

Austin Independent School District

Basic Financial Statements
And
Independent Auditors' Report
With Accompanying Information

Year Ended August 31, 2010

Austin Independent School District

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Austin Independent School District

Certificate of Board

August 31, 2010

Austin Independent School District
Travis County, Texas
227-901-13

We the undersigned, certify that the attached annual financial report of the above named school district was reviewed and X approved ___ disapproved for the year ended August 31, 2010, at a meeting of the Board of School Trustees of such school district on the 24 day of January 2011.



Secretary, Board of Trustees



President, Board of Trustees



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

Board of Trustees
Austin Independent School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Austin Independent School District (District) as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Austin • San Antonio

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 14 and the Budgetary Comparison Schedule – General Fund on pages 52 and 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by Office of Management and Budget (OMB) Circular A-133, and is not a required part of the basic financial statements. The Other Supplementary Information, as listed in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information, except for that portion marked unaudited on which we express no opinion, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Padgett, Straumann & Co. LLP

Certified Public Accountants
January 12, 2011
Austin, Texas

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

This section of Austin Independent School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

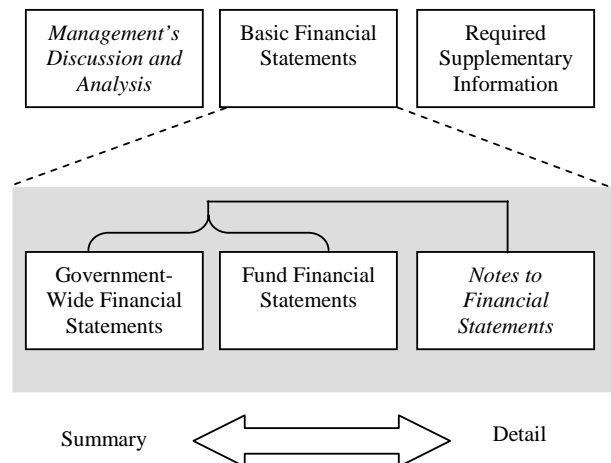
- The assets of the District exceeded its liabilities at the close of the fiscal year ending August 31, 2010. Net assets were \$293.8 million. Net assets invested in capital assets, net of related debt were \$96.3. The District's restricted net assets were \$30.4 million. Unrestricted net assets were \$167.1 million.
- During the year, the District's expenses were \$27.8 million more than the \$1,050.8 million generated in taxes and other revenues for governmental activities. Expenditures totaled \$819.0 million after charges for services and operating grants and contributions (revenue). Total revenue from property taxes, state aid, unrestricted grants and contributions, investment income, and miscellaneous revenues is \$846.8 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$148.3 million, or 19.0% of the total general fund expenditures.
- The District issued approximately \$83.5 million in bonds during fiscal year 2009-2010 and ended the year with \$95.0 million outstanding in commercial paper.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short term, as well as what remains for future spending.

Figure A-1 Required Components of the District's Annual Financial Report



Austin Independent School District

Management’s Discussion and Analysis

August 31, 2010

- The Proprietary Fund statements provide information about the District’s internal service funds, which are used to accumulate expenses to be charged to the governmental funds.
- Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (on the previous page) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District’s Government-Wide and Fund Financial Statements

Type of Statement	Government-Wide	Government Funds	Fiduciary Funds
<i>Scope</i>	Entire District’s government (except fiduciary funds)	The activities of the district that are not propriety or fiduciary	Instances in which the district is the trustee or agent for someone else’s resources
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Modified accrual accounting and current financial resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of Inflow/Outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end, expenditures when goods or services have been received and payment is due during the year or soon thereafter	Agency funds do not report revenue and expenditures

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

Government-Wide Statements

The government-wide statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all the government's assets and liabilities. All the current year's revenues and expenses are accounted for in the statement of activities on the accrual basis regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, one must consider additional factors such as changes in the District's tax base.

The government-wide financial statements of the District include the governmental activities. All the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's major funds, rather than the District as a whole. Funds are a governmental accounting tool the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage resources for specific purposes or to delineate the use of certain taxes and grants.

The District has three kinds of funds:

- *Governmental Funds*—Most of the District's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) on the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine the availability of financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the Governmental Funds statement, or on the subsequent page, that explain the relationship (or differences) between them. These include debt financing and capital projects.

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

- *Proprietary Funds* – Services for which the District charges internal departments a fee are generally reported in Proprietary Funds. Proprietary Funds, like the government-wide statements, provide both long- and short-term financial information. In the District, internal service funds are used to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self Insurance Fund.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets – The District's combined net assets were approximately \$293.8 million at August 31, 2010. The following is a schedule of the District's Net Assets:

Table A-1
The District's Net Assets
(In Millions of Dollars)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 389.8	\$ 306.3
Capital and noncurrent assets	899.6	838.8
Total assets	<u>1,289.4</u>	<u>1,145.1</u>
Current liabilities	224.5	131.0
Long-term liabilities	771.1	748.1
Total liabilities	<u>995.6</u>	<u>879.1</u>
Net assets:		
Invested in capital assets net of related debt	96.3	108.8
Restricted	30.4	35.9
Unrestricted	167.1	121.3
Total net assets	<u>\$ 293.8</u>	<u>\$ 266.0</u>

Capital outlays exceeded capital asset depreciation and retirements by approximately \$60.7 million in 2010.

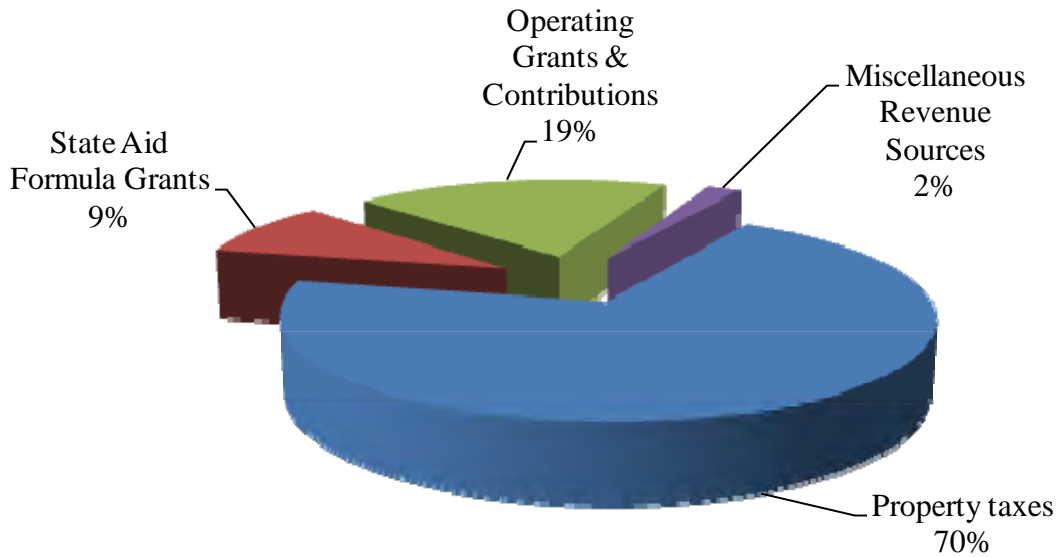
Changes in Net Assets – The District's total revenues were \$1,050.8 million. A significant portion, 70%, of the District's revenue comes from taxes; 9% comes from state aid formula grants, while 19% is related to other operating grants; the remaining 2% comes from miscellaneous revenue sources (see figure A-3 below).

Austin Independent School District

Management’s Discussion and Analysis

August 31, 2010

Figure A-3



The total cost of all programs was \$1,023.0 million and \$1,070.0 million for the years ended August 31, 2010 and 2009, respectively. When adjusted for the \$113.6 million in expenses in 2010 and \$179.0 million in expenses in 2009 related to Chapter 41 and other pass-through costs, 63% and 59%, respectively, of these costs are for instructional and student services.

The total of all program and service costs for school leadership was 6.6% and 6.3% in 2010 and 2009, respectively, and 9.0% and 8.8% in 2010 and 2009, respectively, for plant maintenance and operations (including security services).

Table A-2
Government Activities
(In Millions of Dollars)

	<u>2010</u>	<u>2009</u>
Program Revenues:		
Charges for services	\$ 3.8	\$ 12.3
Operating grants and contributions	200.3	140.3
General Revenues:		
Property taxes	735.8	705.1
State aid – formula	99.1	192.9
Investment earnings	0.9	4.2
Other	10.9	11.6
Total revenues	<u>\$ 1,050.8</u>	<u>\$ 1,066.4</u>

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

	2010	2009
Expenses		
Instruction and instructional related	\$ 481.4	\$ 465.9
Instructional resources and media related	14.9	16.6
Curriculum and staff development	29.0	27.1
Instructional leadership	16.6	17.6
School leadership	51.2	49.7
Guidance, counseling, and evaluation services	26.4	25.8
Social work services	5.5	4.9
Health services	6.5	6.4
Student transportation	28.5	28.4
Food services	37.8	36.9
Extracurricular activities	15.8	14.4
General administration	20.4	21.3
Plant maintenance and operations	83.2	83.7
Security and monitoring services	9.8	10.4
Data processing services	24.9	27.3
Community services	16.1	15.9
Debt service	37.1	34.5
Payments to fiscal agent/member districts-shared service	113.6	179.0
Other Governmental Charges	3.9	3.8
Depreciation – unallocated	0.4	0.4
Total expenses	1,023.0	1,070.0
Increase (decrease) in net assets	27.8	(3.6)
Beginning net assets	266.0	269.6
Ending net assets	\$ 293.8	\$ 266.0

Table A-3 presents the cost of the District's largest functions, as well as each function's net cost (total costs less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded directly by state revenues, as well as local tax dollars.

- The cost of all governmental activities in 2010 was \$1,023.0 million and in 2009 was \$1,070.0 million.
- However, the amount the District's taxpayers paid for these activities through property taxes was only \$735.8 million in 2010 and \$705.1 million in 2009.
- Those who directly benefited paid some costs of the programs (\$3.8 million in 2010 and \$12.3 million in 2009), with grants and contributions (\$200.3 million in 2010 and \$140.3 million in 2009) sharing the load.

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

Table A-3
Net Cost of Selected District Functions
(In Millions of Dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Instruction	\$ 525.3	\$ 509.6	\$ 415.6	\$ 431.9
School leadership	67.8	67.4	56.7	56.7
Plant maintenance and operations	83.2	83.7	79.8	81.5

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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, the 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.

At the end of the current fiscal year, the District's Governmental Funds reported combined ending fund balances of \$175.3 million, a decrease of \$9.9 million from the previous fiscal year. Approximately 86% percent of this total amount (\$151.6 million) constitutes the unreserved, undesignated fund balance. The remainder of the fund balance is reserved or designated to indicate it is not available for new spending because it has already been committed 1) for inventory (\$4.3 million), 2) to pay debt service (\$14.2 million), 3) on prepaid items (\$0.2), 4) to liquidate purchase orders of the prior period (\$11.9 million), 5) for food service (\$6.1 million), 6) for capital acquisitions and contractual obligations (\$30.3 million), 7) sinking fund obligations (\$6.4 million), and 8) for other purposes (\$10.9 million).

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$148.3 million, while the total fund balance was \$172.1 million. 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. The unreserved, undesignated fund balance represents about 19.0% of the total General Fund expenditures, while the total fund balance represents 22.0% of that same amount.

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

The fund balance of the District's General Fund increased \$25.9 million during the current fiscal year. The fund balance of the District's other governmental funds shows a decrease of \$35.8 million.

For the 2010 fiscal year the Capital Projects Fund is a major reportable fund. This is reflected in Exhibit C-1 and Exhibit C-2. The Capital Projects Fund had a deficit fund balance of \$30.3 million.

