

**CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2010*

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**CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

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*CERTIFICATE OF BOARD*

Cranfills Gap Independent School District  
Name of School District

Bosque  
County

018-908  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and \_\_\_approved  
- \_\_\_disapproved for the year ended August 31, 2010, at a meeting of the board of school trustees of such school district on the  
\_\_\_\_ day of \_\_\_\_\_, 2010.

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

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

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

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**Independent Auditor's Report**

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION

Board of Trustees  
Cranfills Gap Independent School District  
P. O. Box 67  
Cranfills Gap, Texas 76637

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cranfills Gap 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with accounting 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 I 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provide a reasonable basis for my opinions.

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

Management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion in it.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 26, 2010, on my consideration of the District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Texas Education Agency 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-4. Except for Exhibit J-3 (Cash Flow and Optimum Fund Balance Calculation Schedule) which is marked **UNAUDITED** and on which I express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Cameron L. Gulley  
Certified Public Accountant

January 26, 2010

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# Cranfills Gap Independent School District

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P. O. Box 67 • Cranfills Gap, Texas 76637 • Ph 254/597-2505

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Cranfills Gap Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2010. Please read it in conjunction with the independent auditor's report on page 3 and the District's Basic Financial Statements which begin on page 9.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 11) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### Reporting the District as a Whole

#### *The Statement of Net Assets and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Assets and the Statement of Activities, we divide the District into one activity:

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

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements begin on page 11 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

### **The District as Trustee**

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Total net assets of the District's governmental activities increased from \$2,470,365 to \$2,504,717. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased from \$859,734 to \$876,853 at August 31, 2010. Current assets increased by \$23,879. Decreases in cash totaling \$327,499 was offset by increases in receivables from state and other sources totaling \$351,378 primarily from state foundation revenue underpayments. Capital assets increased by \$17,233 due to current year asset additions in excess of current year depreciation expense. Other liabilities increased by \$6,760 from additional outstanding accounts payable items than the previous year.

Table I  
Cranfills Gap Independent School District  
Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Variance Increase/ (Decrease)
Current and other assets	\$ 936,398	\$ 912,519	\$ 23,879
Capital assets	1,627,864	1,610,631	17,233
Total assets	2,564,262	2,523,150	41,112
Long-term liabilities	0	0	0
Other liabilities	59,545	52,785	6,760
Total liabilities	59,545	52,785	6,760
Net assets:			
Invested in capital assets net of related debt	1,627,864	1,610,631	17,233
Unrestricted	876,853	859,734	17,119
Total net assets	\$ 2,504,717	\$ 2,470,365	\$ 34,352

Table II  
Cranfills Gap Independent School District  
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	\$ 36,331	\$ 32,314	\$ 4,017
Operating grants and contributions	410,726	402,999	7,727
Capital grants and contributions	0	0	0
General Revenues:			
Maintenance and operations taxes	691,078	685,819	5,259
State aid - formula grants	411,221	666,265	(255,044)
Grants and contributions not restricted to specific functions	0	0	0
Investment earnings	2,059	6,589	(4,530)
Miscellaneous	0	0	0
Total Revenues	1,551,415	1,793,986	(242,571)

Table II - Continued  
Cranfills Gap Independent School District  
Changes in Net Assets

	Governmental Activities 2010	Governmental Activities 2009	Variance Favorable/ (Unfavorable)
Expenses:			
Instruction, curriculum and media services	939,899	887,476	(52,423)
Instructional and school leadership	22,663	24,110	1,447
Student support services	102,455	88,532	(13,923)
Child nutrition	98,910	95,741	(3,169)
Co-curricular activities	38,515	45,353	6,838
General administration and intergovernmental charges	177,100	160,697	(16,403)
Plant maintenance, security & data processing	137,521	171,422	33,901
Community services	0	0	0
Total Expenses	1,517,063	1,473,331	(43,732)
Increase in Net Assets	34,352	320,655	(286,303)
Net Assets - beginning of year	2,470,365	2,184,379	285,986
Prior period adjustment	0	(34,669)	34,669
Net Assets - end of year	\$ 2,504,717	\$ 2,470,365	\$ 34,352

The District's total revenues decreased by \$242,571 from the previous year. Most of the decrease was due to a reduction in state aid from targeted-revenue recapture of previous years' increased property tax revenues. Other revenues remained fairly consistent with the previous year.

