contract, the Board's policies, and state and federal law. In the event the Board deems that the evaluation instrument, format and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated.

VI. Renewal or Non-renewal of Employment Contract

- 6.1 Renewal/Non-renewal. Renewal or non-renewal shall be in accordance with Board policy and applicable law. Notwithstanding anything to the contrary in Section 21.212(a) of the Texas Education Code, the Superintendent shall be entitled to written notice, containing reasonable notice of the reason for the proposed non-renewal, not later than forty-five (45) days before the last day of the contract term, containing reasonable notice of the reasons(s) for the proposed non-renewal of the Superintendent's Contract with the District.

VII. Termination of Employment Contract

- 7.1 Mutual Agreement. This Contract may be terminated by the mutual agreement of the Superintendent and the Board in writing, upon such terms and conditions as may be mutually agreed upon.
- 7.2 Retirement or Death. This Contract shall be terminated upon retirement from the Aledo Independent School District or death of the Superintendent.
- 7.3 Dismissal for Good Cause. The Board may dismiss the Superintendent during the term of the Contract for good cause. The Term "good cause" is defined as follows:
- (a) Failure to fulfill duties or responsibilities as set forth under the terms and conditions of this Contract;
 - (b) Incompetence or inefficiency in the performance of required or assigned duties as documented by evaluations, supplemental memoranda, or other written communication from the Board; provided, however, the terms and conditions of this paragraph shall not justify good cause unless the Board has provided the Superintendent a reasonable opportunity to remediate any incompetency or inefficiency;
 - (c) Insubordination or failure to comply with lawful written Board directives;
 - (d) Failure to comply with the Board's policies or the District's administrative regulations;
 - (e) Neglect of duties;
 - (f) Drunkenness or excessive use of alcoholic beverages;
 - (g) Illegal use of drugs, hallucinogens, or other substances regulated by the Texas Controlled Substances Act;
 - (h) Conviction of a felony or crime involving moral turpitude;
 - (i) Failure to meet the District's standards of professional conduct;
 - (j) Failure to comply with reasonable District professional development requirements regarding advanced course work or professional development;
 - (k) Disability, not otherwise protected by law, that impairs performance of the required duties of the Superintendent;
 - (l) Immorality, which is conduct the Board determines is not in conformity with the accepted moral standards of the community encompassed by the District. Immorality is not confined to sexual matters, but includes conduct inconsistent with rectitude or indicative of corruption, indecency, or depravity;
 - (m) Assault on an employee or student;
 - (n) Knowingly falsifying records or documents related to the District's activities;
 - (o) Conscious misrepresentation of facts to the Board or other District officials in the conduct of the District's business;
 - (p) Failure to fulfill requirements for superintendent certification;
 - (q) Failure to fulfill the requirements of a deficiency plan under an Emergency Permit; or
 - (r) Any other reason constituting "good cause" under Texas law.

7.4 Termination Procedure. In the event that the Board terminates this Contract for "good cause", the Superintendent shall be afforded all the rights as set forth in the Board's policies, and state and federal law.

VIII. Miscellaneous

- 8.1 Controlling Law. This Contract shall be governed by the laws of the State of Texas and shall be performable in Parker County, Texas, unless otherwise provided by law.
- 8.2 Complete Agreement. This Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the undersigned parties, except as expressly provided herein.
- 8.3 Conflicts. In the event of any conflict between the terms, conditions, and provisions of this Employment Contract and the provisions of the Board's policies, or any permissive state or federal law, then, unless otherwise prohibited by law, the terms of this Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law during the term of the Contract.
- 8.4 Savings Clause. In the event any one or more of the provisions contained in this Contract shall, for any reason, be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this Contract shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. All existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent have been superseded by this Contract, and this Contract constitutes the entire agreement between the parties unless amended pursuant to the terms of this Contract.

ALEDO INDEPENDENT SCHOOL DISTRICT

By: JOE L. DEARING JR
Joe L. Dearing, Jr.
President, Board of Trustees

ATTEST:


Bobby Rigues
Vice President, Board of Trustees


Don R. Daniel, Superintendent

THIS PAGE LEFT BLANK INTENTIONALLY

SUPERINTENDENT'S EMPLOYMENT CONTRACT

COPY

STATE OF TEXAS §
 § **KNOW ALL MEN BY THESE PRESENTS:**
COUNTY OF PARKER §

THIS SUPERINTENDENT'S EMPLOYMENT CONTRACT ("Agreement") was approved by the Board (defined below) on January 19, 2009, and is made and entered into effective the 1st day of July, 2009, by and between the Board of Trustees (the "Board") of the Aledo Independent School District (the "District") and Don R. Daniel (the "Superintendent").

WITNESSETH:

NOW, THEREFORE, the Board and the Superintendent, for and in consideration of the terms hereinafter established and pursuant to Section 11.201 of the Texas Education Code, have agreed, and do hereby agree, as follows:

I. Term

- 1.1 The Board, by and on behalf of the District, does hereby employ the Superintendent, and the Superintendent does hereby accept employment as Superintendent of Schools for the District for a term of five (5) years, commencing on July 1, 2009, and ending June 30, 2014. The District may, by action of the Board, and with the consent and approval of the Superintendent, extend the term of this Contract as permitted by state law.
- 1.2 The Board has not adopted any policy, rule, regulation, law, or practice providing for tenure. No right of tenure is created by this Contract. No property interest, express or implied, is created in continued employment beyond the Contract term.

II. Employment

- 1.3 Duties. The Superintendent is the chief executive of the District and shall faithfully perform the duties of the Superintendent of Schools for the District as prescribed in the job description and as may be lawfully assigned by the Board, and shall comply with all lawful Board directives, state and federal law, district policy, rules, and regulations as they exist or may hereafter be amended. Specifically, it shall be the duty of the Superintendent to recommend for employment all professional employees of the District subject to the Board's approval. It shall be the further duty of the Superintendent to employ all other personnel consistent with the Board's policies. It shall be the further duty of the Superintendent to direct, assign, reassign, and evaluate all of the employees of the District consistent with Board policies and federal and state law. It shall be the further duty of the Superintendent to organize, reorganize, and arrange the staff of the District, and to develop and establish administrative regulations, rules, and procedures which the Superintendent deems necessary for the efficient and effective operation of the District consistent with the Board's lawful directives, the Board's policies, and state and federal law. It shall be the further duty of the Superintendent to accept all resignations of employees for the District consistent with the Board's policies, except the Superintendent's resignation, which must be accepted by the Board. The Superintendent shall perform the duties of the Superintendent of Schools for the District with reasonable care, diligence, skill, and expertise.
- 2.2 Professional Certification. The Superintendent shall at all times during the term of this Contract, and any renewal or extension thereof, hold and maintain a valid certificate required of a superintendent by the State of Texas and issued by the State Board for Educator Certification and any other certificates required by law.
- 2.3 Reassignment. The Superintendent cannot be reassigned from the position of Superintendent to another position without the Superintendent's express written consent.