General Fund Budgetary Highlights (see Exhibit G-1)

Differences between the final general operating fund budget and the actual amounts are explained as follows:

Revenues

- Primary net favorable variances in local sources were due to the following adjustments:
 - Collection of local property taxes was higher than original estimates, totaling \$0.93 million
 - Miscellaneous revenues were higher than original estimates, totaling \$0.18 million
- A favorable variance in state sources resulted from an increase of approximately \$3.3 million from the Foundation School Payments. This increase is a result of 562 more Weighted Average Daily Attendance (WADA) than originally budgeted.
- A favorable variance in federal sources was due to the following adjustments:
 - An increase of approximately \$0.18 million in the School Health and Related Services (SHARS)
 - An increase of \$0.72 million in indirect cost earnings on federal grants' expenditures

Expenditures

- A net favorable variance of \$14.5 million in expenditures was due to the following favorable variances:
 - Outstanding purchase orders at the end of the fiscal year were \$11.9 million.
 - Chapter 41 unspent balances were \$2.3 million. The unspent balances are a result of an increase in number of weighted average daily attendance (WADA).
 - Net of other unspent balances were \$0.3 million.

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2010, the District had invested \$899.6 million in a broad range of capital assets, including land, equipment, buildings, vehicles, and capital lease assets. (See Table A-4 below)

Table A-4
District's Capital Assets
(In Millions of Dollars)

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 53.6	49.9
Buildings and improvements	816.3	\$ 758.1
Furniture fixtures and equipment	<u>29.7</u>	<u>30.8</u>
	<u>\$ 899.6</u>	<u>\$ 838.8</u>

During the District's fiscal year 2009-2010, capital spending totaled \$103.4 million in building and improvements and capital equipment. At August 31, 2010, the District is committed under contracts in the amount of approximately \$46.9 million. The commitments are for remaining work on various construction projects. These commitments are payable from the Capital Projects Fund.

Debt Administration

At August 31, 2010, the District had \$819.0 million in long-term debt outstanding, as shown in Table A-5 (below). Additionally, the District is approved for the issuance of Austin Independent School District Commercial Paper Notes, Series A (Commercial Paper) in an aggregate principal amount not to exceed \$150,000,000 for the purpose of funding new construction and rehabilitation and renovation of existing facilities. The Commercial Paper notes mature in not more than 270 days from issuance and are supported by a Revolving Credit Agreement with Bank of America. The Commercial Paper is secured by a pledge of the proceeds of future general obligation bonds or loans issued by the District to pay the principal of the Commercial Paper or proceeds from ad valorem property taxes. The District had \$95.0 million of Commercial Paper outstanding in the Capital Projects fund as of August 31, 2010.

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

Table A-5
District's Long-Term Debt
(In Millions of Dollars)

	Governmental Activities
	2010
Bonds payable	\$ 815.9
Notes/leases payable	3.1
	\$ 819.0

Economic Factors and Next Year's Budgets and Rates

Assessed values for the 2009-10 school year were \$61.6 billion, an increase of 4.7% from the previous year. The values for the upcoming school year are estimated at \$61.0 billion, a decrease of 1.0% from 2009-10. The first six weeks student enrollment for 2009-10 was 84,996; an increase of 1.5% from 2008-09 and the first six weeks enrollment for 2010-11 was 85,929, an increase of 1.1% increase from 2009-10.

Funding from the state is based on Average Daily Attendance (ADA). ADA for 2009-10 was 76,658, an increase of 1.4% from the prior year. For 2010-11, the District estimated ADA at 77,269, which represents a 0.7% increase from the 2009-10 school year.

The cost per student was \$8,296 for the 2009-10 school year and was estimated at \$8,314 for 2010-11. The cost per student was calculated by dividing the total General Fund budget expenditures, net of the Chapter 41 payments, with the first six weeks student enrollment. The increase in the cost per student from 2009-10 to 2010-11 is attributed to a combination of increases and decreases in the General Fund budget and in the first six weeks student enrollment for the two years.

Increases:

- Increase in staff to support campuses' needs and student growth (\$4.6 million)
- Step increase for teachers, counselors, librarians, and speech pathologists (\$2.8 million)
- Addition of new programs including Turnaround Model Initiative (\$3.5 million), Multiple Pathways School (\$1.5 million), and Fine Arts Signature Vertical Team (\$1.0 million)

Decreases:

- Budget reductions for multiple line items of the central office budgets (\$8.9 million)

Austin Independent School District

Management's Discussion and Analysis

August 31, 2010

At the end of the 2009-10 school year, the District had an increase of \$25.9 million in the General Fund balance, bringing the District's fund balance from \$146.2 million to \$172.1 million as of August 31, 2010. Of this amount \$23.8 million is reserved and \$148.3 is unreserved. For the 2010-11 school year, General Fund revenues are projected to increase approximately 1.5%, while expenditures are projected to increase 2.9%. The District anticipates having a deficit of revenues over expenditures by \$6.3 million at the end of the 2010-11 school year. For the 2009-10 and 2010-11 school years, recapture payments were \$111.9 million and estimated at \$127.8 million, respectively. The District's Maintenance and Operation (M&O) tax rate is \$1.079 per hundred dollars of assessed value for 2009-10 and remained the same for the 2010-11 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Services Department.

Basic Financial Statements

Austin Independent School District

Exhibit A-1 Statement of Net Assets

Year Ended August 31, 2010

<u>Data Control Codes</u>		<u>Governmental Activities</u>
<u>ASSETS</u>		
1110	Cash, cash equivalents, and temporary investments	\$ 258,485,694
1225	Property taxes receivables – net	10,169,748
1240	Due from other governments	25,092,992
1260	Due from fiduciary funds	193
1290	Other receivables – net	87,058,250
1310	Inventories	4,345,916
1410	Deferred expenditures	206,620
1420	Capital bond and other debt issuance costs	4,477,792
	Capital assets:	
1510	Land	53,558,267
1520	Buildings and improvements – net	687,008,113
1530	Furniture and equipment – net	29,753,694
1550	Capital lease – net	-
1580	Construction in progress	129,260,976
1000	Total assets	<u><u>\$ 1,289,418,255</u></u>
<u>LIABILITIES</u>		
2110	Accounts payable	\$ 44,212,719
2120	Commercial paper	95,000,000
2150	Payroll deductions and withholdings	11,178,787
2160	Accrued wages payable	(830,886)
2170	Due to fiduciary funds	39,069
2180	Due to other governments	14,269,234
2200	Accrued expenditures or expenses	2,680,326
2300	Deferred revenue	1,778,492
	Noncurrent liabilities:	
2125	Due within one year	56,153,760
2500	Due in more than one year	771,147,997
2000	Total liabilities	<u><u>995,629,498</u></u>
<u>NET ASSETS</u>		
3200	Invested in capital assets – net of related debt	96,281,802
3800	Restricted	30,443,448
3900	Unrestricted	167,063,507
3000	Total net assets	<u><u>\$ 293,788,757</u></u>

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit B-1 Statement of Activities

Year Ended August 31, 2010

Data Control Codes	Functions/Programs	Program Revenues			8
		1	3	4	
	Expenses	Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
11	Instruction	\$ 481,430,169	\$ (658,611)	\$ (96,169,271)	\$ 384,602,287
12	Instructional resources and media services	14,914,835	-	(1,255,150)	13,659,685
13	Curriculum and staff development	28,983,629	-	(11,599,541)	17,384,088
21	Instructional leadership	16,571,099	-	(5,117,964)	11,453,135
23	School leadership	51,216,809	-	(6,008,440)	45,208,369
31	Guidance, counseling, and evaluation services	26,373,364	-	(8,234,588)	18,138,776
32	Social work services	5,456,538	-	(2,750,259)	2,706,279
33	Health services	6,519,354	-	(14,928,462)	(8,409,108)
34	Student transportation	28,521,495	-	(1,407,310)	27,114,185
35	Food service	37,857,928	(6,841)	(37,726,074)	125,013
36	Extracurricular activities	15,781,479	(844,943)	(642,572)	14,293,964
41	General administration	20,366,983	(772,181)	(811,410)	18,783,392
51	Plant maintenance and operations	83,162,032	-	(3,352,580)	79,809,452
52	Security and monitoring services	9,770,684	-	(749,269)	9,021,415
53	Data processing services	24,864,033	-	(2,492,776)	22,371,257
61	Community services	16,131,915	(1,531,995)	(7,014,128)	7,585,792
71	Principal and interest on long-term debt	37,116,181	-	-	37,116,181
91	Contracted instructional services between schools	111,937,679	-	-	111,937,679
93	Payments related to shared services arrangements	1,700,441	-	-	1,700,441
99	Other intergovernmental charges	3,953,241	-	-	3,953,241
99	Depreciation – unallocated	437,048	-	-	437,048
TG	Total governmental activities	\$ 1,023,066,936	\$ (3,814,571)	\$ (200,259,794)	818,992,571
Data					
Control General revenues:					
Codes Taxes:					
MT	Property taxes, levied for general purposes				660,555,781
DT	Property taxes, levied for debt service				75,284,195
SF	State aid-formula grants				99,098,396
GC	Grants and contributions not restricted to specific programs				3,801,344
IE	Investment earnings				955,337
MI	Miscellaneous				7,243,799
S1	Special item – loss on disposition of capital assets				(183,293)
S2	Special item – insurance recovery				16,333
TG	Total general revenues, special items, and transfers				846,771,892
CN	Change in net assets of governmental activities				27,779,321
NB	Net assets – beginning				266,009,436
NE	Net assets – ending				\$ 293,788,757

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit C-1 Balance Sheet

Governmental Funds

August 31, 2010

Data Control Codes	10 General Fund	60 Capital Projects Fund	Non-major Governmental Funds	98 Total Governmental Funds
ASSETS				
1110	\$ 181,436,484	\$ 10,488,531	\$ 32,359,897	\$ 224,284,912
1220	29,118,835	-	4,286,345	33,405,180
1230	(19,984,987)	-	(3,250,445)	(23,235,432)
1240	433,058	-	24,659,934	25,092,992
1260	20,969,935	87,607	37,383	21,094,925
1290	560,047	75,733,430	10,763,959	87,057,436
1300	841,254	-	3,434,493	4,275,747
1410	206,620	-	-	206,620
1000	<u>\$ 213,581,246</u>	<u>\$ 86,309,568</u>	<u>\$ 72,291,566</u>	<u>\$ 372,182,380</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 8,463,574	\$ 21,540,934	\$ 14,201,380	\$ 44,205,888
2120	-	95,000,000	-	95,000,000
2150	11,178,787	-	-	11,178,787
2160	(1,152,110)	4,246	(128,090)	(1,275,954)
2170	518,725	37,383	20,991,922	21,548,030
2180	13,160,338	-	1,108,896	14,269,234
2300	9,276,836	-	2,671,404	11,948,240
2000	<u>41,446,150</u>	<u>116,582,563</u>	<u>38,845,512</u>	<u>196,874,225</u>
Fund balances:				
Reserved for:				
3410	841,254	-	3,434,493	4,275,747
3420	-	-	14,238,647	14,238,647
3430	206,620	-	-	206,620
3440	11,884,979	-	-	11,884,979
3450	-	-	6,116,375	6,116,375
3470	-	(30,272,995)	-	(30,272,995)
3490	10,875,720	-	6,366,477	17,242,197
3600	148,326,523	-	-	148,326,523
3610	-	-	3,290,062	3,290,062
3000	<u>172,135,096</u>	<u>(30,272,995)</u>	<u>33,446,054</u>	<u>175,308,155</u>
4000	<u>\$ 213,581,246</u>	<u>\$ 86,309,568</u>	<u>\$ 72,291,566</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Data Control Codes		
1	Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	899,581,050
2	Certain costs related to the sale of bonds are capitalized and amortized over the life of the bonds.	4,477,792
3	Amount of interest on debt payable in August is required to be recognized in the statement of net assets.	(2,680,326)
4	Revenue in governmental activities is recognized in the period received.	10,169,748
5	Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	26,317,489
6	Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(818,940,083)
7	The accrual of vacation leave is not due and payable in the current period and, therefore, is not reported as expenditures in the governmental funds.	(445,068)
19	Net assets of governmental activities.	<u>\$ 293,788,757</u>

The accompanying notes are an integral part of this statement.