Total expenses of the District increased by \$43,732 from the previous year. Increases in instructional and general administrative expenses were due to increased payroll costs for the year. Student support services were higher due to increased depreciation expense from the newly acquired bus. Maintenance expenses were down due to supply purchases and net utility costs being less than the previous year.

#### **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$840,896, a decrease of \$43 from last year's fund balance of \$840,939. The primary reasons parallel the items described in the previous section plus the net effect of capitalization and related depreciation expenses plus accrual for levied but uncollected property taxes not included in the District's governmental fund balance totaling (\$34,395) but included above in the net increase in Net Assets.

Over the course of the year, the Board of Trustees revised the District's only a few times. There only significant budget amendments were for cost associated with a new bus purchase and instructional expenses.

The District's General Fund balance of \$840,896 reported on pages 13 and 15 differs from the General Fund's budgetary fund balance of \$933,043 reported in the budgetary comparison schedule on page 15. This is principally due to state aid being significantly less than budgeted due to targeted-revenue property tax recapture.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of fiscal year 2010, the District had \$2,546,504 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District had the following additions for the year:

2010 Bluebird bus	\$ 73,628
Stage curtains	6,455
Total	\$ 80,083

### ***Debt***

The District currently has no outstanding long-term debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District should remain financially strong during the 2010-11 fiscal year. The District's tax rate was set at the same amount as the previous year and should generate approximately the same local revenue as the previous year. State revenues should also be consistent to the previous year. Operating expenditures of the District are estimated to approximate what they were in 2009-10. It is anticipated that the year's revenue and expenditure activity will near break-even resulting in a fund balance of approximately \$850,000.

However, uncertainty exists about the future financial assistance that the District receives from the State of Texas. Due to the poor state and national economies, it is projected that the State of Texas will have a budget deficit of approximately \$25 billion for the next biennium budget period. With public education accounting for approximately 40% of the state's overall budget, there is a real concern that funding cuts to education will be made to help solve the state's projected deficit. While the District anticipates that its fund balance will remain strong, it is predicated upon state funding being maintained at existing levels. Should the State of Texas cut its funding to the District, the fund balances of the District will be significantly less than they currently are and are projected to be.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Cranfills Gap Independent School District, P. O. Box 67, Cranfills Gap, Texas 76637.

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*BASIC FINANCIAL STATEMENTS*

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CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2010

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 52,696
1120 Current Investments	451,098
1220 Property Taxes Receivable (Delinquent)	46,562
1230 Allowance for Uncollectible Taxes	(10,605)
1240 Due from Other Governments	389,536
1290 Other Receivables, net	3,693
1410 Deferred Expenses	3,418
Capital Assets:	
1510 Land	20,960
1520 Buildings, Net	1,343,272
1530 Furniture and Equipment, Net	100,865
1560 Library Books and Media, Net	143,500
1590 Infrastructure, Net	19,267
1000 Total Assets	2,564,262
<b>LIABILITIES</b>	
2110 Accounts Payable	18,013
2160 Accrued Wages Payable	40,565
2200 Accrued Expenses	967
2000 Total Liabilities	59,545
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	1,627,864
3900 Unrestricted Net Assets	876,853
3000 Total Net Assets	\$ 2,504,717

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

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

EXHIBIT B-1

Data	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Control	1	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 888,567	\$ -	\$ 329,150	\$ (559,417)
12 Instructional Resources and Media Services	21,337	-	851	(20,486)
13 Curriculum and Staff Development	100	-	-	(100)
23 School Leadership	22,663	-	966	(21,697)
31 Guidance, Counseling and Evaluation Services	24,796	-	-	(24,796)
33 Health Services	4,795	-	-	(4,795)
34 Student (Pupil) Transportation	72,864	-	11,717	(61,147)
35 Food Services	98,910	14,558	51,947	(32,405)
36 Extracurricular Activities	38,515	10,285	3,606	(24,624)
41 General Administration	156,585	-	6,547	(150,038)
51 Plant Maintenance and Operations	112,678	11,488	5,942	(95,248)
53 Data Processing Services	24,843	-	-	(24,843)
93 Payments related to Shared Services Arrangements	29,895	-	-	(29,895)
99 Other Intergovernmental Charges	20,515	-	-	(20,515)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 1,517,063</u>	<u>\$ 36,331</u>	<u>\$ 410,726</u>	<u>(1,070,006)</u>
Data				
Control				
Codes				
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			691,078
SF	State Aid - Formula Grants			411,221
IE	Investment Earnings			2,059
TR	Total General Revenues			<u>1,104,358</u>
CN	Change in Net Assets			34,352
NB	Net Assets--Beginning			2,470,365
NE	Net Assets--Ending			<u>\$ 2,504,717</u>