- 2.4. Board Meetings. The Superintendent shall attend, and shall be permitted to attend, all meetings of the Board, both public and closed, with the exception of those closed meetings devoted to the consideration or discussion of any action or lack of action on the Superintendent's Contract, including but not limited to salary or benefits, or the Superintendent's evaluation or performance, or for purposes of attorney-client consultations between the Board and the District's attorney, or for purposes of resolving conflicts between individual Board members, or when the Board is acting in its capacity as a tribunal. In the event of illness or Board-approved absence, the Superintendent's designed shall attend such meetings.
- 2.5 Criticisms, Complaints, and Suggestions. The Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggestions called to the Board's attention to the Superintendent for study and appropriate action, and the Superintendent shall investigate such matters and inform the Board of the results of such efforts.
- 2.6 Indemnification. The District shall defend, hold harmless and indemnify the Superintendent regarding any claims, demands, duties, actions or other legal proceedings against the Superintendent for any act or failure to act involving the exercise of judgment and discretion within the normal course and scope of the Superintendent's duties as Superintendent of the District, to the extent and to the limit permitted by law. This paragraph does not apply if the Superintendent is found to have acted with gross negligence or with intent to violate a person's clearly established legal rights, or to have engaged in criminal conduct. The District may, at its sole discretion, fulfill its obligation under this paragraph by purchasing appropriate insurance coverage for the benefit of the Superintendent. No individual member of the Board shall be personally liable for indemnifying or defending the Superintendent under this paragraph. The District's obligation to indemnify, defend and hold the Superintendent harmless under this paragraph survives the termination of this Contract.

III. Compensation

- 3.1 Salary. The District shall provide the Superintendent with an annual salary in the sum of \$~~150,000~~ ^{158,800} ^{8/24/09}. This annual salary rate shall be paid to the Superintendent in equal installments consistent with the Board's policies.
- 3.2 Salary Adjustments. At any time during the term of this Contract, the Board may, in its discretion, review and adjust the salary of the Superintendent, but in no event shall the Superintendent be paid less than the salary set forth pursuant to Section 3.1 of this Contract except by mutual agreement of the two parties. Such adjustments, if any, shall be made pursuant to a lawful Board resolution. In such event, the parties agree to provide their best efforts and reasonable cooperation to execute a new contract incorporating the adjusted salary.
- 3.3 Reimbursed Expenses. The District shall pay or reimburse the Superintendent for reasonable expenses incurred by the Superintendent in the continuing performance of the Superintendent's duties under this Contract. The District agrees to pay the actual and incidental costs incurred by the Superintendent for out-of-district travel. Such actual or incidental costs may include, but are not limited to, gasoline, hotels and accommodations, meals, rental car, and other expenses incurred in the performance of the business of the District. The Superintendent shall comply with all procedures and documentation requirements in accordance with Board policies.
- 3.4 Automobile Allowance. The District shall provide the Superintendent with an in-district automobile travel allowance in the sum of Six Hundred and No/100Dollars (\$600.00) per month.
- 3.5 Health Insurance. The District shall pay the same premiums for hospitalization, major medical, and dental insurance coverage for the Superintendent pursuant to the group health plan provided by the District for its administrative employees.
- 3.6 Vacation. The Superintendent may take, at the Superintendent's choice, subject to reasonable notice to the Board, three weeks (fifteen workweek days) of vacation per contract year, with the days to be in a single period or at different times. The vacation days taken by the Superintendent will be taken at such time or times as will least interfere with performance of the Superintendent's duties as set forth in this Contract, also to bank up to five (5) days of vacation a year to a maximum of twenty-five (25) days, payable upon separation from the District.

- 3.7 Professional Growth. The Superintendent shall devote the Superintendent's time, attention, and energy to the direction, administration, and supervision of the District. The Board, however, encourages the continued professional growth of the Superintendent through the Superintendent's active attendance and participation in appropriate professional meetings at the local, regional, state, and national levels. The Board shall encourage the use of data and information sources, and shall encourage the participation of the Superintendent in pertinent education seminars and courses offered by public or private institutions or by educational associations, as well as the participation in informational meetings with those individuals whose particular skills, expertise, or backgrounds would serve to improve the capacity of the Superintendent to perform the Superintendent's professional responsibilities for the District. In its encouragement of the Superintendent to grow professionally, the Board shall permit a reasonable amount of release time for the Superintendent, as the Superintendent and Board deem appropriate, to attend such seminars, courses, or meetings. The District shall pay the Superintendent's membership dues to the American Association of School Administrators and the Texas Association of School Administrators, as well as other memberships necessary to maintain and improve the Superintendent's professional skills with prior Board approval. The District shall bear the reasonable costs and expenses for such attendance or membership.
- 3.8 Cellular Telephone. The District shall provide a cellular telephone for the Superintendent's business and personal use.
- 3.9 Outside Consultation. With the prior notice to the Board and approval of the Board, the Superintendent may serve as a consultant to other school districts or educational agencies, lecture, engage in writing activities and speaking engagements, and engage in other activities that are of a short-term duration.

IV. Annual Performance Goals

- 4.1 Development of Goals. The Superintendent shall submit to the Board each year, for the Board's consideration and Adoption, a preliminary list of goals for the District and the Superintendent. The goals approved by the Board shall at all times be reduced to writing and shall be among the criteria on which the Superintendent's performance is reviewed and evaluated.

V. Review of Performance

- 5.1 Time and Basis of Evaluation. The Board shall evaluate and assess in writing the performance of the Superintendent in January of each year during the term of this Contract ("Superintendent's Evaluation"). The Superintendent's evaluation instrument and process shall be developed and/or revised with input from the Superintendent and shall be reasonably related to the duties of the Superintendent as outlined in the Superintendent's job description.
- 5.2 Confidentiality. Unless the Superintendent expressly requests otherwise in writing, the evaluation of the Superintendent shall at all times be conducted in executive session and shall be considered confidential to the extent permitted by law. Nothing herein shall prohibit the Board or the Superintendent from sharing the content of the Superintendent's evaluation with their respective legal counsel.
- 5.3 Evaluation Format and Procedures. The evaluation format and procedure shall be in accordance with the evaluation instrument selected by the Board in accordance with Article V of this Contract, the Board's policies, and state and federal law. In the event the Board deems that the evaluation instrument, format and/or procedure is to be modified by the Board and such modifications would require new or different performance expectations, the Superintendent shall be provided a reasonable period of time to demonstrate such expected performance before being evaluated.

VI. Renewal or Non-renewal of Employment Contract

- 6.1 Renewal/Non-renewal. Renewal or non-renewal shall be in accordance with Board policy and applicable law. Notwithstanding anything to the contrary in Section 21.212(a) of the Texas Education Code, the Superintendent shall be entitled to written notice, containing reasonable notice of the reason for the proposed non-renewal, not later than forty-five (45) days before the last day of the contract term, containing reasonable notice of the reasons(s) for the proposed non-renewal of the Superintendent's Contract with the District.