Austin Independent School District
Exhibit C-2 Statement of Revenues,
Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended August 31, 2010

Data Control Codes	10 General	60 Capital Projects Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and intermediate sources	\$ 664,832,840	\$ 39,218	\$ 91,002,404	\$ 755,874,462
5800 State program revenues	126,019,476	-	20,848,397	146,867,873
5900 Federal program revenues	16,409,387	-	128,471,419	144,880,806
5020 Total revenues	<u>807,261,703</u>	<u>39,218</u>	<u>240,322,220</u>	<u>1,047,623,141</u>
EXPENDITURES				
Current:				
0011 Instruction	379,317,104	-	78,453,842	457,770,946
0012 Instructional resources and media services	12,506,488	-	719,659	13,226,147
0013 Curriculum and staff development	16,689,456	-	12,451,396	29,140,852
0021 Instructional leadership	10,756,425	-	5,936,621	16,693,046
0023 School leadership	45,517,597	-	3,920,618	49,438,215
0031 Guidance, counseling, and evaluation services	18,849,598	-	7,539,471	26,389,069
0032 Social work services	2,887,804	-	2,621,009	5,508,813
0033 Health services	5,096,091	-	1,367,258	6,463,349
0034 Student transportation	25,474,229	2,953,948	351,062	28,779,239
0035 Food service	-	-	36,121,224	36,121,224
0036 Extracurricular activities	14,564,142	-	188,657	14,752,799
0041 General administration	17,124,548	-	228,366	17,352,914
0051 Plant maintenance and operations	78,866,435	2,113,277	2,203,619	83,183,331
0052 Security and monitoring services	9,270,804	-	327,280	9,598,084
0053 Data processing services	17,806,023	296,311	2,060,189	20,162,523
0061 Community services	5,474,157	-	10,792,781	16,266,938
0071 Principal and interest on long-term debt	1,129,300	753,804	80,202,659	82,085,763
0081 Capital outlay	2,528,017	100,426,757	-	102,954,774
0091 Contracted instructional services between schools	111,937,679	-	-	111,937,679
0093 Payments related to shared services arrangements	1,700,441	-	-	1,700,441
0099 Other intergovernmental charges	3,953,241	-	-	3,953,241
6030 Total expenditures	<u>781,449,579</u>	<u>106,544,097</u>	<u>245,485,711</u>	<u>1,133,479,387</u>
1100 Excess (deficiency) of revenues over expenditures	<u>25,812,124</u>	<u>(106,504,879)</u>	<u>(5,163,491)</u>	<u>(85,856,246)</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital-related debt issued – regular bonds	-	73,892,004	9,587,996	83,480,000
7912 Sale of real or personal property	196,725	-	-	196,725
7916 Premium on capital-related debt issuance	-	1,841,426	1,135,853	2,977,279
8913 Litigation	(109,050)	-	-	(109,050)
8940 Payments to refunded bond escrow agent	-	-	(10,611,457)	(10,611,457)
7080 Total other financing sources and (uses)	<u>87,675</u>	<u>75,733,430</u>	<u>112,392</u>	<u>75,933,497</u>
1200 Net change in fund balances	25,899,799	(30,771,449)	(5,051,099)	(9,922,749)
0100 Fund balances – beginning	146,235,297	498,454	38,497,153	185,230,904
3000 Fund balances – ending	<u>\$ 172,135,096</u>	<u>\$ (30,272,995)</u>	<u>\$ 33,446,054</u>	<u>\$ 175,308,155</u>

The accompanying notes are an integral part of this statement.

Austin Independent School District
Exhibit C-3 Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended August 31, 2010

Net change in fund balances – total Governmental Funds (from Exhibit C-2)	\$ (9,922,749)
Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$43,108,021) was less than capital outlay (\$103,376,897), net asset removal (\$183,293) in the current period and other differences (\$645,871).	60,731,454
Bond and noncurrent loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and noncurrent loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of principal and loan principal (\$56,013,226) were exceeded by debt proceeds (\$83,480,000).	(27,466,774)
Premium received on bonds is amortized over the life of the bond. This is the amount by which bond premium (\$2,977,280) was exceeded by amortization (\$1,907,627).	(1,069,653)
The amount of interest which is accrued, but not yet paid for bond payments due in August is not recognized in the governmental funds. This is the net change in amount of interest payable and other liabilities at August 31, 2010, as compared to 2009 (\$635,382) and the change in accretion of capital appreciation bonds (\$1,575,406).	(940,024)
Certain costs associated with the issuance of bonds are amortized over the life of the bonds. This is the net amount of the cost of issuance (\$839,212) less current amortization (\$334,203).	505,009
Deferred revenue is recognized in the governmental funds. This is the net change between 2010 and 2009.	1,243,091
The revenues and expenses of the internal service fund are distributed in the statement of activities and are not considered a governmental fund. The difference is the amount of net income.	4,700,355
Costs associated with the accrual of vacation leave are recognized as expenditures in the governmental funds when matured. This is the amount of net change in the vacation accrual between 2010 and 2009.	(1,388)
Change in net assets of governmental activities (see Exhibit B-1)	<u><u>\$ 27,779,321</u></u>

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit D-1 Statement of Net Assets

Proprietary Funds

August 31, 2010

	Governmental Activities – Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,232,700
Temporary investments	28,968,082
Due from other funds	414,229
Receivables – net	814
Inventory	70,169
Total current assets	<u>34,685,994</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenditures	6,831
Claims payable – due within one year	3,000,000
Total current liabilities	<u>3,006,831</u>
Noncurrent liabilities:	
Due in more than one year – claims payable	<u>5,361,674</u>
Total noncurrent liabilities	<u>5,361,674</u>
Total liabilities	<u>8,368,505</u>
NET ASSETS	<u><u>\$ 26,317,489</u></u>

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit D-2 Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended August 31, 2010

	Governmental Activities – Internal Service Funds
Operating revenues:	
Local and intermediate sources	\$ 8,527,699
Total operating revenues	<u>8,527,699</u>
Operating expenses:	
Other operating expenses	<u>3,886,307</u>
Total operating expenses	<u>3,886,307</u>
Operating income	<u>4,641,392</u>
Nonoperating revenues:	
Interest and investment revenue	<u>58,963</u>
Total nonoperating revenue	<u>58,963</u>
Change in net assets	4,700,355
Total net assets – beginning	<u>21,617,134</u>
Total net assets – ending	<u><u>\$ 26,317,489</u></u>

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit D-3 Statement of Cash Flows

Proprietary Funds

Year Ended August 31, 2010

	Governmental Activities – Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (616,483)
Payments for employee salaries and benefits	(1,138,248)
Payments from other funds	8,464,358
Claims paid	(2,121,580)
Net cash provided by operating activities	<u>4,588,047</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	3,269,023
Outlays for purchase of investments	(2,871,833)
Interest and dividends	58,963
Net cash provided by investing activities	<u>456,153</u>
Net increase in cash and cash equivalents	5,044,200
Cash – beginning of the year	<u>188,500</u>
Cash – end of the year	<u><u>\$ 5,232,700</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 4,641,392
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(104,641)
Decrease in receivables	41,300
Increase in other assets	(4,636)
Decrease in accounts payable and accrued expenditures	(405)
Increase in claims payable	15,037
Net cash provided by operating activities	<u><u>\$ 4,588,047</u></u>

The accompanying notes are an integral part of this statement.

Austin Independent School District

Exhibit E-1 Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

August 31, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,759,425
Temporary investments	4,830,555
Due from other funds	39,069
Other receivables	300
Total assets	<u>\$ 9,629,349</u>
LIABILITIES	
Accounts payable	\$ 210,715
Due to other governments	2,561,241
Due to other funds	193
Due to student groups	6,857,200
Total liabilities	<u>\$ 9,629,349</u>

The accompanying notes are an integral part of this statement.

Notes to Basic Financial Statements

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

1: Reporting Entity

This report includes the financial statements of the funds required to account for those activities, organizations, and functions which are related to the Austin Independent School District (the District) and which are controlled by or dependent upon the District's governing body, the Board of Trustees. The Board of Trustees (the Board), a nine-member group as a body corporate, has the 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 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 applicable requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. There are no component units with the reporting entity. The District is a governmental entity exempt from federal income taxation under Internal Revenue Code Section 115.

2: Government-Wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all of the nonfiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers and grants used for operational requirements. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings, and intergovernmental revenues such as grants.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. All capital asset depreciation, other than depreciation of the District's central administration building, is reported as a direct expense of the functional program that benefits from the use of the capital assets. Depreciation expense related to the District's central administrative building is reported as unallocated in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

2: Government-Wide and Fund Financial Statements (continued)

that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the District's funds, with separate statements for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3: Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in conjunction with the TEA's *Financial Accountability System Resource Guide* (FAR). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

Governmental Fund Types

The District reports the following major Governmental Funds:

The General Fund is the fund that accounts for financial resources in use for general types of 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. This is a budgeted fund, and any fund balances are considered as resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

Governmental Fund Types (continued)

The Capital Projects Fund is the fund that accounts for proceeds from sales of bonds and other revenues to be used for Board authorized acquisition, construction, or renovations, as well as furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal. This fund is budgeted on a project basis.

Additionally, the District reports the following non-major funds:

The Debt Service Fund is the fund that accounts for the use of debt service taxes and other revenues collected for the purposes of retiring bond principal and paying interest on long-term general obligation debt and other long-term debt for which a tax has been dedicated. This is a budgeted fund.

The Special Revenue Funds are the funds that account for state and federally financed programs or expenditures legally restricted for specified purposes or where unused balances are returned to the grantor at the close of specified project periods. This fund type also includes child care operations, food concessions, scholarship, and food service operations, which is allowed to maintain a fund balance; such balances are to be used exclusively for allowable child nutrition program purposes. The food service fund is the only Special Revenue Fund that is required to be budgeted. For all other funds in this fund-type, project accounting is employed to maintain integrity for the various sources of funds.

Proprietary Fund Types

The Internal Service Fund, an unbudgeted fund, is the fund that accounts for the District's self-funding of workers' compensation claims, Campus Police, Print Shop, and Health Services. Revenues are generated in the internal service fund through charges to various funds of the District. Expenses result from the administration and funding of District workers' compensation claims and other activities of Internal Service Funds. Internal Service Funds inherently create redundancy because their expenses are recorded a second time in the funds that are billed for the services they provide. Therefore, on the government-wide financial statements, the operations of the Internal Service Funds are consolidated and interfund transactions are eliminated.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

Fiduciary Fund Types

Agency Funds, unbudgeted funds, are the funds that account for activities of student groups and other types of activities requiring clearing accounts. An Agency Fund is also used to account for the District's activities as successor-in-interest of the Travis County Education District. This fund type has no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District.

B. Measurement Focus

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund type financial statements. All Governmental Funds are accounted for on a "spending" or "financial flow" measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance of Governmental Funds is considered a measure of "available spendable resources." The Fiduciary Fund financial statement does not have a measurement focus.

C. Basis of Accounting

The government-wide financial statements and Proprietary Fund type financial statements follow the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, state aid and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider are met and qualifying expenditures have been incurred.