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

CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110	\$ 85,812	\$ (33,116)	\$ 52,696
1120	451,098	-	451,098
1220	46,562	-	46,562
1230	(10,605)	-	(10,605)
1240	345,813	43,723	389,536
1290	3,693	-	3,693
1410	3,418	-	3,418
1000	<u>\$ 925,791</u>	<u>\$ 10,607</u>	<u>\$ 936,398</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110	\$ 13,955	\$ 4,058	\$ 18,013
2160	34,385	6,180	40,565
2200	598	369	967
2300	35,957	-	35,957
2000	<u>84,895</u>	<u>10,607</u>	<u>95,502</u>
Fund Balances:			
Unreserved and Undesignated:			
3600	<u>840,896</u>	-	<u>840,896</u>
3000	<u>840,896</u>	-	<u>840,896</u>
4000	<u>\$ 925,791</u>	<u>\$ 10,607</u>	<u>\$ 936,398</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	\$	840,896
<b>1</b> 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 \$2,466,421 and the accumulated depreciation was \$855,790. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase (decrease) net assets.		1,610,631
<b>2</b> Current year capital outlays are expenditures in the fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2010 capital outlays is to increase (decrease) net assets.		80,083
<b>3</b> The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(62,850)
<b>4</b> 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 and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		35,957
<b>19 Net Assets of Governmental Activities</b>	\$	2,504,717

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

CRANFILLS GAP 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	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 715,210	\$ 14,559	\$ 729,769
5800	State Program Revenues	459,374	27,669	487,043
5900	Federal Program Revenues	-	317,441	317,441
5020	Total Revenues	<u>1,174,584</u>	<u>359,669</u>	<u>1,534,253</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011	Instruction	578,440	282,551	860,991
0012	Instructional Resources and Media Services	16,095	-	16,095
0013	Curriculum and Instructional Staff Development	100	-	100
0023	School Leadership	20,788	-	20,788
0031	Guidance, Counseling and Evaluation Services	24,796	-	24,796
0033	Health Services	4,795	-	4,795
0034	Student (Pupil) Transportation	124,712	10,612	135,324
0035	Food Services	-	95,428	95,428
0036	Extracurricular Activities	35,080	-	35,080
0041	General Administration	154,710	-	154,710
0051	Facilities Maintenance and Operations	110,936	-	110,936
0053	Data Processing Services	24,843	-	24,843
<b>Intergovernmental:</b>				
0093	Payments to Fiscal Agent/Member Districts of SSA	29,895	-	29,895
0099	Other Intergovernmental Charges	20,515	-	20,515
6030	Total Expenditures	<u>1,145,705</u>	<u>388,591</u>	<u>1,534,296</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,879</u>	<u>(28,922)</u>	<u>(43)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	-	28,922	28,922
8911	Transfers Out (Use)	(28,922)	-	(28,922)
7080	Total Other Financing Sources (Uses)	<u>(28,922)</u>	<u>28,922</u>	<u>-</u>
1200	Net Change in Fund Balances	(43)	-	(43)
0100	Fund Balance - September 1 (Beginning)	<u>840,939</u>	<u>-</u>	<u>840,939</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 840,896</u>	<u>\$ -</u>	<u>\$ 840,896</u>

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

CRANFILLS GAP 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(43)
Current year capital outlays are expenditures in the fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2010 capital outlays is to increase (decrease) net assets.		80,083
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.		(62,850)
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 and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		17,162
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>34,352</u>