VII. Termination of Employment Contract

- 7.1 Mutual Agreement. This Contract may be terminated by the mutual agreement of the Superintendent and the Board in writing, upon such terms and conditions as may be mutually agreed upon.
- 7.2 Retirement or Death. This Contract shall be terminated upon retirement from the Aledo Independent School District or death of the Superintendent.
- 7.3 Dismissal for Good Cause. The Board may dismiss the Superintendent during the term of the Contract for good cause. The Term "good cause" is defined as follows:
- (a) Failure to fulfill duties or responsibilities as set forth under the terms and conditions of this Contract;
 - (b) Incompetence or inefficiency in the performance of required or assigned duties as documented by evaluations, supplemental memoranda, or other written communication from the Board; provided, however, the terms and conditions of this paragraph shall not justify good cause unless the Board has provided the Superintendent a reasonable opportunity to remediate any incompetency or inefficiency;
 - (c) Insubordination or failure to comply with lawful written Board directives;
 - (d) Failure to comply with the Board's policies or the District's administrative regulations;
 - (e) Neglect of duties;
 - (f) Drunkenness or excessive use of alcoholic beverages;
 - (g) Illegal use of drugs, hallucinogens, or other substances regulated by the Texas Controlled Substances Act;
 - (h) Conviction of a felony or crime involving moral turpitude;
 - (i) Failure to meet the District's standards of professional conduct;
 - (j) Failure to comply with reasonable District professional development requirements regarding advanced course work or professional development;
 - (k) Disability, not otherwise protected by law, that impairs performance of the required duties of the Superintendent;
 - (l) Immorality, which is conduct the Board determines is not in conformity with the accepted moral standards of the community encompassed by the District. Immorality is not confined to sexual matters, but includes conduct inconsistent with rectitude or indicative of corruption, indecency, or depravity;
 - (m) Assault on an employee or student;
 - (n) Knowingly falsifying records or documents related to the District's activities;
 - (o) Conscious misrepresentation of facts to the Board or other District officials in the conduct of the District's business;
 - (p) Failure to fulfill requirements for superintendent certification;
 - (q) Failure to fulfill the requirements of a deficiency plan under an Emergency Permit; or
 - (r) Any other reason constituting "good cause" under Texas law.

7.4 Termination Procedure. In the event that the Board terminates this Contract for "good cause", the Superintendent shall be afforded all the rights as set forth in the Board's policies, and state and federal law.

VIII. Miscellaneous

- 8.1 Controlling Law. This Contract shall be governed by the laws of the State of Texas and shall be performable in Parker County, Texas, unless otherwise provided by law.
- 8.2 Complete Agreement. This Contract embodies the entire agreement between the parties hereto and cannot be varied except by written agreement of the undersigned parties, except as expressly provided herein.
- 8.3 Conflicts. In the event of any conflict between the terms, conditions, and provisions of this Employment Contract and the provisions of the Board's policies, or any permissive state or federal law, then, unless otherwise prohibited by law, the terms of this Contract shall take precedence over the contrary provisions of the Board's policies or any such permissive law during the term of the Contract.
- 8.4 Savings Clause. In the event any one or more of the provisions contained in this Contract shall, for any reason, be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision thereof, and this Contract shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. All existing agreements and contracts, both verbal and written, between the parties hereto regarding the employment of the Superintendent have been superseded by this Contract, and this Contract constitutes the entire agreement between the parties unless amended pursuant to the terms of this Contract.

ALEDO INDEPENDENT SCHOOL DISTRICT

By: JOE DEARING JR
Joe L. Dearing, Jr.
President, Board of Trustees

ATTEST:

Joe Anne Carlson
Anne Carlson
Secretary, Board of Trustees

Don R. Daniel
Don R. Daniel, Superintendent

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

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

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,007,372	\$ 55,207	\$ 2,062,579
1120 Current Investments	35,281,810	-	35,281,810
1220 Property Taxes Receivable (Delinquent)	1,099,888	-	1,099,888
1230 Allowance for Uncollectible Taxes	(513,531)	-	(513,531)
1240 Due from Other Governments	146,601	-	146,601
1300 Inventories	7,272	-	7,272
1420 Capitalized Bond and Other Debt Issuance Costs	633,354	-	633,354
Capital Assets:			
1510 Land	6,425,388	-	6,425,388
1520 Buildings, Net	82,115,451	-	82,115,451
1530 Furniture and Equipment, Net	3,641,817	-	3,641,817
1580 Construction in Progress	35,321,438	-	35,321,438
1000 Total Assets	<u>166,166,860</u>	<u>55,207</u>	<u>166,222,067</u>
LIABILITIES			
2110 Accounts Payable	1,779,169	2,025	1,781,194
2140 Interest Payable	410,748	-	410,748
2150 Payroll Deductions & Withholdings	2,699	-	2,699
2160 Accrued Wages Payable	1,190,416	-	1,190,416
2200 Accrued Expenses	22,413	-	22,413
2300 Deferred Revenues	2,013,695	-	2,013,695
Noncurrent Liabilities			
2501 Due Within One Year	1,982,201	-	1,982,201
2502 Due in More Than One Year	165,810,419	-	165,810,419
2000 Total Liabilities	<u>173,211,760</u>	<u>2,025</u>	<u>173,213,785</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	(29,422,471)	-	(29,422,471)
Restricted for:			
3820 Restricted for Federal and State Programs	182,230	-	182,230
3850 Restricted for Debt Service	7,465,651	-	7,465,651
3860 Restricted for Capital Projects	1,426,582	-	1,426,582
3900 Unrestricted Net Assets	13,303,108	53,182	13,356,290
3000 Total Net Assets	<u>\$ (7,044,900)</u>	<u>\$ 53,182</u>	<u>\$ (6,991,718)</u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 24,243,831	\$ 81,363	\$ 2,336,167
12 Instructional Resources and Media Services	431,105	-	21,859
13 Curriculum and Staff Development	226,287	-	84,169
21 Instructional Leadership	408,897	-	17,244
23 School Leadership	2,399,186	-	95,345
31 Guidance, Counseling and Evaluation Services	722,875	-	35,143
33 Health Services	342,609	-	18,873
34 Student (Pupil) Transportation	20,034	-	-
35 Food Services	1,968,152	1,488,267	513,255
36 Extracurricular Activities	2,138,469	1,489,883	34,022
41 General Administration	1,718,000	-	84,048
51 Plant Maintenance and Operations	4,647,013	37,570	1,330,326
52 Security and Monitoring Services	379,868	-	15,983
53 Data Processing Services	588,225	-	15,750
72 Debt Service - Interest on Long Term Debt	7,269,842	-	-
73 Debt Service - Bond Issuance Cost and Fees	83,665	-	-
81 Capital Outlay	1,021,054	-	-
93 Payments related to Shared Services Arrangements	2,117,042	-	17,511
[TG] Total Governmental Activities:	50,726,154	3,097,083	4,619,695
BUSINESS-TYPE ACTIVITIES:			
01 Aledo ISD Pre-K Academy	44,500	73,544	-
02 Bearcat Store	30,910	33,513	-
[TB] Total Business-Type Activities:	75,410	107,057	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 50,801,564	\$ 3,204,140	\$ 4,619,695
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
FR	Transfers In (Out)		
TR	Total General Revenues and Transfers		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
NE	Net Assets--Ending		

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (21,826,301)	\$ -	\$ (21,826,301)
(409,246)	-	(409,246)
(142,118)	-	(142,118)
(391,653)	-	(391,653)
(2,303,841)	-	(2,303,841)
(687,732)	-	(687,732)
(323,736)	-	(323,736)
(20,034)	-	(20,034)
33,370	-	33,370
(614,564)	-	(614,564)
(1,633,952)	-	(1,633,952)
(3,279,117)	-	(3,279,117)
(363,885)	-	(363,885)
(572,475)	-	(572,475)
(7,269,842)	-	(7,269,842)
(83,665)	-	(83,665)
(1,021,054)	-	(1,021,054)
(2,099,531)	-	(2,099,531)
(43,009,376)	-	(43,009,376)
-	29,044	29,044
-	2,603	2,603
-	31,647	31,647
(43,009,376)	31,647	(42,977,729)
25,420,762	-	25,420,762
9,415,459	-	9,415,459
3,637,178	-	3,637,178
502,869	-	502,869
112,032	68	112,100
457,722	-	457,722
7,104	-	7,104
39,553,126	68	39,553,194
(3,456,250)	31,715	(3,424,535)
(3,588,650)	21,467	(3,567,183)
\$ (7,044,900)	\$ 53,182	\$ (6,991,718)