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 available and measurable. Revenues, other than grants, are considered to be available when they are expected to be collected during the current budgetary period, or within 60 days thereafter, to pay liabilities outstanding at the close of the budgetary period. Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred and all eligibility requirements have been met, except in the Food Service Special Revenue Fund where revenue recognized is based on the number of students served. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. Interest revenue and building rentals are recorded when earned, since they are measurable and available. Other revenues such as fees, tuition, local food service revenue, and miscellaneous revenues are recognized when measurable and available.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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

Expenditures are recognized in the accounting period in which the fund liability is incurred, except expenditures for debt service, including unmatured interest on long-term debt and compensated absences. Expenditures for principal and interest on long-term debt and compensated absences are recognized when matured.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include operating grants and contributions, food service user charges, and other charges. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are workers' compensation insurance premiums to participate in the District's self insured workers' compensation program. Operating expenses for the Internal Service Fund include the cost of workers' compensation claims and administrative charges. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, bank deposit accounts, investments in local government investment pools, and certificates of deposit (CDs) owned with original stated maturities of three months or less.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

E. Investments

State statutes and Board policy authorize the District to invest any and all of its funds in fully collateralized CDs, direct debt securities of the United States of America or the State of Texas, other obligations the principal and interest of which are unconditionally guaranteed by the State of Texas or the United States, fully collateralized direct repurchase agreements, banker's acceptances, local government investment pools, money market mutual funds, and other investments specifically allowed by Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) and Sections 23.80 and 20.42 of the Texas Education Code. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. The District's policy is to report all highly liquid debt instruments, such as local government investment pools, treasury and agency obligations, with a remaining maturity of one year or less at the time of purchase, at amortized cost and all other investments at fair value.

F. Due From (To) Other Funds

Interfund receivables and payables arise from interfund receipts or disbursements of cash and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

G. Inventory

Inventory of materials and supplies are carried on the basis of the last invoice cost, which approximates first-in first-out cost, and are subsequently charged to budgetary expenditures when consumed. Inventories include plant maintenance and operating supplies, as well as instructional materials. These inventories are offset at year-end by a reservation of general fund balance, which indicates that they do not represent "available spendable resources."

Donated commodities inventory is recorded as deferred revenue at year-end. Revenue is recognized when the commodities are distributed to the schools. There was \$1,587,003 of donated commodities in inventory at August 31, 2010.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets, which includes land, buildings, furniture and equipment, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined 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 the donation.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and site improvements	30 years
Furniture and equipment	5-10 years
Vehicles	5-7 years
Property under capital leases	10 years
Buses	8-10 years
Computer software and equipment	3-7 years
Portable buildings	10 years

I. Compensated Absences

The State of Texas has created a minimum sick leave program consisting of five days of personal leave per year that may be used for illness or discretionary personal leave with no limit on accumulation and transferability among districts for every eligible employee regularly employed in Texas public schools.

Each district's local Board of Education is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum. The District's policy provides six to eight additional sick leave days per year depending on the number of duty days scheduled to work during the school year.

Accumulated state leave at end of the year remains in the employee's state personal leave account. Additional sick leave days provided by the District do not vest; therefore, at August 31, 2010 no liability exists.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

Teachers do not receive paid vacation, but are paid only for the number of days they are required to work each year. All regular employees are entitled to an annual vacation. In the government-wide financial statements, the District has a liability for unused vacation pay for regular employees for all vacation earned as of August 31, 2010. The District allows unused vacation days to carry over through December 31.

J. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. 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.

The District participates in the Texas Association of School Boards Modified Self-Funded program for its vehicle liability insurance. The District has commercial insurance for all other risks of loss, except vehicle liability insurance and workers' compensation, including employee health benefits and employee life and dental and accident insurance.

The District is self-insured up to \$250,000 per occurrence for losses related to workers' compensation. The District has purchased excess coverage through a commercial insurer licensed in the State of Texas.

K. Encumbrances

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance, but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

Outstanding encumbrances at August 31, 2010 that were subsequently provided for in the 2011 budget as a September amendment for Board approval totaled \$11,884,979 in the General Fund. This amount is reflected as a reserve of fund balance at August 31, 2010.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

3: Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

Reserves have been established in the Governmental Funds financial statements to indicate that a portion of the fund balance is not available for appropriation for expenditure, or is legally segregated for a specific future use. Designations of fund equity are the representations of management for the utilization of financial resources in future periods.

M. Data Control Totals

Data control codes refer to the account code structure prescribed by the TEA in the FAR. TEA requires school districts to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide database for policy development and funding plans.

N. Deferred Revenue

The deferred revenue on the balance sheet of the General Fund and the non-major governmental funds primarily relates to uncollected property taxes, less the allowance for doubtful accounts. The remainder in the non-major governmental funds relates to donated commodity inventory, pre-payments for school lunch tickets in the child nutrition program special revenue fund and deferred grant revenues.

O. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements.

P. Use of Estimates

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

Q. Accrued Wages Payable

With state law changes that push the start of school to later in August the actual number of days most employees work in August has decreased. In order for these employees' pay streams to be unaffected, most of which are teachers, they are still paid one-twelfth of their yearly contract amount in August, thus creating a "prepaid" in wages payable at August 31.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

4: Deposits and Investments

Deposits

At August 31, 2010, all District deposits were with the contracted depository bank in accounts which were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage and by pledged securities, as approved by the School Depository Act, held by the District's agent, Bank of America, in the name of the District.

At August 31, 2010, the District had a general ledger balance of \$13,820,622 (excluding student activity fund balances of approximately \$4,759,000) while the total of bank balances equaled \$27,017,539. Of the bank balances, \$500,000 is covered by federal depository insurance and the remainder was covered by \$37,355,200 of collateral pledged in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

1. Name of bank: Bank of America
2. The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$36,757,698.
3. The largest deposit combined account balance amounted to \$33,009,756 and occurred during the month of June 2010.
4. Total amount of FDIC coverage at the time of the largest combined balance was \$500,000.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

4: Deposits and Investments (continued)

Investments

The District's temporary investments, including restricted assets, at August 31, 2010 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Governmental activities:		
Fidelity Institutional Money Market Fund	\$ 2,078,905	\$ 2,078,905
Bank of America – repurchase	1,817,350	1,975,587
U.S. Government agency securities	2,939,591	2,998,200
JPMorgan Money Market Fund	81,030	81,030
Lone Star	22,210,418	22,210,418
Texas Daily	76,086,325	76,086,325
TexPool	138,047,542	138,047,542
U.S. Bank – U.S. Treasury and Agency	1,590,839	1,603,663
	<u>244,852,000</u>	<u>245,081,670</u>
Total governmental activities		
Fiduciary fund:		
TexPool	2,875,415	2,875,415
Bank of America Money Market Fund	976,932	976,932
Savings accounts	978,208	978,208
	<u>4,830,555</u>	<u>4,830,555</u>
Total fiduciary fund		
Total investments	<u>\$ 249,682,555</u>	<u>\$ 249,912,225</u>

Investment Objectives

The primary objective of the District's investment activity is to provide the highest reasonable market return with the maximum security while meeting daily cash flow requirements and conforming to all applicable state laws.

The District's investment policy contains investment strategies for each accounting fund of the District. The investment portfolio shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue, a specific class of securities, or a specific institution.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

4: Deposits and Investments (continued)

Interest Rate Risk

As a means of limiting the exposure to fair value losses that could occur from rising interest rates, the District's investment policy limits the maturity of investments to no longer than one year, except for the Capital Projects Fund, which is one and one-half years. The District's debt service fund holds \$4,530,430 in U.S. Government agency and treasury securities at August 31, 2010, all of which mature in one year or less.

TexPool

The Texas Local Government Investment Pool (TexPool) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the *Public Funds Investment Act*, Texas Government Code, Chapter 2256. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors.

TexPool operates in a manner consistent with the U.S. Securities and Exchange Commission's (SEC's) Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the *Public Funds Investment Act*, Texas Government Code, Chapter 2256. Lone Star is managed by an 11-member Board of Trustees and pursuant to the Investment Agreement, the Board is authorized and directed to adopt and maintain bylaws consistent with the bylaws of the Texas School Cash Management Program. Pursuant to Section 2256.016(g) of the Public Funds Investment Act, Lone Star has established an Advisory Board. The purpose of the Advisory Board is to gather and exchange information from participants and nonparticipants relating to Lone Star's operations. The Board has entered into an agreement with the Texas Association of School Boards (TASB), a Texas nonprofit corporation, pursuant to which TASB serves as administrator of Lone Star's operations. Standard & Poor's rates money market funds and has rated Lone Star as AAA. The net asset value of the District's investment in Lone Star approximates fair value.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

4: Deposits and Investments (continued)

TexasTERM (TexasDAILY)

TexasDAILY is a public funds investment pool established by the TexasTERM Advisory Board pursuant to provisions of the TexasTERM Common Investment Contract that established the TexasTERM Local Government Investment Pool and the series known as TexasDAILY. TexasDAILY was organized in conformity with the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The investment advisor and administrator for TexasDAILY is PFM Asset Management LLC. The net asset value of the District's investment approximates fair value. TexasTERM and TexasDAILY are rated AA Af and AA Am, respectively, by Standard & Poor's.

Fidelity Institutional Money Market Fund

The Fidelity Institutional Money Market Fund (Fund) is an SEC registered, money market mutual fund that operates under SEC Rule 2a-7 of the Investment Company Act of 1940. As such, the Fund uses amortized cost to report net assets and share prices since that amount approximates fair value. The District invests in the Government Portfolio of the Fund. The Government Portfolio normally invests at least 80% of its assets in U.S. Government securities and repurchase agreements for those securities. The Government Portfolio generally maintains a dollar-weighted average maturity of 60 days or less and does not have a credit rating issued by a national credit rating agency.

5: Property Taxes

Property taxes are levied as of October 1 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 1 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 when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60-day period after the close of the District's fiscal year.

The final assessed value at January 1, 2009, upon which the October 2009 levy was based, was approximately \$61,630,025,136.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

5: Property Taxes (continued)

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 \$1.079 and \$0.123 per \$100 valuation, respectively, for a total of \$1.202 per \$100 of assessed valuation.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon 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.

As of August 31, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$9,133,848 and \$1,035,900 for the General and Debt Service Funds, respectively.

6: Receivables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2010 for the District's major fund and non-major funds are summarized below. All federal grants shown below are passed through the TEA and are reported in the basic financial statements as receivable from other governments.