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

CRANFILLS GAP 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 654,880	\$ 698,630	\$ 715,210	\$ 16,580
5800	State Program Revenues	557,800	600,800	459,374	(141,426)
5900	Federal Program Revenues	-	38,000	-	(38,000)
5020	Total Revenues	1,212,680	1,337,430	1,174,584	(162,846)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	602,589	591,589	578,440	13,149
0012	Instructional Resources and Media Services	15,717	16,117	16,095	22
0013	Curriculum and Instructional Staff Development	100	100	100	-
0023	School Leadership	18,724	22,224	20,788	1,436
0031	Guidance, Counseling and Evaluation Services	26,743	26,743	24,796	1,947
0033	Health Services	4,800	4,800	4,795	5
0034	Student (Pupil) Transportation	31,999	130,999	124,712	6,287
0036	Extracurricular Activities	28,323	33,823	35,080	(1,257)
0041	General Administration	145,332	150,332	154,710	(4,378)
0051	Facilities Maintenance and Operations	146,008	151,008	110,936	40,072
0053	Data Processing Services	28,000	28,350	24,843	3,507
Capital Outlay:					
0081	Facilities Acquisition and Construction	1,000	1,000	-	1,000
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	40,000	30,000	29,895	105
0099	Other Intergovernmental Charges	22,000	26,000	20,515	5,485
6030	Total Expenditures	1,111,335	1,213,085	1,145,705	67,380
1100	Excess (Deficiency) of Revenues Over Expenditures	101,345	124,345	28,879	(95,466)
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	-	(32,241)	(28,922)	3,319
7080	Total Other Financing Sources (Uses)	-	(32,241)	(28,922)	3,319
1200	Net Change in Fund Balances	101,345	92,104	(43)	(92,147)
0100	Fund Balance - September 1 (Beginning)	840,939	840,939	840,939	-
3000	Fund Balance - August 31 (Ending)	\$ 942,284	\$ 933,043	\$ 840,896	\$ (92,147)

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

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

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 21	\$ 14,424
Investments - Current	4,831	-
Total Assets	<u>4,852</u>	<u>\$ 14,424</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 14,424
Total Liabilities	<u>-</u>	<u>\$ 14,424</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>4,852</u>	
Total Net Assets	<u>\$ 4,852</u>	

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

CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 13
Total Additions	<u>13</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>502</u>
Total Deductions	<u>502</u>
Change in Net Assets	(489)
Total Net Assets - September 1 (Beginning)	<u>5,341</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 4,852</u></u>

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

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**CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*AT AND FOR THE YEAR ENDED AUGUST 31, 2010*

I. Summary of significant accounting policies

Cranfills Gap Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting entity

The Board of School Trustees (the "Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Cranfills Gap Independent School District (the "District"). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-wide and fund financial statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

#### D. Fund accounting

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental Funds:

2. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

3. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the "Cranfills Gap Student Activity Fund" and the "Alaina Walker Scholarship Fund."

E. Other accounting policies

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized 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.

4. The District's policy does not permit employees to accumulate unused vacation and sick pay benefits. Therefore, there is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Asset:</u>	<u>Years</u>
Buildings	25-50
Building Improvements	25-50
Vehicles	3-10
Equipment	5-20
Infrastructure	12-33
Library Collection	50

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reservations of fund balance are for the following items at August 31, 2010:

None.

8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
9. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

## II. Stewardship, compliance, and accountability

### A. Budgetary data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). 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 C-5 and the other two reports are in Exhibits J4 and J5 (if applicable).

The following procedures are followed in establishing the budgetary data reflected in the general-purpose 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 days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments 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. There were no appropriated or nonappropriated budget special revenue funds at the end of the current fiscal year.

### B. Excess of expenditures over appropriations

Following are the functional expenditures that exceeded the final amended budget of the District by more than \$2,500 listed on Exhibit C-5 as part of the General Fund and on Exhibit J-4 as part of the Food Service Fund.

Functional Category	Over Budget
Function 41 - general administration	\$ 4,378
Function 35 - food services	\$ 11,495

### C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Deposits and investments

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in any foreign currency.

District Policies and Legal and Contractual Provisions Governing Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Investment Type	Investment Maturities (in years)				
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10
Investment Pool	\$451,098	\$451,098			
Total	\$451,098	\$451,098			

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in certificates of deposit or publicly funded investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2010, the District's investments in certificates of deposit and investment pools were rated A1 by Standard and Poor's.

Custodial Credit Risk for Investments - To limit the risk that, in the even of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This included securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risk to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to zero.

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 are delinquent if not paid before February 1 of the year following 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 school fiscal year.

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 tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund balances and transfers

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

None.