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 911,746	\$ 35,696	\$ 1,556
1120 Investments - Current	14,718,873	7,432,055	13,130,882
1220 Property Taxes - Delinquent	848,441	251,447	-
1230 Allowance for Uncollectible Taxes (Credit)	(410,272)	(103,259)	-
1240 Receivables from Other Governments	132,589	-	-
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 16,201,377</u>	<u>\$ 7,615,939</u>	<u>\$ 13,132,438</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable/Bank Overdraft	\$ 264,306	\$ 2,100	\$ 1,473,156
2150 Payroll Deductions and Withholdings Payable	2,699	-	-
2160 Accrued Wages Payable	1,176,977	-	-
2200 Accrued Expenditures	22,188	-	-
2300 Deferred Revenues	2,412,185	148,188	-
2000 Total Liabilities	<u>3,878,355</u>	<u>150,288</u>	<u>1,473,156</u>
Fund Balances:			
Reserved For:			
3420 Retirement of Long Term Debt	-	7,465,651	-
3450 Food Service/Federal or State Funds	-	-	-
3490 Other Reserved/Restricted Fund Balance	-	-	11,659,282
Unreserved and Undesignated:			
3600 Reported in the General Fund	12,323,022	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>12,323,022</u>	<u>7,465,651</u>	<u>11,659,282</u>
4000 Total Liabilities and Fund Balances	<u>\$ 16,201,377</u>	<u>\$ 7,615,939</u>	<u>\$ 13,132,438</u>

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

Other Funds	Total Governmental Funds
\$ 1,058,374	\$ 2,007,372
-	35,281,810
-	1,099,888
-	(513,531)
14,012	146,601
7,272	7,272
<u>\$ 1,079,658</u>	<u>\$ 38,029,412</u>
\$ 39,607	\$ 1,779,169
-	2,699
13,439	1,190,416
225	22,413
39,678	2,600,051
<u>92,949</u>	<u>5,594,748</u>
-	7,465,651
182,230	182,230
801,779	12,461,061
-	12,323,022
2,700	2,700
<u>986,709</u>	<u>32,434,664</u>
<u>\$ 1,079,658</u>	<u>\$ 38,029,412</u>

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

Total Fund Balances - Governmental Funds	\$	32,434,664
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$134,549,263 and the accumulated depreciation was \$28,902,713. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		(64,563,181)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		29,564,055
3 The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(4,181,513)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(298,925)
19 Net Assets of Governmental Activities	\$	(7,044,900)

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

THIS PAGE LEFT BLANK INTENTIONALLY

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 27,315,144	\$ 9,763,057	\$ 56,148
5800 State Program Revenues	5,577,564	-	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>32,892,708</u>	<u>9,763,057</u>	<u>56,148</u>
EXPENDITURES:			
Current:			
0011 Instruction	19,461,874	-	-
0012 Instructional Resources and Media Services	431,044	-	-
0013 Curriculum and Instructional Staff Development	47,570	-	-
0021 Instructional Leadership	408,897	-	-
0023 School Leadership	1,970,100	-	-
0031 Guidance, Counseling and Evaluation Services	722,875	-	-
0033 Health Services	342,609	-	-
0035 Food Services	25,502	-	-
0036 Extracurricular Activities	1,523,747	-	-
0041 General Administration	1,532,531	-	-
0051 Facilities Maintenance and Operations	3,147,885	-	-
0052 Security and Monitoring Services	229,129	-	-
0053 Data Processing Services	489,456	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	3,525,000	-
0072 Debt Service - Interest on Long Term Debt	-	6,175,220	-
0073 Debt Service - Bond Issuance Cost and Fees	-	53,214	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	27,060,109
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	2,099,531	-	-
6030 Total Expenditures	<u>32,432,750</u>	<u>9,753,434</u>	<u>27,060,109</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>459,958</u>	<u>9,623</u>	<u>(27,003,961)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	12,000	-	-
7949 Other Resources	73,276	-	-
7080 Total Other Financing Sources (Uses)	<u>85,276</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	545,234	9,623	(27,003,961)
0100 Fund Balance - September 1 (Beginning)	<u>11,777,788</u>	<u>7,456,028</u>	<u>38,663,243</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,323,022</u>	<u>\$ 7,465,651</u>	<u>\$ 11,659,282</u>

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

Other Funds	Total Governmental Funds
\$ 2,585,262	\$ 39,719,611
225,881	5,803,445
<u>2,954,604</u>	<u>2,954,604</u>
5,765,747	48,477,660
1,774,357	21,236,231
61	431,105
83,683	131,253
-	408,897
-	1,970,100
-	722,875
-	342,609
1,932,571	1,958,073
514,857	2,038,604
76,160	1,608,691
1,296,965	4,444,850
41,165	270,294
-	489,456
-	3,525,000
-	6,175,220
-	53,214
-	27,060,109
<u>17,511</u>	<u>2,117,042</u>
<u>5,737,330</u>	<u>74,983,623</u>
<u>28,417</u>	<u>(26,505,963)</u>
7,104	19,104
-	73,276
<u>7,104</u>	<u>92,380</u>
35,521	(26,413,583)
<u>951,188</u>	<u>58,848,247</u>
<u>\$ 986,709</u>	<u>\$ 32,434,664</u>

ALEDO 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

Total Net Change in Fund Balances - Governmental Funds	\$	(26,413,583)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		29,564,055
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(4,181,513)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(2,425,209)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(3,456,250)</u>

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

ALED0 INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2010

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 55,207
Total Assets	<u>55,207</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>2,025</u>
Total Liabilities	<u>2,025</u>
NET ASSETS	
Unrestricted Net Assets	<u>53,182</u>
Total Net Assets	<u>\$ 53,182</u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 105,333
State Program Revenues	1,724
Total Operating Revenues	<u>107,057</u>
OPERATING EXPENSES:	
Payroll Costs	44,500
Professional and Contracted Services	50
Supplies and Materials	28,140
Other Operating Costs	2,720
Total Operating Expenses	<u>75,410</u>
Operating Income	<u>31,647</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	68
Total Nonoperating Revenues (Expenses)	<u>68</u>
Change in Net Assets	31,715
Total Net Assets - September 1 (Beginning)	<u>21,467</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 53,182</u></u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 107,057
Cash Payments to Employees for Services	(44,500)
Cash Payments for Professional Services	(50)
Cash Payments for Suppliers	(26,115)
Cash Payments for Other Operating Expenses	(2,720)
Net Cash Provided by Operating Activities	<u>33,672</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>68</u>
Net Increase in Cash and Cash Equivalents	33,740
Cash and Cash Equivalents at Beginning of the Year:	<u>21,467</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 55,207</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	\$ 31,647
Operating Income:	
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>2,025</u>
Net Cash Provided by Operating Activities	<u><u>\$ 33,672</u></u>

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

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2010

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 153,272
Total Assets	<u>\$ 153,272</u>
LIABILITIES	
Due to Student Groups	\$ 153,272
Total Liabilities	<u>\$ 153,272</u>

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

**Aledo Independent School District
Notes to the Financial Statements
For the Year ended August 31, 2010**

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

B. Government-Wide and Fund Accounting

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. *Governmental activities* are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and

charges paid by the recipient of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The District reports the following major governmental funds:

1. **The General Fund** – The General Fund is used to account for financial resources used for general operations. It is the basic fund of the school system and covers activities for which a special fund has not been established. Any fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.
2. **Debt Service Funds** – This fund is used to account for payment of principal and interest on long-term general obligation debt of the District. The main source of revenue for debt service is the apportionment of local property taxes.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

Non –major Governmental Funds:

1. **Special Revenue Funds** – These funds are used to account for resources restricted to, or designated for, specific purposes by the District or a grantor. Federal and State financial assistance is generally accounted for in a Special Revenue Fund. Generally unused balances are returned to the grantor at the close of specified project periods.