<u>Fund</u>	<u>Local Entities</u>	<u>State Grants/Other</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ -	\$ -	\$ 433,058	\$ 433,058
Non-major	<u>1,613,846</u>	<u>21,335,624</u>	<u>1,710,464</u>	<u>24,659,934</u>
Total	<u>\$ 1,613,846</u>	<u>\$ 21,335,624</u>	<u>\$ 2,143,522</u>	<u>\$ 25,092,992</u>

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

7: Changes in Capital Assets

The following summarizes the change in capital assets for the year ended August 31, 2010:

Capital assets, not being depreciated:

	Balance at August 31, 2009	Additions	Transfers/ Deletions	Balance at August 31, 2010
Land	\$ 49,880,146	\$ 3,847,385	\$ (169,264)	\$ 53,558,267
Construction in progress	41,208,954	93,799,317	(5,747,295)	129,260,976
Total	<u>\$ 91,089,100</u>	<u>\$97,646,702</u>	<u>\$(5,916,559)</u>	<u>\$ 182,819,243</u>

Capital assets, being depreciated:

	Balance at August 31, 2009	Additions	Transfers/ Deletions	Balance at August 31, 2010
Property under capital leases	\$ 15,759,460	\$ -	\$ -	\$ 15,759,460
Buildings and improvements	1,142,316,043	5,747,294	(13,228)	1,148,050,109
Furniture and equipment	69,294,828	5,730,195	(1,672,404)	73,352,619
Total	<u>\$1,227,370,331</u>	<u>\$11,477,489</u>	<u>\$(1,685,632)</u>	<u>\$ 1,237,162,188</u>

Less accumulated depreciation for:

	Balance at August 31, 2009	Additions	Transfers/ Deletions	Balance at August 31, 2010
Property under capital leases	\$ 15,759,460	\$ -	\$ -	\$ 15,759,460
Buildings and improvements	425,392,156	36,368,287	(718,447)	461,041,996
Furniture and equipment	38,458,221	6,739,734	(1,599,030)	43,598,925
Total	<u>\$ 479,609,837</u>	<u>\$43,108,021</u>	<u>\$(2,317,477)</u>	<u>\$ 520,400,381</u>

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

7: Changes in Capital Assets (continued)

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

Instruction	\$ 27,315,867
Instructional resources and media services	1,805,971
Curriculum and staff development	2,077
Instructional leadership	12,438
School leadership	1,922,729
Guidance, counseling, and evaluation services	207,646
Health services	67,464
Student transportation	2,906,358
Food service	2,454,341
Extracurricular activities	1,316,521
General administration	34,355
Plant maintenance and operations	1,830,643
Security and monitoring services	283,918
Data processing services	1,242,947
Community services	3,214
Facilities acquisition and construction	1,264,484
Unallocated depreciation	437,048
Total	<u>\$ 43,108,021</u>

8: Long-Term Obligations

Long-term obligations includes par bonds; capital appreciation (deep discount) serial bonds; and loans, leases, and self-insurance claims payable. At August 31, 2010, the District debt limitation under local policies, which represents 10.0% of the District's total assessed property value for school tax purposes, is \$6,163,002,514, and the District's legal debt margin is 1.3%.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

8: Long-Term Obligations (continued)

The following is a summary of changes in long-term obligations (including general obligation bonds, loans/leases, and self-insurance claims payable) for the year ended August 31, 2010:

	<u>Bonds Payable</u>	<u>Loans/ Leases Payable</u>	<u>Self-Insurance Claims Payable</u>
Balance, as reported at August 31, 2009	\$ 784,736,958	\$ 4,091,292	\$ 8,346,637
Additions – 2010 Unlimited Tax Refunding Bonds	83,480,000	-	-
Additions – accretion of discounts	1,575,406	-	-
Additions – bond premium	2,977,280	-	-
Current year claims and/or changes in estimates	-	-	2,151,654
Retirements	(45,112,633)	(1,010,593)	-
Refunds	(9,890,000)	-	-
Claim payments	-	-	(2,136,617)
Amortized bond premium	(1,907,627)	-	-
Balance at August 31, 2010	<u>\$ 815,859,384</u>	<u>\$ 3,080,699</u>	<u>\$ 8,361,674</u>
Amount due within one year	<u>\$ 52,109,050</u>	<u>\$ 1,044,710</u>	<u>\$ 3,000,000</u>

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

8: Long-Term Obligations (continued)

Included in the District's long-term debt arising from refunding transactions are capital appreciation bonds (CAB), which are non-interest bearing and are discounted at issuance. CAB's are designed to accrete in value over time. The following is a summary of the interest rates and original issue amounts for the District's long-term debt as of August 31, 2010:

Description	Interest Rate Payable	Amounts Original Issue
Bonded indebtedness:		
1998 Unlimited Tax Refunding Bonds	5.00%	\$ 130,397,389
2002 Unlimited Tax School Building Bonds	4.125-4.75%	20,010,000
2002A Unlimited Tax School Building Bonds	3.375-4.375%	4,675,000
2002 Unlimited Tax School Qualified Zone Academy Bonds	4.11%	5,082,652
2004 Unlimited Tax School Building Bonds	4.00-5.00%	9,685,000
2004 Unlimited Tax Refunding Building Bonds	5.00-5.25%	111,935,000
2005 Unlimited Tax Refunding Building Bonds	0.00-5.00%	23,494,117
2005A Unlimited Tax School Building Bonds	3.35-6.125%	2,630,000
2005B Unlimited Tax School Qualified Zone Academy Bonds	3.01%	4,491,923
2006 Unlimited Tax Refunding Bonds	5.25%	54,375,000
2006 Unlimited Tax School Qualified Zone Academy Bonds	2.69%	6,408,071
2006A Unlimited Tax Refunding Bldg Bonds	4.00-5.00%	90,000,000
2006B Unlimited Tax Refunding Bonds	4.00-5.00%	31,460,000
2007 Unlimited Tax Refunding Bonds	4.25-5.00%	135,000,000
2008 Unlimited Tax School Qualified Zone Academy Bonds	0.00%	2,442,131
2008 Unlimited Tax Refunding Bonds	4.00-5.25%	100,000,000
2009 Unlimited Tax Refunding Bonds	2.00-5.00%	99,495,000
2010A Unlimited Tax Refunding Bonds	2.50-5.00%	25,165,000
2010B Unlimited Tax Refunding Bonds	3.68-5.24%	58,315,000
		<u>\$ 915,061,283</u>

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

8: Long-Term Obligations (continued)

Description	Amounts Outstanding August 31, 2009	Additions Current Year	Retured Current Year	Refund Current Year	Amounts Outstanding August 31, 2010
Bonded indebtedness:					
Building bonds:					
1998 Unlimited Tax Refunding	\$113,890,209	\$ 1,398,728	(1) \$(15,400,000)	-	\$ 99,888,937
2002 Unlimited Tax School	13,540,000	-	(1,255,000)	(8,175,000)	4,110,000
2002A Unlimited Tax School	3,165,000	-	(340,000)	(1,715,000)	1,110,000
2002 Unlimited Tax School Qualified Zone Academy	5,082,652	-	-	-	5,082,652
2004 Unlimited Tax School	7,905,000	-	(390,000)	-	7,515,000
2004 Unlimited Tax Refunding	95,410,000	-	(12,445,000)	-	82,965,000
2005 Unlimited Tax Refunding	18,597,449	176,678	(1) (1,635,000)	-	17,139,127
2005A Unlimited Tax School	2,425,000	-	(105,000)	-	2,320,000
2005B Unlimited Tax School Qualified Zone Academy	4,491,923	-	-	-	4,491,923
2006 Unlimited Tax Refunding	43,010,000	-	(5,245,000)	-	37,765,000
2006 Unlimited Tax School Qualified Zone Academy	6,408,071	-	-	-	6,408,071
2006A Unlimited Tax Refunding	84,825,000	-	(425,000)	-	84,400,000
2006B Unlimited Tax Refunding	31,445,000	-	-	-	31,445,000
2007 Unlimited Tax Refunding	135,000,000	-	(2,200,000)	-	132,800,000
2008 Unlimited Tax School Qualified Zone Academy	2,289,498	-	(152,633)	-	2,136,865
2008 Unlimited Tax Refunding	100,000,000	-	(2,400,000)	-	97,600,000
2009 Unlimited Tax Refunding	99,495,000	-	(3,120,000)	-	96,375,000
2010 Unlimited Tax Refunding	-	83,480,000	-	-	83,480,000
Bond premium	17,757,156	2,977,280	(1,907,627)	-	18,826,809
Total bond indebtedness	<u>\$784,736,958</u>	<u>\$88,032,686</u>	<u>\$(47,020,260)</u>	<u>\$(9,890,000)</u>	<u>\$815,859,384</u>

(1) Represents accretion of discount on capital appreciation bonds.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

8: Long-Term Obligations (continued)

Presented below is a summary of general obligation bonds requirements to maturity:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 52,109,050	\$ 35,439,845	\$ 87,548,895
2012	55,102,633	32,954,034	88,056,667
2013	44,593,592	43,385,968	87,979,560
2014	45,854,063	41,978,434	87,832,497
2015	60,467,633	26,588,400	87,056,033
2016-2020	181,665,817	96,581,506	278,247,323
2021-2025	126,120,529	67,273,559	193,394,088
2026-2030	137,295,000	39,052,597	176,347,597
2030-2035	72,380,000	8,697,829	81,077,829
Total	<u>\$ 775,588,317</u>	<u>\$ 391,952,172</u>	<u>1,167,540,489</u>

For general obligations, included in interest is the future accretion of interest on capital appreciation bonds in the amount of \$21,444,258. This amount will be considered principal as it is accreted in the future.

In fiscal year 2010, the District issued one new series of bonded indebtedness as follows:

- The District entered into a contract, which was approved by the Board on June 21, 2010, to issue \$83,480,000 of Unlimited Tax Refunding Bonds, Series 2010 A and Series 2010 B, and deliver such bonds in September 2010 in order to retire a portion of the outstanding commercial paper balance and to recognize the bond refunding transaction and premium in the fiscal year it was approved. There is no economic gain or loss on this refinancing of commercial paper since commercial paper is a short-term obligation and bonded indebtedness is a long-term obligation.

There are a number of limitations and restrictions contained in the District's general obligation bond indenture. Management of the District believes it is in compliance with all significant limitations and restrictions at August 31, 2010.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

8: Long-Term Obligations (continued)

The District entered into an unsecured loan agreement in 2001 with the State Energy Conservation Office – General Services Commission. The State Energy Conservation Office advanced the District funds to be used for the retrofitting of lighting fixtures and new air conditioning equipment. The District will repay the loan amount, plus interest at 4.04%.

The loan will be repaid as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 338,171	\$ 15,552	\$ 353,723
2012	<u>174,325</u>	<u>2,629</u>	<u>176,954</u>
Total	<u>\$ 512,496</u>	<u>\$ 18,181</u>	<u>\$ 530,677</u>

The District entered into another loan agreement in November 2003 with the State Energy Conservation Office – General Services Commission. The District will repay the loan amount, plus interest at 3.00%. The loan will be repaid as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 706,668	\$ 69,027	\$ 775,695
2012	728,028	47,667	775,695
2013	750,036	25,658	775,694
2014	<u>383,471</u>	<u>4,323</u>	<u>387,794</u>
Total	<u>\$ 2,568,203</u>	<u>\$ 146,675</u>	<u>\$ 2,714,878</u>

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

9: Interfund Receivables and Payables

Interfund balances occur when one fund pays or receives resources for another fund. Interfund balances at August 31, 2010, consisted of the following fund receivables and payables:

	Due from	Due to
Major Fund – General Fund:		
Non-Major	\$ 20,969,935	\$ -
Capital Projects	-	87,607
Internal Service	-	393,038
Agency	-	38,080
Total General Fund	20,969,935	518,725
Major Fund – Capital Projects:		
General	87,607	-
Non-Major	-	37,383
Total Capital Projects	87,607	37,383
Non-Major Funds:		
General	-	20,969,935
Internal Service	-	20,998
Capital Projects	37,383	-
Agency	-	989
Total Non-Major Funds	37,383	20,991,922
Internal Service Fund:		
General	393,038	-
Non-Major	20,998	-
Agency	193	-
Total Internal Service Fund	414,229	-
Fiduciary Fund:		
General	38,080	-
Non-Major	989	-
Internal Service	-	193
Total Fiduciary Fund	39,069	193
Total all funds	\$ 21,548,223	\$ 21,548,223

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

10: Commitments and Contingencies

At August 31, 2010, the District is committed under contracts in the amount of approximately \$46,859,630. The commitments are for remaining work on various construction projects. These commitments are payable from the Capital Projects Fund.

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 and provisions OMB Circular A-133 through August 31, 2010, these programs are still subject to financial and compliance audits and resolution of previously identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District leases certain building facilities and equipment on a year-to-year basis. Total rent expenditures for the year ended August 31, 2010 was approximately \$3,094,839. These leases are considered for accounting purposes to be operating leases.

The District has been named in several civil lawsuits. The outcome of these pending cases cannot presently be determined; however, the District plans to vigorously contest each action. In the opinion of management, disposition of these lawsuits will have no material adverse effect on the financial position of the District.

