

# **Carroll Independent School District**

## **Annual Financial Report Year Ended August 31, 2008**



**Haynes & Associates, P.C.**

A Professional Corporation

Certified Public Accountants

405 North Oak St.

Roanoke, TX 76262

**Carroll Independent School District**

**Annual Financial Report  
Year Ended August 31, 2008**

Haynes and Associates, P.C.  
A Professional Corporation  
Certified Public Accountants  
405 North Oak Street  
Roanoke, Texas 76262

CARROLL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2008

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CERTIFICATE OF BOARD

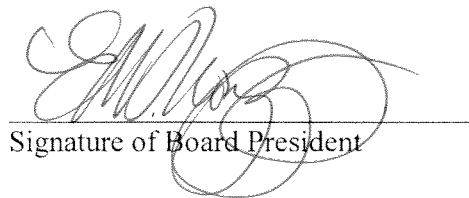
Carroll Independent School District  
Name of School District

Tarrant  
County

220919  
Co-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2008 at a meeting of the Board of Trustees of such school district on the 26th day of January, 2009.

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

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

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

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

## BASIC FINANCIAL STATEMENTS

**HAYNES AND ASSOCIATES, P.C.**  
**Certified Public Accountants**  
**405 North Oak Street**  
**Roanoke, Texas 76262**  
**817-491-1300**

Independent Auditor's Report

Board of Trustees  
Carroll Independent School District  
3051 Dove Road  
Grapevine, Texas 76051

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll Independent School District (the District) as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Carroll Independent School District as of August 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, debt service fund, and child nutrition program for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is 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.


In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Carroll Independent School District's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

  
Haynes and Associates, PC  
December 19, 2008

HAYNES AND ASSOCIATES, P.C.  
Certified Public Accountants  
405 North Oak Street  
Roanoke, Texas 76262

Independent Auditor's Report

Board of Trustees  
Carroll Independent School District  
3051 Dove Road  
Grapevine, Texas 76051

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll Independent School District (the District) as of and for the year ended August 31, 2008. These collectively comprise the District's basic financial statements. We have issued our report on them dated December 19, 2008.

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.

**Compliance**

As part of obtaining reasonable assurance about whether Carroll Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting


principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Carroll Independent School District's response to the findings identified in our audit, if any were noted, are described in the accompanying schedule of findings and responses.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

  
Haynes and Associates, P.C.  
December 19, 2008

**HAYNES AND ASSOCIATES, P.C.**  
**Certified Public Accountants**  
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**Roanoke, Texas 76262**  
**817-491-1300**

Independent Auditor's Report

Board of Trustees  
Carroll Independent School District  
3051 Dove Road  
Grapevine, Texas 76051

Members of the Board:

Compliance

We have audited the compliance of Carroll Independent School District with the types of compliance requirements described in the U S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Carroll Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Carroll Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

### Internal Control Over Compliance

The administration of Carroll Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

### Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carroll Independent School District as of and for the year ended August 31, 2008 and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.



Haynes and Associates, P.C.  
December 19, 2008

CARROLL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2008

Summary of the Auditor's Results:

|   |  |
|---|--|
| Type of Report on Financial Statements  | Unqualified Opinion  |
| Reportable Condition  | None   |
| Material Weakness Involving Reportable Conditions   | None   |
| Noncompliance Material to the Financial Statements  | The level of noncompliance was not material in relation to the Financial statements covering Federal programs. |
| Type of Report on Compliance with Major Programs  | Unqualified Opinion  |
| Findings and Questioned Costs for Federal Awards as Determined in Section .510(a), OMB Circular A-133 | None   |
| Dollar threshold considered between Type A and B Federal Programs                                     | \$300,000  |
| Low Risk Auditee Statements   | The District was classified as a Low risk auditee in the context of OMB Circular A-133                         |
| Major Federal Programs  | Special Education Cluster: IDEA B, Formula (84.027)  |
| Pass-through Entity   | Texas Education Agency   |

CARROLL INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2008

CURRENT FINDINGS:

None Noted

PRIOR FINDINGS:

None Noted

**Carroll Independent School District  
Management's Discussion and Analysis  
Year Ended, August 31, 2008**

This section of Carroll Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

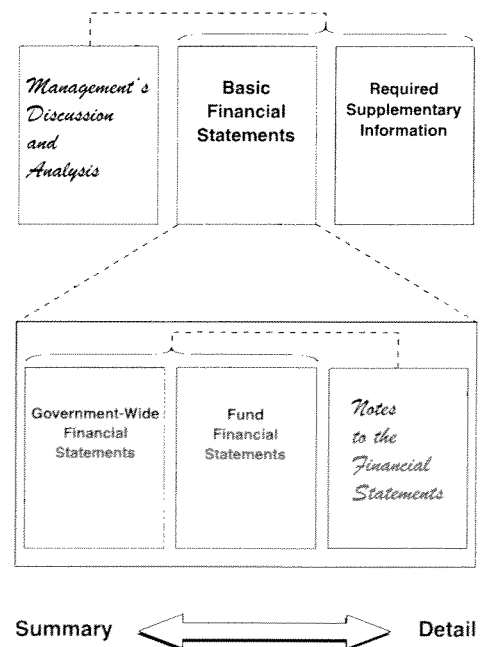
- The District's total combined net assets were \$47.9 million at August 31, 2008.
- During the year, the District's expenses were \$9.6 million less than the \$111.9 million generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$28.3 million.
- The District paid bond principal during the fiscal year ended August 31, 2008, in the amount of \$12,005,194.

**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.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
  - *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.

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



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 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 of management’s discussion and analysis 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 Statements                     | Fund Statements  |  |  |   |
|--|--|--|--|---|
|  | Government-wide  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope                                  | Entire Agency's government (except fiduciary funds) and the Agency's component units                           | The activities of the district that are not proprietary or fiduciary   | Activities the district operates similar to private businesses, self insurance   | Instances in which the district is the trustee or agent for someone else's resources  |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information    | 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  | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can      |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid   | All revenues and expenses during year, regardless of when cash is received or paid  |

### 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* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities 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—is one way to measure the District’s financial health or *position*.

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

The government-wide financial statements of the District include the *Governmental activities*. Most of 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 most significant *funds*—not the District as a whole. Funds are accounting devices that 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 money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two 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) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future 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.
- *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 of 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 \$47.9 million at August 31, 2008. (See Table A-1).

|                                | <b>Governmental Activities</b> |                          |
|--------------------------------|--------------------------------|--------------------------|
|                                | <u>2008</u>                    | <u>2007</u>              |
| Current and Other Assets       | 41,740,392                     | 42,483,898               |
| Capital and Non-Current Assets | 168,020,155                    | 169,294,983              |
| <b>Total Assets</b>            | <u>209,760,547</u>             | <u>211,778,881</u>       |
| Current Liabilities            | 6,966,219                      | 6,769,020                |
| Long Term Liabilities          | 154,809,326                    | 166,605,789              |
| <b>Total Liabilities</b>       | <u>161,775,545</u>             | <u>173,374,809</u>       |
| Net Assets                     |                                |                          |
| Invested in Capital Assets     |                                |                          |
| net of related debt            | 13,210,829                     | 1,108,655                |
| Restricted                     | 6,485,418                      | 18,834,345               |
| Unrestricted                   | 28,288,755                     | 18,461,072               |
| <b>Total Net Assets</b>        | <u><u>47,985,002</u></u>       | <u><u>38,404,072</u></u> |

Approximately \$2,730,367 of the District's restricted net assets represent proceeds for debt retirement. These proceeds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

**Changes in net assets.** The District's total revenues were \$111.9 million. A significant portion, 72% of the District's revenue comes from taxes. (See Figure A-3.) Eight percent comes from state aid – formula grants, while only 13% relates to charges for services.

The total cost of all programs and services was \$102.3 million; 56% of these costs are for instructional and student services.