Proprietary funds are used to account for on-going organizations and activities where net income and capital maintenance are measured. All related assets, liabilities, equities, revenues, expenses, non-operating revenues and expenses, and transfers are accounted for through the fund affected. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and

enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

- 1. Enterprise Funds** - These funds are used to account for operations financed and operated in a manner to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The District has two Enterprise Funds – the Pre-K Academy and the Bearcat Store.

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

- 1. Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s Agency Fund consists of the Student Activity Funds and other organizational activities requiring clearing accounts

C. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Other Accounting Policies

1. Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, cash management pools, Treasury bills, and commercial paper.

2. Inventories and Prepaid Items

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

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

3. Capital Assets

Capital assets, includes land, buildings and improvements, furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The District defines capital assets with an initial, individual cost of more than \$5,000 and having an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

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

Assets	Years
Land	Not depreciated
Buildings and improvements	30
Furniture and equipment	3-15

4. Receivable and Payable Amounts

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of August 31, 2010.

5. Interfund Activity

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

6. Use of Estimates

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

7. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The 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 data base for policy development and funding plans.

8. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of 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.

9. Bond proceeds not spent are restricted for construction.

10. In the Fund Balances section of the Governmental Funds Balance Sheet, there are various reservations and designations of fund balances reported. Governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balances represent tentative management plans that are subject to change.
11. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

E. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
Invested in Capital Assets, Net of Related Debt	\$(29,422,471)
Net Assets	\$ (6,991,718)

Remarks:

1. Debt has been issued, but the proceeds have not been fully invested into the facilities.
2. Due to favorable interest rates, the assets are being depreciated faster than the bonds are being amortized.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Refer to Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets”, Item 1 and to Exhibit C-4 “Reconciliation of the Governmental

Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities”, first item for explanations.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopted an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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 ten day’s 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 are 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.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$38,453,533	\$(22,466)	\$38,431,067
Food Service Special Revenue Fund	1,840,512	100,000	1,940,512
Debt Service Fund	10,241,571	0	10,241,571

A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

Fund Balance	
Appropriated Budgeted Funds – Food Service Special Revenue Fund	\$182,230
Non-appropriated Budgeted Funds	804,479
All Special Revenue Funds	\$986,709

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District’s deposits (cash, certificates of deposits, and interest-bearing saving accounts included in temporary investments) was \$2,007,372 and the bank balance was \$2,768,781. The District’s cash deposits at August 31, 2010, and during the year, were entirely covered by FDIC insurance and pledged collateral held by the District’s agent bank in the District’s name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of returns, (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, (9) and bid solicitation preferences for certificates of deposit.

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

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

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

<u>Investment/Credit Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool/AAA	\$35,281,810	\$35,281,810	On demand
Totals	<u>\$35,281,810</u>	<u>\$35,281,810</u>	

3. Analysis of Specific Deposit and Investment Risks

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

- a. **Custodial Credit Risk – Deposits:** 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. The District's policy regarding types of deposits allowed and collateral requirements is all deposits are covered by FDIC insurance and pledged collateral in their entirety. The District has no custodial credit risk for its deposits.
- b. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments exposed to Custodial Credit Risk.
- c. **Interest-rate Risk – Interest-rate risk** occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not have any investments considered as Interest-rate Risk.
- d. **Other Credit Risk Exposure –** The District may invest in a securities lending program if the value of securities loaned is not less than 100 percent collateralized, including accrued income, and the loan allows for termination at any time; the loan is secured; the terms of the loan require that the securities being held as collateral be pledged to the investing entity; and, the loan is placed through a primary government securities dealer or a financial institution doing business in this state. The District does not have any investments in a securities lending program.
- e. **Concentration Risk –** The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District is not exposed to concentration risk.
- f. **Foreign Currency Risk**

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

4. Investment Accounting Policy

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

5. Public Funds Investment Pools

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

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

Defaults and Recovery of Prior-period Losses – The District had no defaults and recovery of prior-period losses.

B. Property Taxes

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

interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

The tax rates assessed for the year ended August 31, 2010, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.0400 and \$0.3852 per \$100 valuation, respectively, for a total of \$1.4252 per \$100 valuation.

Current tax collections for the year ended August 31, 2010 were 97% of the year-end adjusted tax levy.

Prior year valuations were reduced to reflect removal of property erroneously included by county appraisal district. Removal of property did not have an effect on District's prior or current year revenues.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes 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.

D. Interfund Receivables, Payables, and Transfers

As each fund is a separate self-balancing set of accounts, transactions between funds should be recorded properly in each fund affected. Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

Interfund balances at August 31, 2010 consisted of the following amounts:

Due to/from other Funds: There were no due to/from other funds as of August 31, 2010.

The District had Total Other Financing Sources of \$92,380. Sale of Real and Personal Property accounted for \$19,104 of this amount and \$68,987 was for oil and gas lease revenues, the balance was from other sources.

E. Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are 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.

Deferred Revenues at August 31, 2010 were as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes Receivable – General	\$438,169	\$ 0	\$438,169
Delinquent Property Taxes Receivable – Debt Service	148,188	0	148,188
State Grants	0	1,981,422	1,981,422
Food Service Commodities	0	7,272	7,272
Campus Activity Funds	0	25,000	25,000
Total Deferred Revenues	<u>\$586,357</u>	<u>\$2,013,694</u>	<u>\$2,600,051</u>

F. Capital Asset Activity

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,250,436	\$ 174,952	\$ 0	\$ 6,425,388
Construction in Progress	20,044,987	23,645,494	8,369,043	35,321,438
	<u>26,295,423</u>	<u>23,820,446</u>	<u>8,369,043</u>	<u>41,746,826</u>
Capital assets, being depreciated:				
Buildings and improvements	102,562,857	10,587,652	270,000	112,880,509
Furniture and equipment	5,690,982	0	0	5,690,982
Total capital assets, being Depreciated	<u>108,253,839</u>	<u>10,587,652</u>	<u>270,000</u>	<u>118,571,491</u>
Accumulated depreciation for:				
Buildings and improvements	27,629,480	3,405,582	270,000	30,765,062
Furniture and equipment	1,273,233	775,931	0	2,049,164
Total accumulated depreciation	<u>28,902,713</u>	<u>4,181,513</u>	<u>270,000</u>	<u>32,814,226</u>
Total capital assets, being Depreciated, net	<u>79,351,126</u>	<u>6,406,139</u>	<u>0</u>	<u>85,757,265</u>
Governmental activities capital assets, Net	<u>\$105,646,549</u>	<u>\$30,226,585</u>	<u>\$8,369,043</u>	<u>\$127,504,091</u>