The Travis County Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. Assessed value of property values under suit as follows:

<u>Tax Year</u>	<u>Property Value</u>
2006	\$ 899,153,196
2007	1,380,863,209
2008	1,502,489,487
2009	2,043,344,048
2010	623,809,065

The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

11: Retirement 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 transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.000% of the member's annual compensation and a state contribution rate of not less than 6.000% and not more than 10.000% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.400% for fiscal years 2010, 2009, and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.580% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.400% for the period of September through December 2009 and increased to 6.644% for the period of January through August 2010. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2010, 2009, and 2008 were \$34,766,312, \$33,144,654, and \$30,929,091, respectively. The District paid additional state contributions for the years ended August 31, 2010, 2009, and 2008 in the amount of \$3,321,581, \$2,839,991, and \$2,676,743, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

12: Health Care Coverage

A. Health Insurance Plan

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan. With Blue Cross Blue Shield health plan, employees have a choice of a PPO or an HMO. The District contributed \$447 per month, per employee to the plan. All contributions were paid to licensed insurers. The contracts between the District and the licensed insurers provide terms of coverage and contribution costs.

The latest financial statements for the insurance companies, available for the year ended December 31, 2010, are filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

B. 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 Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$1,324,796, \$1,223,332, and \$1,189,086 for fiscal years 2010, 2009, and 2008, respectively.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

12: Health Care Coverage (continued)

C. 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 TRS. TRS-Care 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009, and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009 and 2008, the State's contributions to TRS-Care were \$517,127, \$445,104, and \$418,135, respectively, the active member contributions were \$3,401,279, \$3,274,169, and \$3,065,959, respectively, and the school district's contributions were \$2,878,327, \$2,770,449, and \$2,601,111, respectively, which equaled the required contributions each year.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

13: Self Insurance

The District participates in the Texas Association of School Boards Modified Self-Funded Program for its vehicle liability insurance. In connection therewith, stop loss insurance for bodily injury over \$100,000 per person, \$300,000 per occurrence, and \$100,000 for personal property is maintained. The District is responsible for claims up to these amounts.

The District is self-insured for workers' compensation coverage. The District contributes amounts to the internal service fund based on an estimate of the ultimate cost of claims expected to be incurred each year and changes in amounts estimated in prior years. The District's retention under this program is limited to \$250,000 per occurrence (all claims relating to a related event are considered an occurrence). The District purchased excess coverage through Insurance Corporation of Hannover, a governmental risk pool, for losses in excess of \$250,000 up to the statutory limit as described by state law. The District has contracted with Republic Western Insurance Company, a commercial insurer licensed in the State of Texas, to provide the coverage per occurrence in excess of \$250,000 up to a statutory limit as described by state law.

Changes in workers' compensation claims liability amounts are as follows:

	<u>2010</u>	<u>2009</u>
Beginning of the year liability	\$ 8,346,637	\$ 8,319,438
Current year claims and/or changes in estimates	2,151,654	1,839,129
Claim payments	<u>(2,136,617)</u>	<u>(1,811,930)</u>
End of the year liability	<u>\$ 8,361,674</u>	<u>\$ 8,346,637</u>

The end of the year liability includes claims incurred and reported and estimated claims incurred but not reported, based on historical activity.

Due to the types of risk self-insured, the ultimate amount to be paid out may be more or less than the amount accrued at August 31, 2010. The District has a contingent liability in the event the insurer is unable to fulfill its responsibility under the contract or the incurred claims exceed the amounts covered by stop loss coverage. There have been no claim settlements exceeding the District's retention limits in the last three years.

Austin Independent School District

Notes to Basic Financial Statements

August 31, 2010

14: Deficit Fund Balance

As of August 31, 2010, the Capital Projects Fund had a deficit fund balance of \$30,272,995. The deficit fund balance resulted from capital expenditures incurred in 2010 which are being financed by Commercial Paper on an interim basis. The District is utilizing the Commercial Paper program, which is more fully described in note 15, rather than issuing a large amount of bonded indebtedness at the beginning of a construction program. The Commercial Paper program allows the District to issue smaller increments of short-term debt that more closely match the size and timing of its construction expenditures and thus, minimize the total amount of interest cost and bond issuances costs incurred on the construction program. Voters of the District approved the issuance of up to \$519.5 million of bonds in an election in September 2004. The Commercial Paper balance at August 31, 2010 will be repaid from future bond issues and the deficit fund balance will be eliminated by the bond proceeds. At August 31, 2010, the District has issued \$507 million of the original \$519.5 million bond authorization approved by the voters of the District in September 2004.

15: Short-Term Debt

In June 2005, the Board approved the issuance of Austin Independent School District Commercial Paper Notes, Series A (Commercial Paper) in an aggregate principal amount not to exceed \$150,000,000 for the purpose of funding new construction and rehabilitation and renovation of existing facilities. The Commercial Paper notes mature in not more than 270 days from issuance and are supported by a Revolving Credit Agreement with Bank of America. The Commercial Paper is secured by a pledge of the proceeds of future general obligation bonds or loans issued by the District to pay the principal of the Commercial Paper or proceeds from ad valorem property taxes. As of August 31, 2010, the District has an outstanding balance of \$95 million of Commercial Paper, which is recorded in the Capital Projects Fund. On September 12, 2006, the District issued \$90 million in bonds. On June 25, 2007, the District issued \$135 million in bonds. On July 23, 2008, the District issued \$100 million in bonds. On June 22, 2009, the District issued \$99 million in bonds. On September 7, 2010, the District issued \$83 million in bonds. A portion of the proceeds of each of these bond issuances was used to partially refinance the Commercial Paper.

Changes in the Commercial Paper are as follows:

	<u>2010</u>	<u>2009</u>
Beginning of the year liability	\$ 20,000,000	\$ 2,000,000
Bonds issued	-	(82,000,000)
Issuances	<u>75,000,000</u>	<u>100,000,000</u>
End of the year liability	<u>\$ 95,000,000</u>	<u>\$ 20,000,000</u>

Required Supplementary Information

Austin Independent School District

Exhibit G-1 – Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2010

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With
		Original	Final	(Budgetary Basis) (See Notes)	Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	\$ 639,245,343	\$ 663,668,608	\$ 664,832,840	\$ 1,164,232
5800	State program revenues	162,103,186	122,674,039	126,019,476	3,345,437
5900	Federal program revenues	2,604,388	15,508,509	16,409,387	900,878
5020	Total revenues	803,952,917	801,851,156	807,261,703	5,410,547
	EXPENDITURES				
	Current:				
0011	Instruction	414,611,244	380,158,180	379,317,104	841,076
0012	Instructional resources and media services	12,772,315	12,507,938	12,506,488	1,450
0013	Curriculum and staff development	15,574,144	16,689,879	16,689,456	423
0021	Instructional leadership	11,954,517	10,760,320	10,756,425	3,895
0023	School leadership	47,053,250	45,517,506	45,517,597	(91)
0031	Guidance, counseling, and evaluation services	19,165,381	19,906,328	18,849,598	1,056,730
0032	Social work services	2,846,344	3,111,845	2,887,804	224,041
0033	Health services	5,632,481	5,565,434	5,096,091	469,343
0034	Student transportation	25,037,779	25,476,878	25,474,229	2,649
0036	Extracurricular activities	13,827,276	14,827,252	14,564,142	263,110
0041	General administration	18,200,658	19,314,658	17,124,548	2,190,110
0051	Plant maintenance and operations	78,292,476	81,267,613	78,866,435	2,401,178
0052	Security and monitoring services	9,873,630	9,718,025	9,270,804	447,221
0053	Data processing services	17,022,098	21,493,028	17,806,023	3,687,005
0061	Community services	5,891,937	5,530,889	5,474,157	56,732
0071	Principal and interest on long-term debt	1,132,300	1,132,300	1,129,300	3,000
0081	Capital outlay	1,320,000	3,068,924	2,528,017	540,907
0091	Contracted instructional services between schools	113,432,988	114,292,232	111,937,679	2,354,553
0093	Payments related to shared services arrangements	1,233,902	1,700,441	1,700,441	-
0099	Other intergovernmental charges	4,105,000	3,953,241	3,953,241	-
6030	Total expenditures	818,979,720	795,992,911	781,449,579	14,543,332
1100	Excess (deficiency) of revenues over expenditures	(15,026,803)	5,858,245	25,812,124	19,953,879
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real or personal property	51,000	195,456	196,725	1,269
7915	Transfers in	572,116	-	-	-
8911	Transfers out	(572,116)	-	-	-
8913	Litigation	(95,000)	(165,000)	(109,050)	55,950
7080	Total other financing sources and (uses)	(44,000)	30,456	87,675	57,219
1200	Net change in fund balances	(15,070,803)	5,888,701	25,899,799	20,011,098
0100	Fund balances – beginning	146,235,297	146,235,297	146,235,297	-
3000	Fund balances – ending	\$ 131,164,494	\$ 152,123,998	\$ 172,135,096	\$ 20,011,098

See accompanying independent auditors' report and notes to budgetary comparison schedule.

Austin Independent School District

Exhibit G-1 – Notes to the Budgetary Comparison Schedule

Year Ended August 31, 2010

Budgetary Data

Formal budgetary accounting is employed for the General Fund, as outlined in TEA's FAR. The budgetary comparison schedule is presented on the modified accrual basis of accounting consistent with GAAP. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis generally consistent with GAAP for the General Fund, Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget for these funds is presented on the modified accrual basis of accounting, which is consistent with GAAP. The Board amended the budget throughout the year. Such amendments are before the fact and are reflected in the official minutes of the Board.

Other Supplementary Information

Exhibits J-1 Through J-5

Austin Independent School District
Exhibit J-1 – Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2010

Last Ten Years Ended August 31,	1		2	3	10	20	Total Maintenance Collections	Total Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2010
	Tax Rates			Assessed/Appraised Value for School Tax Purposes	Beginning Balance 9/1/2009	Current Year's Total Levy				
	Maintenance	Debt Service								
	---Various rates---			\$ ---Various---	\$ 9,174,418	\$ -	\$ 26,143	\$ 6,080	\$ (1,047)	\$ 9,141,148
2000	1.3886	0.1600		34,615,350,589	653,652	-	4,595	530	(357)	648,170
2001	1.4104	0.1382		38,842,493,940	843,172	-	20,984	2,056	(944)	819,188
2002	1.4522	0.0964		41,826,379,899	1,434,568	-	30,588	2,031	(1,297)	1,400,652
2003	1.5000	0.0964		40,424,012,912	1,313,234	-	40,236	2,586	(1,215)	1,269,197
2004	1.5000	0.0137		38,527,056,136	1,258,496	-	49,215	3,731	(11,220)	1,194,330
2005	1.5000	0.1230		38,334,394,797	1,296,243	-	86,813	7,119	5,885	1,208,196
2006	1.5000	0.1230		40,506,607,208	1,927,351	-	94,327	7,735	(62,401)	1,762,888
2007	1.3700	0.1230		46,891,428,945	2,143,415	-	(65,596)	(5,889)	(372,612)	1,842,288
2008	1.0400	0.1230		52,962,285,527	2,487,467	-	(26,029)	(3,078)	(632,898)	1,883,676
2009	1.0790	0.1230		58,836,304,076	7,739,175	-	3,077,208	350,785	(608,494)	3,702,688
2010 (School year under audit)	1.0790	0.1230		61,630,025,136	-	740,792,902	652,760,855	74,411,108	(5,088,180)	8,532,759
1000 Totals					<u>\$ 30,271,191</u>	<u>\$ 740,792,902</u>	<u>\$ 656,099,339</u>	<u>\$ 74,784,794</u>	<u>\$ (6,774,780)</u>	<u>\$ 33,405,180</u>

See accompanying independent auditors' report.