Interfund transfers for the year ended August 31, 2010 consisted of the following individual amounts:

Fund	Transfers From	Transfers To	Purpose
General Fund	\$ 28,922		Food service operations
Nonmajor Governmental Fund		\$ 28,922	Food service operations
Total	\$ 28,922	\$ 28,922	

E. Disaggregation of receivables and payables

Receivables at August 31, 2010 were as follows:

	Property Taxes	Other Government	Misc Receivable	Total Receivable
Governmental Activities:				
General Fund	\$ 46,562	\$ 345,813	\$ 3,693	\$ 396,068
Special Revenue Funds		43,723		43,723
Total Governmental Activities	\$ 46,562	\$ 389,536	\$ 3,693	\$ 439,791

Payables at August 31, 2010 were as follows:

	Accounts	Salaries and Benefits	Total Payables
Governmental Activities:			
General Fund	\$ 13,955	\$ 34,983	\$ 48,938
Special Revenue Funds	4,058	6,549	10,607
Total Governmental Activities	<u>\$ 18,013</u>	<u>\$ 41,532</u>	<u>\$ 59,545</u>

F. Capital asset activity

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

	Balance 8/31/09	Additions	Deletions	Balance 8/31/10
Governmental activities:				
Land	\$ 20,960			\$ 20,960
Buildings and improvements	1,769,693			1,769,693
Furniture and equipment	473,268	\$ 80,083		553,351
Library collection	175,000			175,000
Infrastructure	27,500			27,500
Totals	<u>2,466,421</u>	<u>80,083</u>		<u>2,546,504</u>
Less accum depreciation for:				
Buildings and improvements	390,289	36,132		426,421
Furniture and equipment	430,288	22,198		452,486
Library collection	28,000	3,500		31,500
Infrastructure	7,213	1,020		8,233
Total accum depreciation	<u>855,790</u>	<u>62,850</u>		<u>918,640</u>
Governmental activities capital assets, net	<u>\$ 1,610,631</u>	<u>\$ 17,233</u>	<u>\$ 0</u>	<u>\$ 1,627,864</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 27,576
Instructional resources and media services	5,242
School leadership	1,875
Student (pupil) transportation	11,168
Food services	3,482
Cocurricular/extracurricular activities	3,435
General administration	1,875

Plant maintenance and operations	8,197
Total depreciation expense - governmental activities	<u>\$ 62,850</u>

G. Loans payable

N/A.

H. Bonds payable

N/A.

I. Commitments under leases

N/A.

J. Debt service requirements - bonds and capital leases

N/A.

K. Accumulated unpaid vacation and sick leave benefits

N/A.

L. Defined benefit pension plan

*Plan Description.* The District contributes to the Teacher Retirements System of Texas (the “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, Sect. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

*Funding Policy.* State law provides a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008 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 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January through August 2010, and 6.58% for fiscal years 2009 and 2008. 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 all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS’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 year ended August 31, 2010, were \$46,160. The District paid additional state contributions for the year ended August 31, 2010, in the amount of \$17,045 on the portion of the employees’ salaries that exceeded the statutory minimum.

M. Health care coverage and workers' compensation coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. Latest financial statements for TRS - Care are available for the year ended August 31, 2010, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

The District participates in the School Comp workers' compensation plan. Transactions related to workers' compensation claims are accounted for in the General Fund. The fund maintains a sufficient cash balance to cover anticipated claims. The District pays a contribution for the fund year to cover the servicing costs of program administration, claims handling, loss control, and stop loss coverage as well as all claims expenses at a guaranteed cost of \$15,000. In exchange, all claims are paid until closed and there are no additional fees for services provided. School Comp carries excess liability insurance through Safety National Casualty Corporation. The self-insurance retention maximum is \$250,000 and the aggregate limit is \$5,000,000. There were no outstanding claims at the end of the current fiscal year.

N. Changes in long-term liabilities

N/A.

O. Deferred revenues

Deferred revenue at year-end consisted of the following:

	General Fund
Net Tax Revenue	\$ 35,957
Total Deferred Revenue	\$ 35,957

P. Due from state agencies

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2010, are summarized below. All federal grants shown below are passed through the TEA (except for the Rural Education Achievement Program grant funded directly through the U.S. Department of Education) and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General	\$ 342,691		\$ 342,691
Nonmajor Special Revenue Funds	819	\$ 42,904	43,723
Net Total Receivables	\$ 343,510	\$ 42,904	\$ 386,414

Q. Revenue from local and intermediate sources

During the current year, revenues from local and intermediate sources consisted of the following:

Description	General Fund	Special Revenue Fund	Total
Property taxes	\$ 665,213		\$ 665,213
Penalties, interest and other tax related income	8,702		8,702
Food sales		\$ 14,559	14,559
Investment income	2,059		2,059
Co-curricular student activities	10,285		10,285
Other income	28,951		28,951
Total	\$ 715,210	\$ 14,559	\$ 729,769

R. School district 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 supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school employee contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$2,094, \$5,183, and \$8,825, respectively, the active member contributions were \$1,361, \$3,369, and \$5,736, respectively, and the school district's contributions were \$1,152, \$2,851 and \$4,854, respectively, which equaled the required contributions each year.