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

Governmental activities:	
11 – Instruction	\$3,007,600
13 – Curriculum & Instructional Staff Development	95,033
23 – School Leadership	429,086
34 – Student Transportation	20,034
35 – Food Services	10,079
36 – Extracurricular Activities	99,865
41 – General Administration	109,309
51 – Plant Maintenance & Operations	202,164
52 – Security and Monitoring Services	109,574
53- Data Processing Services	98,769
Total Depreciation Expense	<u>\$4,181,513</u>

G. Bonds Payable

The following is a description of the District's bonds outstanding as of August 31, 2010:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balances	Issued	Retired	Ending Balances	Amounts Due Within One Year
1998 School Bldg. & Refunding /2014	4.40% to 5.00%	\$ 4,412,145	\$3,030,000	\$0	\$ 680,000	\$2,350,000	\$ 640,000
2001 School Bldg./2032	4.50% to 5.55%	7,418,568	5,268,568	0	324,131	4,944,437	307,201
2005- A School Bldg./ 2033	3.50% to 5.125%	34,875,000	34,570,000	0	425,000	34,145,000	490,000
2005-B School Bldg./2015	3.51% to 4.39%	2,282,852	1,970,000	0	675,000	1,295,000	285,000
2006 School Bldg./2029	3.375% to 5.500%	23,035,000	22,310,000	0	55,000	22,255,000	55,000
2006-A School Bldg./2035	3.62% to 3.75%	16,910,000	15,850,000	0	130,000	15,720,000	200,000
2007 Refunding/ 2029	3.5% to 5.0%	7,520,000	7,475,072	0	5,000	7,470,072	5,000
2008 School Bldg./2043	3.374% to 5.820%	61,000,000	61,000,000	0	0	61,000,000	0
Totals		<u>\$157,453,565</u>	<u>\$151,473,640</u>	<u>\$0</u>	<u>\$2,294,131</u>	<u>\$149,179,509</u>	<u>\$1,982,201</u>

	Beginning Balances	Issued	Retired	Ending Balances
Accretion on CAB's	\$12,643,739	\$1,312,528	1,230,869	\$12,725,398
Loss on Refunding	\$(1,174,970)	\$0	\$74,800	\$(1,100,170)
Bond Premium	\$7,267,323	\$0	\$279,440	\$6,987,883

Interest and fees paid on general obligation bonds during the year was \$6,228,434

The following is a summary of the District’s future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2011	\$ 1,982,201	7,693,643	\$ 9,675,844
2012	1,946,045	7,730,516	9,676,561
2013	1,944,919	7,780,055	9,724,974
2014	2,215,398	8,041,215	10,256,613
2015	2,050,016	8,209,440	10,259,456
2016/2020	17,832,568	33,479,887	51,312,455
2021/2025	21,269,781	30,041,634	51,311,415
2026/2030	24,044,413	27,260,648	51,305,061
2031/2035	19,279,168	32,859,507	48,763,675
2036/2040	32,025,000	10,353,125	42,378,125
2041/2045	24,590,000	1,885,250	26,475,250
Totals	<u>\$149,179,509</u>	<u>\$175,334,920</u>	<u>\$321,139,429</u>

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2010.

H. Commitments Under Non-capitalized Leases

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2010, as follow:

Year Ending August 31,	
2011	\$ 318,343
2012	275,537
2013	263,155
2014	238,651
2015	124,805
Total Minimum Rentals	<u>\$1,220,491</u>

I. Defined Benefit Pension Plan

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

Funding Policy. State law provides for fiscal years 2010, 2009, and 2008 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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 contributions to TRS made on behalf of the District's employees for the years ended August 31, 2010, 2009 and 2008 were \$1,391,752, \$1,401,805 and \$1,409,908, respectively. The District paid additional state contributions for the years ended August 31, 2010, 2009, and 2008 in the amounts of \$217,461, \$248,461, and \$192,981, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. Retiree Health Plan

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-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 supplemental 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 Communication Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78711 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 June 30, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$217,461, \$220,722, and \$208,241, respectively, and the District's contributions were \$119,603, \$121,399, and \$144,532 respectively, which equaled the

required contributions each year. Participating employees also contributed \$141,350, \$143,469, and \$135,356 for the same periods of time.

K. Retiree Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2010 and 2009, these on-behalf payments, in the amounts of \$53,847 and \$49,793, were recognized by the District as revenues and expenditures.

L. Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$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 third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

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

M. Due from Other Governments

Amounts due from local, state, and federal governments as of August 31, 2010 are summarized below.

Fund	Due From Other Governments
General Operating Fund	\$132,589
Special Revenue Fund	14,012
Total	<u>\$146,601</u>

N. Revenue from Local and Intermediate Sources

During the current year, local, intermediate and out-of-state revenues consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Fund Totals
Property Taxes	\$26,469,972	\$ 0	\$9,666,385	\$ 0	\$36,136,357
Food Sales	0	1,488,267	0	0	1,488,267
Investment Income	37,266	1,693	18,618	56,148	113,725
Penalties, interest & other tax related income	218,755	0	78,054	0	296,809
Extracurricular Student activities	382,090	1,009,415	0	0	1,391,505
Other	207,061	85,887	0	0	292,948
Total	\$27,315,144	\$2,585,262	\$9,763,057	\$56,148	\$39,719,611

O. Contingencies

The District participates in numerous state and Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2010 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.

P. Litigation

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

Q. Risk Management

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

R. Shared Services Arrangements

The District participates in a shared service arrangement (“SSA”) for students with visual impairments with the following school districts:

Azle Independent School District	Northwest Independent School District
Castleberry Independent School District	Springtown Independent School District
Decatur Independent School District	Weatherford Independent School District
Lake Worth Independent School District	White Settlement Independent School District

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

The District participates in a SSA for transportation and technology with Dallas County Schools. The District is the only member of these SSA arrangements. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has joint ownership interest in fixed assets purchased by the fiscal agent, Parker-County Co-op, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

REQUIRED SUPPLEMENTARY INFORMATION

ALEDO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 29,313,892	\$ 29,313,892	\$ 27,315,144	\$ (1,998,748)
5800	State Program Revenues	8,301,400	8,322,988	5,577,564	(2,745,424)
5020	Total Revenues	37,615,292	37,636,880	32,892,708	(4,744,172)
EXPENDITURES:					
Current:					
0011	Instruction	22,169,759	22,146,347	19,461,874	2,684,473
0012	Instructional Resources and Media Services	444,737	444,737	431,044	13,693
0013	Curriculum and Instructional Staff Development	148,700	148,700	47,570	101,130
0021	Instructional Leadership	441,369	441,369	408,897	32,472
0023	School Leadership	2,024,176	2,024,176	1,970,100	54,076
0031	Guidance, Counseling and Evaluation Services	748,555	748,555	722,875	25,680
0033	Health Services	364,926	364,926	342,609	22,317
0035	Food Services	25,054	26,000	25,502	498
0036	Extracurricular Activities	1,759,659	1,759,659	1,523,747	235,912
0041	General Administration	1,613,592	1,613,592	1,532,531	81,061
0051	Facilities Maintenance and Operations	4,783,901	4,783,901	3,147,885	1,636,016
0052	Security and Monitoring Services	325,614	325,614	229,129	96,485
0053	Data Processing Services	564,291	564,291	489,456	74,835
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	3,039,200	3,039,200	2,099,531	939,669
6030	Total Expenditures	38,453,533	38,431,067	32,432,750	5,998,317
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(838,241)	(794,187)	459,958	1,254,145
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	12,000	12,000
7949	Other Resources	-	-	73,276	73,276
8911	Transfers Out (Use)	(140,000)	(285,000)	-	285,000
7080	Total Other Financing Sources (Uses)	(140,000)	(285,000)	85,276	370,276
1200	Net Change in Fund Balances	(978,241)	(1,079,187)	545,234	1,624,421
0100	Fund Balance - September 1 (Beginning)	-	11,777,788	11,777,788	-
3000	Fund Balance - August 31 (Ending)	\$ (978,241)	\$ 10,698,601	\$ 12,323,022	\$ 1,624,421