### Governmental Activities

|  | <u>2008</u>  | <u>2007</u>  |
|--|--------------|--------------|
| <b>Revenues</b>                          |              |              |
| <u>Program Revenues</u>                  |              |              |
| Charges for Services                     | 5.8          | 6.1          |
| Operating Grants and Contributions       | 9.           | 8.5          |
| <u>General Revenues</u>                  |              |              |
| Property Taxes                           | 80.9         | 78.2         |
| State aid - formula                      | 9.9          | 9.4          |
| Investment earnings                      | 2.3          | 3.2          |
| Other                                    | 4.0          | 0            |
| <b>Total Revenues</b>                    | <b>111.9</b> | <b>105.4</b> |
| <b>Expenses</b>                          |              |              |
| Instruction                              | 40.6         | 35.9         |
| Instructional Resources                  | 1.5          | 1.7          |
| Curriculum                               | .7           | .4           |
| Instructional Leadership                 | .9           | .6           |
| School Leadership                        | 3.1          | 3.1          |
| Guidance                                 | 2.1          | 2.0          |
| Health Services                          | .6           | .5           |
| Student Transportation                   | 2.0          | 1.7          |
| Food Services                            | 2.6          | 2.8          |
| Extracurricular Activities               | 4.0          | 4.0          |
| General Administration                   | 2.8          | 2.6          |
| Plant maintenance and security           | 14.9         | 6.4          |
| Data processing services                 | 1.2          | 1.0          |
| Community services                       | 0            | 0            |
| Debt service                             | 8.5          | 8.7          |
| Facilities acquisition and constructions | 0            | 0.           |
| Incremental Costs Related to WADA        | 11.8         | 15.8         |
| Fiscal Agent/SSA                         | .5           | .3           |
| TIF                                      | 4.5          | 2.9          |
| <b>Total Expenses</b>                    | <b>102.3</b> | <b>90.4</b>  |

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

- The cost of all *governmental* activities this year was \$102.3 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$80.9 million.
- Some of the cost was paid by those who directly benefited from the programs (\$5.81 million), or
- By grants and contributions (\$9.0 million).

|  | Total Cost of Services |             | % Change | Net Cost of Services |             | % Change |
|--|------------------------|-------------|----------|----------------------|-------------|----------|
|  | <u>2008</u>            | <u>2007</u> |          | <u>2008</u>          | <u>2007</u> |          |
| Instruction                              | 40.6                   | 35.9        | 2.61%    | 36.1                 | 32.0        | 12.81%   |
| School leadership                        | 3.1                    | 3.1         | 0.00%    | 3.0                  | 3.0         | 0%       |
| General administration                   | 2.8                    | 2.6         | 7.69%    | 2.3                  | 2.3         | 0%       |
| Plant Maintenance & Operations           | 14.9                   | 6.4         | 148.00%  | 14.3                 | 6.0         | 138.33%  |
| Debt Service - Interest & Fiscal Charges | 8.5                    | 8.7         | (2.29%)  | 8.5                  | 8.7         | (2.29%)  |

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$104.8 million, a decrease of 1.00% over the preceding year. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies. Any increase in state revenues is a result of an increase of students in average daily attendance.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$1,473,740 below final budget amounts.

On the other hand, resources available were \$391,640 below the final budgeted amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2008, the District had invested \$219 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of (\$6.98 million) over last year.

**Table A-4**  
**District's Capital Assets**  
*(in millions of dollars)*

|                                | Governmental<br>Activities |                     | Total %<br>Change |
|--------------------------------|----------------------------|---------------------|-------------------|
|                                | <u>2008</u>                | <u>2007</u>         |                   |
| Land                           | 14.0                       | 14.0                | 0.00%             |
| Buildings and improvements     | 173.9                      | 170.3               | 2.11%             |
| Vehicles                       | 7.1                        | 8.0                 | (11.25%)          |
| Equipment                      | 15.1                       | 13.8                | 8.61%             |
| Other                          | 9.3                        | 5.9                 | 57.62%            |
| Totals at historical cost      | <u>219.4</u>               | <u>212.0</u>        |                   |
| Total accumulated depreciation | <u>(51.4)</u>              | <u>(48.6)</u>       |                   |
| Net capital assets             | <u><u>168.0</u></u>        | <u><u>163.4</u></u> |                   |

**Long-Term  
Debt**

**Table A -5  
District's Long Term  
Debt**

|                                       | <b>G o v e r n m e n t a l</b> | <b>C h a n g e</b>    |         |
|---------------------------------------|--------------------------------|-----------------------|---------|
|                                       | <u><b>2 0 0 8</b></u>          | <u><b>2 0 0 7</b></u> |         |
| Bonds Payable                         | 135.6                          | 147.6                 | (8.13%) |
| Other Payable                         | 19.2                           | 19.0                  | 1.05%   |
| Less deferred amount<br>on refundings | 0.                             | 0                     |         |
| Total bonds and notes payable         | <b>154.8</b>                   | <b>166.6</b>          |         |

At year-end the District had \$154.8 million in bonds and notes outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Business Services Department.

CARROLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2008

| Data<br>Control<br>Codes                             | Primary Government<br><br>Governmental<br>Activities |
|--|--|
| <b>ASSETS</b>  |  |
| 1110 Cash and Cash Equivalents                       | \$ 36,127,022  |
| 1220 Property Taxes Receivable (Delinquent)          | 1,351,090  |
| 1230 Allowance for Uncollectible Taxes               | (135,109)  |
| 1240 Due from Other Governments                      | 3,940,968  |
| 1267 Due from Fiduciary Funds                        | 26,510   |
| 1290 Other Receivables, net                          | 113,548  |
| 1300 Inventories                                     | 191,859  |
| 1410 Deferred Expenses                               | 124,504  |
| Capital Assets:                                      |  |
| 1510 Land  | 13,995,234   |
| 1520 Buildings, Net                                  | 137,303,495  |
| 1530 Furniture and Equipment, Net                    | 7,404,768  |
| 1580 Construction in Progress                        | 9,316,658  |
| 1000 Total Assets                                    | 209,760,547  |
| <b>LIABILITIES</b>                                   |  |
| 2110 Accounts Payable                                | 1,836,621  |
| 2120 Short Term Debt Payable                         | 251,891  |
| 2150 Payroll Deductions & Withholdings               | 855,315  |
| 2160 Accrued Wages Payable                           | 1,287,252  |
| 2180 Due to Other Governments                        | 741,838  |
| 2190 Due to Student Groups                           | 39,015   |
| 2300 Deferred Revenues                               | 1,954,287  |
| Noncurrent Liabilities                               |  |
| 2501 Due Within One Year                             | 5,950,167  |
| 2502 Due in More Than One Year                       | 148,859,159  |
| 2000 Total Liabilities                               | 161,775,545  |
| <b>NET ASSETS</b>                                    |  |
| 3200 Invested in Capital Assets, Net of Related Debt | 13,210,829   |
| 3820 Restricted for Federal and State Programs       | 454,380  |
| 3850 Restricted for Debt Service                     | 2,730,367  |
| 3860 Restricted for Capital Projects                 | 3,150,283  |
| 3870 Restricted for Campus Activities                | 150,388  |
| 3900 Unrestricted Net Assets                         | 28,288,755   |
| 3000 Total Net Assets                                | \$ 47,985,002  |

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

CARROLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Assets

| Data<br>Control<br>Codes                             | Program Revenues |                              |   | 6<br>Primary Gov.<br>Governmental<br>Activities |
|--|------------------|------------------------------|---|---|
|  | 1<br>Expenses    | 3<br>Charges for<br>Services | 4<br>Operating<br>Grants and<br>Contributions |   |
| <b>Primary Government:</b>                           |                  |                              |   |   |
| GOVERNMENTAL ACTIVITIES:                             |                  |                              |   |   |
| 11 Instruction                                       | \$ 40,626,839    | \$ 402,421                   | \$ 4,100,797                                  | \$ (36,123,621)                                 |
| 12 Instructional Resources and Media Services        | 1,531,634        | -                            | 28,360  | (1,503,274)                                     |
| 13 Curriculum and Instructional Staff Development    | 575,742          | -                            | 80,384  | (495,358)                                       |
| 21 Instructional Leadership                          | 824,342          | -                            | 113,022                                       | (711,320)                                       |
| 23 School Leadership                                 | 3,148,925        | -                            | 147,295                                       | (3,001,630)                                     |
| 31 Guidance, Counseling and Evaluation Services      | 2,135,348        | -                            | 305,388                                       | (1,829,960)                                     |
| 33 Health Services                                   | 594,133          | -                            | 82,514  | (511,619)                                       |
| 34 Student (Pupil) Transportation                    | 2,006,070        | 210,422                      | 85,692  | (1,709,956)                                     |
| 35 Food Services                                     | 2,632,238        | 2,303,976                    | 2,644,980                                     | 2,316,718                                       |
| 36 Extracurricular Activities                        | 3,952,266        | 2,164,337                    | 910,636                                       | (877,293)                                       |
| 41 General Administration                            | 2,842,389        | 398,472                      | 114,667                                       | (2,329,251)                                     |
| 51 Plant Maintenance and Operations                  | 14,872,914       | 331,935                      | 184,466                                       | (14,356,513)                                    |
| 52 Security and Monitoring Services                  | 68,507           | -                            | 2,594   | (65,913)  |
| 53 Data Processing Services                          | 1,245,326        | -                            | 193,765                                       | (1,051,561)                                     |
| 61 Community Services                                | 29,682           | -                            | 2,254   | (27,428)  |
| 72 Debt Service - Interest on Long Term Debt         | 8,451,782        | -                            | -   | (8,451,782)                                     |
| 73 Debt Service - Bond Issuance Cost and Fees        | 61,254           | -                            | -   | (61,254)  |
| 91 Contracted Instructional Services Between Schools | 11,792,175       | -                            | -   | (11,792,175)                                    |
| 93 Payments to Fiscal Agent/Member Districts of SSA  | 489,894          | -                            | -   | (489,894)                                       |
| 97 Payments to Tax Increment Fund                    | 4,452,376        | -                            | -   | (4,452,376)                                     |
| [TP] TOTAL PRIMARY GOVERNMENT:                       | \$ 102,333,836   | \$ 5,811,563                 | \$ 8,996,815                                  | (87,525,457)                                    |