*Medicare Part D.* The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District, in the amounts of \$1,993, \$1,651 and \$2,244 for the years ended August 31, 2010, 2009 and 2008, respectively.

S. Litigation

N/A.

T. Construction and other significant commitments and contingencies

N/A.

U. Joint ventured shared-service arrangements

The District participates in a shared services arrangement for Special Education services with the Bosque County Education Cooperative. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation.

Revenues	\$29,895
Expenditures	\$29,895

V. Subsequent events

N/A.

W. Related organizations

N/A.

X. Maintenance of effort

N/A.

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*COMBINING SCHEDULES*

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

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (28,150)	\$ -	\$ 4,004
1240	Receivables from Other Governments	-	31,126	-	1,513
1000	Total Assets	<u>\$ -</u>	<u>\$ 2,976</u>	<u>\$ -</u>	<u>\$ 5,517</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 4,058
2160	Accrued Wages Payable	-	2,758	-	1,431
2200	Accrued Expenditures	-	218	-	28
2000	Total Liabilities	<u>-</u>	<u>2,976</u>	<u>-</u>	<u>5,517</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,976</u>	<u>\$ -</u>	<u>\$ 5,517</u>

255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	285 ESEA I,A Improving Basic Program	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants
\$ -	\$ -	\$ -	\$ -	\$ (8,877)	\$ (93)	\$ -	\$ -
-	-	522	866	8,877	93	-	726
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522</u>	<u>\$ 866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	513	814	-	-	-	664
-	-	9	52	-	-	-	62
-	-	522	866	-	-	-	726
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522</u>	<u>\$ 866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 726</u>

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

Data Control Codes	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds	
<b>ASSETS</b>			
1110	Cash and Cash Equivalents	\$ -	\$ (33,116)
1240	Receivables from Other Governments	-	43,723
1000	Total Assets	<u>\$ -</u>	<u>\$ 10,607</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110	Accounts Payable	\$ -	\$ 4,058
2160	Accrued Wages Payable	-	6,180
2200	Accrued Expenditures	-	369
2000	Total Liabilities	<u>-</u>	<u>10,607</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 10,607</u>

CRANFILLS GAP 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	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	240 National Breakfast and Lunch Program	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 14,559
5800	State Program Revenues	-	-	-	2,042
5900	Federal Program Revenues	103	69,141	27,341	49,905
5020	Total Revenues	<u>103</u>	<u>69,141</u>	<u>27,341</u>	<u>66,506</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	103	69,141	27,341	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	95,428
6030	Total Expenditures	<u>103</u>	<u>69,141</u>	<u>27,341</u>	<u>95,428</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,922)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	-	28,922
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,922</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>

255 ESEA II,A Training and Recruiting	265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	285 ESEA I,A Improving Basic Program	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	929	2,300	20,426
5,057	84,647	32,563	14,671	34,013	-	-	-
<u>5,057</u>	<u>84,647</u>	<u>32,563</u>	<u>14,671</u>	<u>34,013</u>	<u>929</u>	<u>2,300</u>	<u>20,426</u>
5,057	74,035	32,563	14,671	34,013	929	2,300	20,426
-	10,612	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,057</u>	<u>84,647</u>	<u>32,563</u>	<u>14,671</u>	<u>34,013</u>	<u>929</u>	<u>2,300</u>	<u>20,426</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CRANFILLS GAP 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	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ -	\$ 14,559
5800 State Program Revenues	1,972	27,669
5900 Federal Program Revenues	-	317,441
5020 Total Revenues	<u>1,972</u>	<u>359,669</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	1,972	282,551
0034 Student (Pupil) Transportation	-	10,612
0035 Food Services	-	95,428
6030 Total Expenditures	<u>1,972</u>	<u>388,591</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(28,922)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Transfers In	-	28,922
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>28,922</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2010