COMBINING SCHEDULES

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable/Bank Overdraft	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
3490	Other Reserved/Restricted Fund Balance	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	397 Advanced Placement Incentives	404 Student Success Initiative
\$ 221,489	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,700	\$ -
12,083	-	-	-	161	2	-	1,766
7,272	-	-	-	-	-	-	-
<u>\$ 240,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ 2</u>	<u>\$ 2,700</u>	<u>\$ 1,766</u>
\$ 37,678	\$ -	\$ -	\$ -	\$ 161	\$ 2	\$ -	\$ 1,766
13,439	-	-	-	-	-	-	-
225	-	-	-	-	-	-	-
7,272	-	-	-	-	-	-	-
<u>58,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>	<u>2</u>	<u>-</u>	<u>1,766</u>
182,230	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,700	-
<u>182,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>-</u>
<u>\$ 240,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ 2</u>	<u>\$ 2,700</u>	<u>\$ 1,766</u>

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

Data Control Codes	411 Technology Allotment	428 High School Allotment	429 Read To Succeed	460 Stadium Activity Fund
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ 7,406	\$ 177,431
1240 Receivables from Other Governments	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,406</u>	<u>\$ 177,431</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable/Bank Overdraft	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2200 Accrued Expenditures	-	-	-	-
2300 Deferred Revenues	-	-	7,406	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>7,406</u>	<u>-</u>
Fund Balances:				
Reserved For:				
3450 Food Service/Federal or State Funds Restriction	-	-	-	-
3490 Other Reserved/Restricted Fund Balance	-	-	-	177,431
Unreserved and Undesignated:				
3610 Reported in Special Revenue Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,431</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,406</u>	<u>\$ 177,431</u>

461 Campus Activity Funds	480 Texas Healthy Habits Grant	481 Texas Step Tobacco Grant	485 2009 Toyota Tapestry Grant	486 Target Field Trip Grant	Total Nonmajor Governmental Funds
\$ 649,348	\$ -	\$ -	\$ -	\$ -	\$ 1,058,374
-	-	-	-	-	14,012
-	-	-	-	-	7,272
<u>\$ 649,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,079,658</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,607
-	-	-	-	-	13,439
-	-	-	-	-	225
25,000	-	-	-	-	39,678
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,949</u>
-	-	-	-	-	182,230
624,348	-	-	-	-	801,779
-	-	-	-	-	2,700
<u>624,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>986,709</u>
<u>\$ 649,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,079,658</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	127,204	639,573	10,181	9,881
5020 Total Revenues	<u>127,204</u>	<u>639,573</u>	<u>10,181</u>	<u>9,881</u>
EXPENDITURES:				
Current:				
0011 Instruction	103,958	635,899	10,181	9,881
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	8,246	3,674	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	15,000	-	-	-
6030 Total Expenditures	<u>127,204</u>	<u>639,573</u>	<u>10,181</u>	<u>9,881</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	397 Advanced Placement Incentives	404 Student Success Initiative
\$ 1,494,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
54,760	-	-	-	-	-	4,050	17,655
412,062	77,303	11,167	1,296,443	353,613	17,177	-	-
<u>1,961,179</u>	<u>77,303</u>	<u>11,167</u>	<u>1,296,443</u>	<u>353,613</u>	<u>17,177</u>	<u>4,050</u>	<u>17,655</u>
-	13,484	5,558	-	351,278	17,177	9,736	17,655
-	-	-	-	-	-	-	-
-	63,819	5,609	-	2,335	-	-	-
1,932,571	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,296,443	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,932,571</u>	<u>77,303</u>	<u>11,167</u>	<u>1,296,443</u>	<u>353,613</u>	<u>17,177</u>	<u>9,736</u>	<u>17,655</u>
28,608	-	-	-	-	-	(5,686)	-
7,104	-	-	-	-	-	-	-
<u>7,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
35,712	-	-	-	-	-	(5,686)	-
146,518	-	-	-	-	-	8,386	-
<u>\$ 182,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,700</u>	<u>\$ -</u>

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

Data Control Codes	411 Technology Allotment	428 High School Allotment	429 Read To Succeed	460 Stadium Activity Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 76,496
5800 State Program Revenues	131,432	-	61	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>131,432</u>	<u>-</u>	<u>61</u>	<u>76,496</u>
EXPENDITURES:				
Current:				
0011 Instruction	131,432	-	-	-
0012 Instructional Resources and Media Services	-	-	61	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	43,321
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>131,432</u>	<u>-</u>	<u>61</u>	<u>43,321</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,175</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	33,175
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,256</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,431</u>

461 Campus Activity Funds	480 Texas Healthy Habits Grant	481 Texas Step Tobacco Grant	485 2009 Toyota Tapestry Grant	486 Target Field Trip Grant	Total Nonmajor Governmental Funds
\$ 1,011,109	\$ -	\$ 2,600	\$ -	\$ 700	\$ 2,585,262
-	17,923	-	-	-	225,881
-	-	-	-	-	2,954,604
<u>1,011,109</u>	<u>17,923</u>	<u>2,600</u>	<u>-</u>	<u>700</u>	<u>5,765,747</u>
445,543	15,412	1,813	4,650	700	1,774,357
-	-	-	-	-	61
-	-	-	-	-	83,683
-	-	-	-	-	1,932,571
471,536	-	-	-	-	514,857
76,160	-	-	-	-	76,160
522	-	-	-	-	1,296,965
40,378	-	787	-	-	41,165
-	2,511	-	-	-	17,511
<u>1,034,139</u>	<u>17,923</u>	<u>2,600</u>	<u>4,650</u>	<u>700</u>	<u>5,737,330</u>
<u>(23,030)</u>	<u>-</u>	<u>-</u>	<u>(4,650)</u>	<u>-</u>	<u>28,417</u>
-	-	-	-	-	7,104
-	-	-	-	-	7,104
<u>(23,030)</u>	<u>-</u>	<u>-</u>	<u>(4,650)</u>	<u>-</u>	<u>35,521</u>
<u>647,378</u>	<u>-</u>	<u>-</u>	<u>4,650</u>	<u>-</u>	<u>951,188</u>
<u>\$ 624,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,709</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2010

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	Various	Various	\$ 649,488,151
2002	1.500000	0.193600	716,267,333
2003	1.500000	0.231800	850,427,770
2004	1.500000	0.220300	948,648,433
2005	1.500000	0.220300	1,060,816,740
2006	1.500000	0.259900	1,285,277,566
2007	1.370000	0.298300	1,574,908,526
2008	1.040000	0.350000	1,908,823,774
2009	1.040000	0.385200	2,498,301,428
2010 (School year under audit)	1.040000	0.385200	2,527,725,812
1000 TOTALS			