Austin Independent School District

Exhibit J-2 - Schedule of Expenditures for Computation of Indirect Costs for 2011-2012 – General and Special Revenue Funds Year Ended August 31, 2010

Account Number	Account Name	1 School Board	2 Tax Collections	3 Superintendent's Office	4 Indirect Cost	5 Direct Cost	6 Miscellaneous	7 Total
611X - 6146	Payroll costs	\$ 63,996	\$ -	\$ 1,052,272	\$ 21,816,074	\$ 1,224,273	\$ -	\$ 24,156,615
6149	Fringe benefits (unused leave for separating employees except function 41 and related 53)	-	-	-	-	-	-	-
6211	Legal services	-	-	-	-	705,804	-	705,804
6212	Audit services	-	-	-	147,687	-	-	147,687
6213	Tax appraisal and collection	-	3,953,241	-	-	-	-	3,953,241
621X	Other professional services	27,725	-	-	674,550	8,120	-	710,395
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	-	-	1,500	1,500
6240	Contract maintenance and repair	-	-	-	-	1,547,657	-	1,547,657
6250	Utilities	-	-	-	-	182,272	-	182,272
6260	Rentals	1,058	-	4,409	122,080	9,928	-	137,475
6290	Miscellaneous contr.	375	-	14,141	1,879,587	139,508	-	2,033,611
6320	Textbooks and reading	285	-	735	19,116	1,084	-	21,220
6330	Testing materials	-	-	-	-	-	-	-
63XX	Other supplies materials	15,547	-	28,006	4,041,106	22,372	-	4,107,031
6410	Travel, subsistence, stipends	23,859	-	32,652	132,478	10,608	-	199,597
6420	Insurance and bonding costs	-	-	-	-	-	-	-
6430	Election costs	383,738	-	-	-	-	-	383,738
6490	Miscellaneous operating	95,680	-	60,275	178,492	49,825	-	384,272
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	259,607	259,607
6000	Total	\$ 612,263	\$ 3,953,241	\$ 1,192,490	\$ 29,011,170	\$ 3,901,451	\$ 261,107	\$ 38,931,722

Total expenditures/expenses for General and Special Revenue Funds (plus Food Service Enterprise Fund if present): (9) \$ 946,732,654

Less: Deductions of unallowable costs

<u>Fiscal Year</u>		
Total Capital Outlay (6600)	(10) \$ 3,396,038	
Total Debt and Lease (6500)	(11) 1,129,300	
Plant Maintenance (function 51, 6100-6400)	(12) 80,617,309	
Food (function 35, 6341 and 6499)	(13) 11,275,225	
Stipends (6413)	(14) -	
Column 4 (above) – Total Indirect Cost	<u>29,011,170</u>	
Subtotal:		<u>125,429,042</u>
Net allowed direct cost		<u>\$ 821,303,612</u>
<u>Cumulative</u>		
Total cost of building before depreciation (1520)	(15) \$ 1,148,050,111	
Historical costs of buildings over 50 years old	(16) \$ 22,566,135	
Amount of federal money in building costs (net of #16)	(17) -	
Total cost of furniture and equipment before depreciation (1530 and 1540)	(18) \$ 73,352,617	
Historical costs of furniture and equipment over 16 years old	(19) \$ 1,480,664	
Amount of federal money in furniture and equipment (net of #19)	(20) \$ 4,029,177	

(8) Note A – \$17,625,569 in function 53 and \$3,953,239 in function 99 expenditures are included in this report on administrative costs.

Austin Independent School District

Exhibit J-3 – Fund Balance and Cash Flow Calculation Worksheet –

General Fund

August 31, 2010

1. Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund only)			1. <u>\$ 172,135,096</u>
2. Reserved Fund Balances - General Fund (Exhibit C-1 object 3400s for General Fund)			
3410 Inventories	2a.	<u>841,254</u>	
3430 Prepaid items	2b.	<u>206,620</u>	
3440 Outstanding encumbrances	2c.	<u>11,884,979</u>	
3470 Capital acquisitions and contractual obligations	2d.	<u>-</u>	
3490 Other –	2e.	<u>10,875,720</u>	
Total Reserved Fund Balance			2. <u>23,808,573</u>
3. Designated unreserved fund balances – General Fund (Exhibit C-1 object 3500s for General Fund)			3. <u>-</u>
4. Estimated amount needed to cover fall (9/1/10-1/31/11) cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) – unaudited			4. <u>57,336,458</u>
5. Estimated two month’s average cash disbursements of General Fund for period 9/1/10-5/31/11 – unaudited			5. <u>140,720,955</u>
6. Estimate of underpayment from state sources equal to variances between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District’s calculated earned state aid amount – unaudited			6. <u>-</u>
7. General Fund Optimum Fund Balance and Cash Flow – unaudited			7. <u>221,865,986</u>
8. Excess Net Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 7) – unaudited			8. <u><u>\$ (49,730,890)</u></u>

Austin Independent School District

Exhibit J-4 – Budgetary Comparison Schedule – Non-major Fund –
 Food Service Program (Fund 240)
 Year Ended August 31, 2010

Data Control Codes		1	2	3	Variance With Final Budget Positive (Negative)
		Budgeted Amounts		Actual Amounts (Budgetary Basis)	
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 8,407,423	\$ 8,417,335	\$ 7,827,956	\$ (589,379)
5800	State program revenues	1,146,327	1,154,788	1,063,672	(91,116)
5900	Federal program revenues	26,045,819	28,937,969	28,338,890	(599,079)
5020	Total revenues	35,599,569	38,510,092	37,230,518	(1,279,574)
	EXPENDITURES				
	Current:				
0035	Food service	35,599,569	37,387,798	35,552,459	1,835,339
0051	Plant maintenance and operations	1,523,377	1,122,294	789,975	332,319
6030	Total expenditures	37,122,946	38,510,092	36,342,434	2,167,658
1100	Excess (deficiency) of revenues over (under) expenditures	(1,523,377)	-	888,084	888,084
1200	Net change in fund balances	(1,523,377)	-	888,084	888,084
0100	Fund balances – beginning	8,662,778	8,662,778	8,662,778	-
3000	Fund balances – ending	\$ 7,139,401	\$ 8,662,778	\$ 9,550,862	\$ 888,084

Austin Independent School District

Exhibit J-5 – Budgetary Comparison Schedule – Non-major Fund –

Debt Service Fund

Year Ended August 31, 2010

Data Control Codes		1	2	3	Variance With Final Budget Positive (Negative)
		Budgeted Amounts		Actual Amounts (Budgetary Basis)	
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$72,060,552	\$75,156,000	\$ 75,424,057	\$ 268,057
5020	Total revenues	72,060,552	75,156,000	75,424,057	268,057
	EXPENDITURES				
0071	Principal and interest on long-term debt	82,531,053	81,267,640	80,202,659	1,064,981
6030	Total expenditures	82,531,053	81,267,640	80,202,659	1,064,981
1100	Excess (deficiency) of revenues over expenditures	(10,470,501)	(6,111,640)	(4,778,602)	1,333,038
	OTHER FINANCING SOURCES (USES):				
7900	Other resources	-	10,757,331	10,723,850	(33,481)
8900	Other uses	-	(10,656,511)	(10,611,457)	45,054
7080	Total other financing sources (uses)	-	100,820	112,393	11,573
1200	Net change in fund balances	(10,470,501)	(6,010,820)	(4,666,209)	1,344,611
0100	Fund balances – beginning	25,271,334	25,271,334	25,271,334	-
3000	Fund balances – ending	\$14,800,833	\$19,260,514	\$ 20,605,125	\$ 1,344,611

Federal Awards Section



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**Independent Auditors' 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
Austin Independent School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Austin Independent School District (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 January 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 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 would not necessarily identify all deficiencies in internal control 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 grants agreements, and the Public Funds Investment Act, 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* or the Public Funds Investment Act.

We noted certain matters that we reported to management of the District in a separate letter dated January 12, 2011.

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

Padgett, Stratemann & Co. LLP

Certified Public Accountants
January 12, 2011
Austin, Texas



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Trustees
Austin Independent School District

Compliance

We have audited the compliance of Austin Independent School District (District) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

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Internal Control Over Compliance

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

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

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

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

Radgett, Stratemann & Co. LLP

Certified Public Accountants
January 12, 2011
Austin, Texas

Austin Independent School District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2010

Section I-Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Austin Independent School District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2010

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
	ESEA Title I Cluster:
84.010A	Title I, Part A – Improving Basic Programs Title I – School Improvement Program Title I Part D, Subpart 2 – Delinquent Programs
84.389A	Title I, Part A – Improving Basic Programs – ARRA/Stimulus
84.389A	Title I, School Improvement Program – ARRA/Stimulus Title I, Part D, Subpart 2 – Delinquent Programs – ARRA/Stimulus
	Special Education Cluster:
84.027	IDEA – Part B, Discretionary – RF Tracker
84.027A	IDEA – Part B, Formula IDEA – Part B, Discretionary IDEA – Part B, Formula (Deaf)
84.173A	IDEA – Part B, Preschool IDEA – Part B, Preschool (Deaf)
84.391A	IDEA – Part B, Formula – ARRA/Stimulus
84.392A	IDEA – Part B, Preschool – ARRA/Stimulus
	McKinney-Vento Homeless Education Cluster:
84.196	McKinney-Vento Homeless Education
84.196A	McKinney-Vento Homeless Education
84.387	McKinney-Vento Homeless Education – ARRA/Stimulus
84.367A	ESEA Title II, Part A, Teacher and Principal Training and Recruiting
84.394A	Title XIV State Fiscal Stabilization Funds – Education State Grants, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? X yes no

Section II – General Purpose Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(1)			(2)	(3)	(4)
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grant/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
UNITED STATES DEPARTMENT OF EDUCATION					
Direct Program:					
S060A090771	289	Indian Education Formula Grants to LEAs	84.060A	\$ 44,326	\$ -
S060A100771	289	Indian Education Formula Grants to LEAs	84.060A	8,569	-
				<u>52,895</u>	<u>-</u>
Subtotal, Indian Education Formula Grants to LEAs					
Q184L070214-08	289	Safe Schools/Healthy Students Grants	84.184L	1,193,871	-
Q184L070214-09	289	Safe Schools/Healthy Students Grants	84.184L	1,284,228	-
				<u>2,478,099</u>	<u>-</u>
Subtotal, Safe Schools/Healthy Students Grants					
S215L070299	289	Smaller Learning Communities	84.215L	1,342,918	-
U363A080139	289	Legacy Leadership: A Model for District Succession Planning	84.363A	36,106	-
U363A080139-09	289	Legacy Leadership: A Model for District Succession Planning	84.363A	784,120	-
				<u>820,226</u>	<u>-</u>
Subtotal, Legacy Leadership: A Model for District Succession Planning					
S383A090045	289	Homeless Education Disaster Assistance Program	84.383A	87,684	-
				<u>4,781,822</u>	<u>-</u>
Total Direct Program					
Passed Through The University of Texas at Austin:					
N/A	199	Federal Work-Study Program	84.033	45,119	-
UTA09-000127(S)	289	Texas Regional Collaboratives for Excellence in Science and Mathematics Teaching	84.366B	110,000	-
UTA10-000316	289	Texas Regional Collaboratives for Excellence in Science and Mathematics Teaching	84.366B	398	-
				<u>110,398</u>	<u>-</u>
Subtotal, Texas Regional Collaboratives for Excellence in Science and Mathematics Teaching					
				<u>155,517</u>	<u>-</u>
Total Passed Through The University of Texas at Austin					

See accompanying independent auditors' report.