	BALANCE SEPTEMBER 1 2009	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2010
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 16,624	\$ 27,266	\$ 29,466	\$ 14,424
Liabilities:				
Due to Student Groups	\$ 16,624	\$ 27,266	\$ 29,466	\$ 14,424
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 16,624	\$ 27,266	\$ 29,466	\$ 14,424
Liabilities:				
Due to Student Groups	\$ 16,624	\$ 27,266	\$ 29,466	\$ 14,424

*REQUIRED TEA SCHEDULES*

CRANFILLS GAP 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	\$ Various
2002	1.460000	0.000000	35,172,781
2003	1.460000	0.000000	38,387,397
2004	1.460000	0.000000	41,807,054
2005	1.460000	0.000000	46,399,786
2006	1.460000	0.000000	44,943,203
2007	1.330000	0.000000	52,878,355
2008	1.040000	0.000000	59,677,181
2009	1.040000	0.000000	65,169,688
2010 (School year under audit)	1.040000	0.000000	66,690,675
100 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
\$ 5,968	\$ -	\$ 489	\$ -	\$ (1,336)	\$ 4,143
791	-	-	-	(512)	279
877	-	-	-	(512)	365
982	-	-	-	(512)	470
648	-	-	-	(526)	122
560	-	34	-	(519)	7
734	-	198	-	(528)	8
1,966	-	1,384	-	2,794	3,376
17,024	-	(3,626)	-	(12,499)	8,151
-	693,583	666,734	-	2,793	29,642
<u>\$ 29,549</u>	<u>\$ 693,583</u>	<u>\$ 665,213</u>	<u>\$ -</u>	<u>\$ (11,357)</u>	<u>\$ 46,562</u>

CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011  
 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	\$ -	\$ -	\$ 80,805	\$ 34,035	\$ -	\$ -	\$ 114,840
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	5,243	-	-	-	5,243
6212	Audit Services	-	-	-	15,500	-	-	15,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	20,515	-	-	-	-	20,515
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	1,241	-	1,241
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,596	-	-	-	2,596
6290	Miscellaneous Contr.	-	-	57	-	-	-	57
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	65	-	1,113	-	-	-	1,178
6410	Travel, Subsistence, Stipends	-	-	3,295	-	-	-	3,295
6420	Ins. and Bonding Costs	-	-	3,500	-	-	-	3,500
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	-	-	6,280	980	-	-	7,260
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 65</b>	<b>\$ 20,515</b>	<b>\$ 102,889</b>	<b>\$ 50,515</b>	<b>\$ 1,241</b>	<b>\$ -</b>	<b>\$ 175,225</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 1,534,296

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 80,083
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	104,481
Food (Function 35, 6341 and 6499)	(13)	63,055
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		50,515

SubTotal: 298,134

Net Allowed Direct Cost \$ 1,236,162

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 1,972,193
Historical Cost of Building over 50 years old	(16)	\$ 136,400
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 553,351
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 15,000
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.  
 \$20,515 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW 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)		\$ 840,896
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.)	350,000	
5	Estimate of two month's average cash disbursements during the fiscal year.	200,000	
6	Estimate of delayed payments from state sources (58xx).	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	321,766	
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)		<u>871,766</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (30,870)</u>

CRANFILLS GAP 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			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 12,000	\$ 12,000	\$ 14,559	\$ 2,559
5800	State Program Revenues	-	1,946	2,042	96
5900	Federal Program Revenues	-	51,500	49,905	(1,595)
5020	Total Revenues	12,000	65,446	66,506	1,060
<b>EXPENDITURES:</b>					
0035	Food Services	83,933	83,933	95,428	(11,495)
6030	Total Expenditures	83,933	83,933	95,428	(11,495)
1100	Excess (Deficiency) of Revenues Over Expenditures	(71,933)	(18,487)	(28,922)	(10,435)
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	32,241	28,922	(3,319)
7080	Total Other Financing Sources (Uses)	-	32,241	28,922	(3,319)
1200	Net Change in Fund Balances	(71,933)	13,754	-	(13,754)
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ (71,933)	\$ 13,754	\$ -	\$ (13,754)

*OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION*

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# Cameron L. Gulley

CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163  
Eastland, Texas 76448  
(354)669-9795  
Fax (254)629-8696

## Independent Auditor's Report

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

Board of Trustees  
Cranfills Gap Independent School District  
P. O. Box 67  
Cranfills Gap, Texas 76637

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cranfills Gap Independent School District as of and for the year ended August 31, 2010. These collectively comprise the District's basic financial statements. I have issued my report on them dated January 26, 2010.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that the misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

#### Compliance

As part of obtaining reasonable assurance about whether Cranfills Gap Independent School District's financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* listed as items as 10-1 through 10-2 on the accompanying Schedule of Findings and Questioned Costs. However, none of the deficiencies are considered material weaknesses or significant deficiencies as defined above.