(10) Beginning Balance 9/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2010
\$ 135,584	\$ -	\$ 2,981	\$ 385	\$ (1,166)	\$ 131,052
24,748	-	365	47	-	24,336
29,195	-	336	52	(13)	28,794
31,487	-	317	46	-	31,124
33,668	-	8,695	1,277	(1,020)	22,676
48,419	-	24,235	4,199	14,733	34,718
69,192	-	26,851	5,847	13,040	49,534
920,864	-	53,846	18,121	(782,535)	66,362
1,783,984	-	353,802	131,043	(1,109,083)	190,056
-	36,025,148	25,907,991	9,595,921	-	521,236
<u>\$ 3,077,141</u>	<u>\$ 36,025,148</u>	<u>\$ 26,379,419</u>	<u>\$ 9,756,938</u>	<u>\$ (1,866,044)</u>	<u>\$ 1,099,888</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011-2012
 GENERAL AND SPECIAL REVENUE FUNDS
 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	\$ -	\$ -	\$ 535,389	\$ 420,528	\$ -	\$ -	\$ 955,917
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	33,737	-	-	-	33,737
6212	Audit Services	-	-	-	22,150	-	-	22,150
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	550,237	-	-	-	-	550,237
621X	Other Professional Services	-	-	33,053	7,982	-	-	41,035
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	2,980	11,656	-	-	14,636
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	16,744	9,956	-	-	26,700
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	84,754	14,988	-	-	99,742
6410	Travel, Subsistence, Stipends	7,255	-	4,576	1,678	-	-	13,509
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	27,891	-	-	-	-	-	27,891
6490	Miscellaneous Operating	590	-	19,128	9,316	-	-	29,034
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 35,736	\$ 550,237	\$ 730,361	\$ 498,254	\$ -	\$ -	\$ 1,814,588

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 38,170,083

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 103,987
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	4,340,864
Food (Function 35, 6341 and 6499)	(13)	1,001,664
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		498,254

SubTotal: 5,944,768

Net Allowed Direct Cost \$ 32,225,315

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 112,880,509
Historical Cost of Building over 50 years old	(16)	\$ 565,893
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 5,690,982
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 42,800
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$207,340 in Function 53 expenditures are included in this report on administrative costs.
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

ALEDO INDEPENDENT SCHOOL DISTRICT
 FUNDBALANCE AND CASHFLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2010

UNAUDITED

1	Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 12,323,022
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)	-	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	9,857,432	
5	Estimate of two month's average cash disbursements during the fiscal year.	6,784,857	
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.	132,589	
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	Adjustment to meet Board Policy	-	
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10)		<u>16,774,878</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 11)		<u>\$ (4,451,856)</u>

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,305,000	\$ 1,305,000	\$ 1,494,357	\$ 189,357
5800 State Program Revenues	54,853	54,853	54,760	(93)
5900 Federal Program Revenues	340,700	340,700	412,062	71,362
5020 Total Revenues	1,700,553	1,700,553	1,961,179	260,626
EXPENDITURES:				
0035 Food Services	1,840,512	1,940,512	1,932,571	7,941
6030 Total Expenditures	1,840,512	1,940,512	1,932,571	7,941
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,959)	(239,959)	28,608	268,567
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	7,104	7,104
7915 Transfers In	140,000	240,000	-	(240,000)
7080 Total Other Financing Sources (Uses)	140,000	240,000	7,104	(232,896)
1200 Net Change in Fund Balances	41	41	35,712	35,671
0100 Fund Balance - September 1 (Beginning)	-	146,518	146,518	-
3000 Fund Balance - August 31 (Ending)	\$ 41	\$ 146,559	\$ 182,230	\$ 35,671

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,002,758	\$ 6,002,758	\$ 9,763,057	\$ 3,760,299
5020	Total Revenues	6,002,758	6,002,758	9,763,057	3,760,299
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	10,191,571	6,691,571	3,525,000	3,166,571
0072	Debt Service - Interest on Long Term Debt	-	3,500,000	6,175,220	(2,675,220)
0073	Debt Service - Bond Issuance Cost and Fees	50,000	50,000	53,214	(3,214)
6030	Total Expenditures	10,241,571	10,241,571	9,753,434	488,137
1200	Net Change in Fund Balances	(4,238,813)	(4,238,813)	9,623	4,248,436
0100	Fund Balance - September 1 (Beginning)	-	7,456,028	7,456,028	-
3000	Fund Balance - August 31 (Ending)	\$ (4,238,813)	\$ 3,217,215	\$ 7,465,651	\$ 4,248,436

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROLS, COMPLIANCE,
AND FEDERAL AWARDS**

KIRK & RICHARDSON, P. C.

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406	E-mail: krcpa@flash.net	Fax (817) 451-7597

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
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aledo Independent School District (the "District") as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reports

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

A 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 the 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 District's Board, the administration, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than those specified parties.

Signed copy on file.

Kirk & Richardson, P.C.
November 5, 2010

KIRK & RICHARDSON, P. C.

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406	E-mail: krcpa@flash.net	Fax (817) 451-7597

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

Board of Trustees
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Members of the Board of Trustees:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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 on the District's compliance with those requirements.

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

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness 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 would not necessarily identify all deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 for the information of the District's Board, the administration, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Signed copy on file.

Kirk & Richardson, P.C.
November 5, 2010

ALEDO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ___x___ no
- Significant deficiencies identified that are not considered to be material weakness? _____ yes ___x___ none reported

Noncompliance material to financial statements noted? _____ yes ___x___
no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes ___x___ no
- Significant deficiencies identified that are not considered to be material weakness? _____ yes ___x___ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes ___x___ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA – Part B, Formula
84.027	IDEA – Part B, Discretionary
84.173	IDEA – Part B, Preschool
84.391	IDEA – Part B, Formula – ARRA
84.392	IDEA – Part B, Preschool – ARRA
84.394	Title XIV, State Fiscal Stabilization Fund - ARRA

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

N/A – None.

Section III – Federal Award Findings and Questioned Costs

N/A – None.

ALEDO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2010

PRIOR YEAR'S FINDING/NONCOMPLIANCE: N/A

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE: N/A

.

ALEDO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010

CORRECTIVE ACTION PLAN: N/A – none required.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101184907	\$ 127,204
IDEA - Part B, Formula	84.027	10660001184907	639,573
IDEA - Part B, Discretionary	84.027	10660006184907	9,881
Total CFDA Number 84.027			649,454
IDEA - Part B, Preschool	84.173	10661001184907	10,181
Title III, Part A - English Language Acquisition	84.365A	10671001184907	11,167
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501184907	77,303
IDEA, Part B, Formula - ARRA	84.391	10554001184907	353,613
IDEA, Part B, Preschool - ARRA	84.392	10555001184907	17,177
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001184907	1,296,443
Total Passed Through State Department of Education			\$ 2,542,542
TOTAL DEPARTMENT OF EDUCATION			\$ 2,542,542
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553		\$ 60,058
National School Lunch Program - Cash Assistance*	10.555		271,996
Commodity Supplemental - Non-Cash Assistance	10.565		80,008
Total Passed Through the State Department of Agriculture			\$ 412,062
TOTAL DEPARTMENT OF AGRICULTURE			\$ 412,062
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,954,604

*Clustered Programs as required by Compliance Supplement March, 2010

**ALEDO INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2010**

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide." Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. The District participates in numerous Federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2010, 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 provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

ALEDO INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2010

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	12725398