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(Continued)

(1)	(2)	(3)	(4)		
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
Passed Through the Texas Education Agency:					
104100087110352	220	Adult Education – English Literacy and Civics Education, Section 231	84.002A	\$ 97,841	\$ -
114100087110362	220	Adult Education – English Literacy and Civics Awareness Cont.	84.002A	6,266	-
				<u>104,107</u>	<u>-</u>
Subtotal, Adult Education – English Literacy and Civics Education, Section 231					
10610101227901	211	ESEA, Title I, Part A – Improving Basic Programs	84.010A	23,134,585	-
11610101227901	211	ESEA, Title I, Part A – Improving Basic Programs	84.010A	1,324,032	-
				<u>24,458,617</u>	<u>-</u>
Subtotal, ESEA Title I Part A – Improving Basic Programs					
10610104227901004	211	Title I – School Improvement Program	84.010A	218,831	-
10610104227901006	211	Title I – School Improvement Program	84.010A	319,689	-
10610104227901007	211	Title I – School Improvement Program	84.010A	307,711	-
10610104227901043	211	Title I – School Improvement Program	84.010A	220,610	-
10610104227901048	211	Title I – School Improvement Program	84.010A	24,064	-
10610104227901058	211	Title I – School Improvement Program	84.010A	207,214	-
10610104227901061	211	Title I – School Improvement Program	84.010A	181,025	-
10610104227901150	211	Title I – School Improvement Program	84.010A	50,963	-
Not Issued	211	Title I – School Improvement Program	84.010A	39,537	-
Not Issued	211	Title I – School Improvement Program	84.010A	22,158	-
Not Issued	211	Title I – School Improvement Program	84.010A	1,909	-
				<u>1,593,711</u>	<u>-</u>
Subtotal, ESEA Title I – School Improvement Program					
10610103227901	211	ESEA Title I Part D, Subpart 2 – Delinquent Programs	84.010A	386,056	-
11610103227901	211	ESEA Title I Part D, Subpart 2 – Delinquent Programs	84.010A	9,436	-
				<u>395,492</u>	<u>-</u>
Subtotal, ESEA Title I Part D, Subpart 2 – Delinquent Programs					
106600012279016600	224	IDEA – Part B, Formula	84.027A	15,198,722	-
116600012279016600	224	IDEA – Part B, Formula	84.027A	1,509,362	-
				<u>16,708,084</u>	<u>-</u>
Subtotal, IDEA – Part B, Formula					

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(Continued)

(1)			(2)	(3)	(4)
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
096600022279016673	226	IDEA – Part B, Discretionary (Deaf)	84.027A	\$ 69	\$ -
0766002271213	226	IDEA – Part B, Discretionary – RF Tracker	84.027	20,690	-
106600022279016673	226	IDEA – Part B, Discretionary (Deaf)	84.027A	38,608	-
10660006227901	226	IDEA – Part B, High Cost Risk Pool	84.027A	643,421	-
		Subtotal, IDEA – Part B, Discretionary		<u>702,788</u>	<u>-</u>
106600012279016601	227	IDEA – Part B, Formula (Deaf)	84.027A	26,537	-
116600012279016601	227	IDEA – Part B, Formula (Deaf)	84.027A	273	-
		Subtotal, IDEA – Part B, Formula (Deaf)		<u>26,810</u>	<u>-</u>
10420006227901	244	Carl D. Perkins Basic Grant Formula for CATE	84.048A	1,285,812	-
11420006227901	244	Carl D. Perkins Basic Grant Formula for CATE	84.048A	32,804	-
		Subtotal, Carl D. Perkins Basic Grant Formula for CATE		<u>1,318,616</u>	<u>-</u>
106610012279016610	225	IDEA – Part B, Preschool	84.173A	349,560	-
116610012279016610	225	IDEA – Part B, Preschool	84.173A	28,923	-
		Subtotal, IDEA – Part B, Preschool		<u>378,483</u>	<u>-</u>
106610012279016611	228	IDEA – Part B, Preschool (Deaf)	84.173A	6,717	-
116610012279016611	228	IDEA – Part B, Preschool (Deaf)	84.173A	346	-
		Subtotal, IDEA – Part B, Preschool Deaf		<u>7,063</u>	<u>-</u>
103911012279013911	253	IDEA – C Early Childhood Intervention (Deaf)	84.181A	2,150	-
10691001227901	204	ESEA Title IV – Safe and Drug-Free Schools	84.186A	341,886	-
2010Aus	243	Capital Area Tech Prep	84.243A	10,683	-
096950017110003	265	Texas 21st Century Community Learning Centers	84.287C	6,191	-
096950117110006	265	21st Century Community Learning Centers CY 4 Yr 4	84.287C	553,504	-
096950117110005	265	21st Century Community Learning Centers CY 4 Yr 4	84.287C	582,897	-
096950117110004	265	21st Century Community Learning Centers CY 4 Yr 4	84.287C	562,062	-
096950137110002	265	21st Century Community Learning Centers CY 6 Yr 1	84.287C	1,908,161	-
106950117110004	265	21st Century Community Learning Centers CY 4 Yr 5	84.287C	22,882	-
106950117110006	265	21st Century Community Learning Centers CY 4 Yr 5	84.287C	18,083	-
106950117110005	265	21st Century Community Learning Centers CY 4 Yr 5	84.287C	32,328	-
106950137110004	265	21st Century Community Learning Centers CY 6 Yr 2	84.287C	59,011	-
		Subtotal, Texas 21st Century Community Learning Centers		<u>3,745,119</u>	<u>-</u>

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(Continued)

(1)			(2)	(3)	(4)
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
10630001227901	262	ESEA Title II Part D – Enhancing Education Through Technology	84.318X	\$ 212,009	\$ -
086455057110004	261	Texas Reading First Grants	84.357A	15,588	-
10671001227901	263	Title III, Part A – LEP	84.365A	3,056,258	-
11671001227901	263	Title III, Part A – LEP	84.365A	47,725	-
		Subtotal, Title III, Part A – LEP		<u>3,103,983</u>	<u>-</u>
10694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting	84.367A	3,653,150	-
11694501227901	255	ESEA Title II, Part A Teacher and Principal Training and Recruiting	84.367A	476,615	-
		Subtotal, ESEA Title II, Part A		<u>4,129,765</u>	<u>-</u>
69550802	289	Summer School LEP	84.369A	40,015	-
69550902	289	Summer School LEP	84.369A	192,275	-
		Subtotal, Summer School LEP		<u>232,290</u>	<u>-</u>
10610701227901043	276	Title I – School Improvement Program Academy	84.377A	80,385	-
10610701227901046	276	Title I – School Improvement Program Academy	84.377A	(337)	-
10610701227901048	276	Title I – School Improvement Program Academy	84.377A	97,057	-
10610701227901058	276	Title I – School Improvement Program Academy	84.377A	35,336	-
10610701227901061	276	Title I – School Improvement Program Academy	84.377A	34,368	-
10610701227901150	276	Title I – School Improvement Program Academy	84.377A	61,006	-
		Subtotal, Title I – School Improvement Program Academy		<u>307,815</u>	<u>-</u>
10553001227901	279	ARRA – Title II, Part D – Technology	84.386A	81,621	-
10551001227901	285	ARRA – ESEA, Title I, Part A – Improving Basic Programs	84.389A	7,769,128	-
10551003227901	285	Title I, Part D, Subpart 2 – ARRA/Stimulus	84.389A	72,439	-

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(Continued)

(1)			(2)	(3)	(4)
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
10551004227901004	285	Title I, SIP – ARRA/Stimulus	84.389A	\$ 186,747	\$ -
10551004227901006	285	Title I, SIP – ARRA/Stimulus	84.389A	191,347	-
10551004227901007	285	Title I, SIP – ARRA/Stimulus	84.389A	233,598	-
10551004227901043	285	Title I, SIP – ARRA/Stimulus	84.389A	119,332	-
10551004227901048	285	Title I, SIP – ARRA/Stimulus	84.389A	186	-
10551004227901058	285	Title I, SIP – ARRA/Stimulus	84.389A	137,886	-
10551004227901061	285	Title I, SIP – ARRA/Stimulus	84.389A	114,355	-
10051004227901150	285	Title I, SIP – ARRA/Stimulus	84.389A	9,996	-
		Subtotal, ARRA-ESEA Title I – School Improvement Program		993,447	-
10554001227901	283	IDEA-B Formula – ARRA – LEA	84.391A	7,248,556	-
10555001227901	284	IDEA-B Preschool – ARRA – LEA	84.392A	1,321	-
10557001227901	266	ARRA Title XIV State Fiscal Stabilization Funds	84.394A	22,187,440	-
		Total Passed Through the Texas Education Agency		96,149,011	-
		Passed Through the Education Service Center, Region 10:			
99016	206	McKinney-Vento Homeless Education	84.196	2,063	-
00-015	206	McKinney-Vento Homeless Education	84.196A	120,328	-
		Subtotal, McKinney-Vento Homeless Education		122,391	-
A09-022	280	McKinney-Vento Homeless Education – ARRA	84.387	155,466	-
		Total Passed Through the Education Service Center, Region 10		277,857	-
		TOTAL UNITED STATES DEPARTMENT OF EDUCATION		101,364,207	-

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(Continued)

(1)	(2)	(3)	(4)		
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
UNITED STATES DEPARTMENT OF AGRICULTURE					
Passed Through the Texas Department of Agriculture:					
6TX300332	240	School Breakfast Program	10.553	\$ 5,713,018	\$ -
6TX300332	240	National School Lunch Program	10.555	21,029,117	-
6TX300332	240	After-School Snack Program	10.555	369,913	-
TX-227-1011	242	Summer Food Service Program for Children	10.559	524,050	-
227003A	240	Commodities Supplemental Food Program	10.565	1,226,842	-
				<hr/>	
Total Passed Through Texas Department of Agriculture				28,862,940	-
				<hr/>	
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE					
				28,862,940	-
				<hr/>	
UNITED STATES DEPARTMENT OF DEFENSE					
N/A	199	R.O.T.C.	12.000	211,306	-
TOTAL UNITED STATES DEPARTMENT OF DEFENSE					
				211,306	-
				<hr/>	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through the City of Austin:					
N/A	289	Southeast Austin Community Youth Development	93.556	18,973	-
				<hr/>	
Total Passed Through City of Austin				18,973	-
Passed Through The Texas Health and Human Services Commission:					
529-07-0017-00005R3	289	Refugee School Impact Discretionary Grant	93.576	118,543	-
N/A	199	Medicaid Administration	93.778	670,278	-
				<hr/>	
Total Passed Through The Texas Health and Human Services Commission				788,821	-
				<hr/>	
TOTAL UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES					
				807,794	-
				<hr/>	

Austin Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

(Continued)

(1)			(2)	(3)	(4)
Project Number	Data Control Codes	Federal Grantor/Pass- Through Grantor/Program Title	Federal CFDA Number	Expenditures Indirect Costs and Refunds	Pass- Through Amount Subrecipients
		CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
		Passed Through Education Service Center Region XIV:			
09KSWTX001	222	Learn and Serve Texas	94.004	\$ 82,969	\$ -
		Total Passed Through Education Service Center Region XIV		<u>82,969</u>	<u>-</u>
		TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>82,969</u>	<u>-</u>
		TOTAL FEDERAL ASSISTANCE		<u>\$ 131,329,216</u>	<u>\$ -</u>

Austin Independent School District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

1: General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting.

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

2: Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue Funds is the current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, except for indirect cost reimbursement and impact aid, which are in the General Fund. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Special Revenue Fund. 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, except for unmatured interest on general long-term debt, which is recognized when matured, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financing resources.

Federal grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred, and, accordingly, when such funds are received in advance, they are recorded as deferred revenues until earned.

Austin Independent School District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2010

3: General Fund Reimbursements

The General Fund receives reimbursement from the federal government for the following activities which are not required to be presented on the Schedule of Expenditures of Federal Awards: Medicaid reimbursement, school health and related services, and Troops to Teachers Program.

4: Non-Cash Federal Awards

The District received non-cash awards in the form of food commodities totaling \$1,226,842 for the year ended August 31, 2010.