This report is intended for the information of the District's trustees, the administration, Texas Education Agency, 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.

Respectfully submitted,

Cameron L. Gulley  
Certified Public Accountant

January 26, 2010

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

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Food Service	<p>During the 2008-09 fiscal year, the District failed to publicly advertise for bids for its food service products and supplies as required by Texas Education Code Section 44.031.</p> <p><u>Status:</u></p> <p>The District did publicly advertise for bids in accordance with the Texas Education Code guidelines during the current year under audit.</p>	0
General Operating	<p>The District's elected board members had documentation supporting only 3 hours of board training for the year. Elected board members are required to obtain 16 hours of training within the first year of holding office and 8 hours each year thereafter. See Texas Administration Code Section 61.1.</p> <p><u>Status:</u></p> <p>The District's elected board members again failed to obtain adequate board training for the current year under audit. See finding 10-1 on the accompanying Schedule of Findings and Questioned Costs.</p>	0
General Operating	<p>The District failed to properly amend its budget for the 2008-09 fiscal year resulting in two functional categories exceeding its final amended budget for the year.</p> <p><u>Status:</u></p> <p>The District again had the same two functional categories exceed its final amended budget for the current year under audit. See finding 10-2 on the accompanying Schedule of Findings and Questioned Costs.</p>	0

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

A. Summary of Auditor's Results

Type of auditor's report issued:	Unqualified.
Internal control over financial reporting:	
Material weakness(es) identified?	None.
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported.
Noncompliance material to financial statements noted?	No.

An unqualified opinion was issued on the general purpose financial statements.

The audit disclosed no noncompliance which is material to the general purpose financial statements.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

10-2 Failure to Obtain Sufficient Board Member Training (repeat finding)

Criteria State law requires that individual board members obtain sufficient continuing education training in order to oversee the public school districts to which they were elected. Elected board members are required to obtain 16 hours of training within the first year of holding office and 8 hours each year thereafter. See Texas Administration Code Section 61.1.

Statement of Condition During the year under audit, the District's elected board members did not document any board training for the year.

Questioned Costs None.

Cause and Effect The cause of the violation was that the board was attempting to save money for the District. As a result, not enough training hours were received to meet state minimum requirements.

Recommendations I recommend that the District adopt a policy requiring an annual submission to the board of trustees a list of all training hours received and require that minimum training be offered either at the District's facility or through a third-party administrator. Additionally, sufficient funds should be budgeted each year for adequate board training and conference attendance.

10-2 Approved Budget Exceeded in Two Functional Categories by More Than \$2,500 (repeat finding)

Criteria State law requires that public school districts and all governmental entities adopt a budget prior to the expenditure of funds and that budget amendments must be made prior to the expenditure of funds where the originally adopted budget is projected to be insufficient to cover projected expenditure needs.

Statement of Condition During the year under audit, there were two functional categories that exceeded the District's final amended budget by more than \$2,500 listed as follows from the General and Food Service Funds (see Exhibits C-5 & J-4).

Function 41	\$ ( 4,378)
Function 35	\$ (11,495)

Questioned Costs None. All expenditures were approved by the District's board of trustees. However, budget amendments were not made prior to the approval of the expenditure of funds.

Cause and Effect The cause of the budget overage was due to the District failing to adequately budget for end of year expenditures for the two functional categories listed above.

Recommendations The District should not encumber any outstanding purchase unless there is adequate functional budgetary amounts to cover the incurred liability. Budget amendments should be made, as necessary, whenever expenditures are anticipated to exceed the originally adopted budget.

C. Findings and Questioned Costs for Federal Awards

N/A.

**CRANFILLS GAP INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

10-1 The District will provide adequate financial resources in its annual budget for sufficient board training. It will also consider requiring annual submission to the board by each member a listing of all board training received to ensure compliance with board training requirements.

Contact representative: Vince Gilbert, superintendent  
Cranfills Gap Independent School District  
P.O. Box 67  
Cranfills Gap, Texas 76637  
(254) 597-2505

10-2 The District will make budget amendments, as necessary, whenever circumstances arise for unforeseen additional expenditures that are projected to be more than the originally adopted budget.

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