| Data<br>Control<br>Codes | General Revenues:                            |               |
|--------------------------|--|---------------|
|                          | Taxes:                                       |               |
| MT                       | Property Taxes, Levied for General Purposes  | 59,936,279    |
| DT                       | Property Taxes, Levied for Debt Service      | 20,935,453    |
| SF                       | State Aid - Formula Grants                   | 9,909,027     |
| IE                       | Investment Earnings                          | 2,320,658     |
| MI                       | Miscellaneous Local and Intermediate Revenue | 4,004,970     |
| TR                       | Total General Revenues                       | 97,106,387    |
| CN                       | Change in Net Assets                         | 9,580,930     |
| NB                       | Net Assets--Beginning                        | 38,404,072    |
| NE                       | Net Assets--Ending                           | \$ 47,985,002 |

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

CARROLL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2008

| Data<br>Control<br>Codes                         | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|-----------------------|----------------------------|---------------------------|
| <b>ASSETS</b>                                    |                       |                            |                           |
| 1110 Cash and Cash Equivalents                   | \$ 27,954,550         | \$ 2,698,797               | \$ 4,474,876              |
| 1220 Property Taxes - Delinquent                 | 1,013,971             | 337,119                    | -                         |
| 1230 Allowance for Uncollectible Taxes (Credit)  | (101,397)             | (33,712)                   | -                         |
| 1240 Due from Other Governments                  | 3,757,407             | -                          | -                         |
| 1260 Due from Other Funds                        | 315,492               | 38,733                     | -                         |
| 1290 Other Receivables                           | 112,457               | -                          | -                         |
| 1300 Inventories                                 | 143,955               | -                          | -                         |
| 1410 Deferred Expenditures                       | 101,008               | -                          | -                         |
| 1000 Total Assets                                | \$ 33,297,443         | \$ 3,040,937               | \$ 4,474,876              |
| <b>LIABILITIES AND FUND BALANCES</b>             |                       |                            |                           |
| Liabilities:                                     |                       |                            |                           |
| 2110 Accounts Payable                            | \$ 462,548            | \$ 7,163                   | \$ 1,324,593              |
| 2120 Short Term Debt Payable - Current           | 251,891               | -                          | -                         |
| 2150 Payroll Deductions and Withholdings Payable | 855,315               | -                          | -                         |
| 2160 Accrued Wages Payable                       | 1,262,653             | -                          | -                         |
| 2170 Due to Other Funds                          | 168,669               | -                          | -                         |
| 2180 Due to Other Governments                    | 734,837               | -                          | -                         |
| 2190 Due to Student Groups                       | 39,015                | -                          | -                         |
| 2300 Deferred Revenues                           | 1,233,760             | 303,407                    | -                         |
| 2000 Total Liabilities                           | 5,008,688             | 310,570                    | 1,324,593                 |
| Fund Balances:                                   |                       |                            |                           |
| Reserved For:                                    |                       |                            |                           |
| 3410 Investments in Inventory                    | 514,057               | -                          | -                         |
| 3440 Outstanding Encumbrances                    | -                     | -                          | -                         |
| 3470 Capital Acquisition Program                 | 1,828,141             | -                          | -                         |
| 3490 Other Purposes                              | 7,200,000             | -                          | 2,535,746                 |
| Unreserved and Undesignated:                     |                       |                            |                           |
| 3600 Reported in the General Fund                | 18,746,557            | -                          | -                         |
| 3610 Reported in Special Revenue Funds           | -                     | -                          | -                         |
| 3620 Reported in Capital Projects Funds          | -                     | -                          | 614,537                   |
| 3640 Reported in Debt Service Funds              | -                     | 2,730,367                  | -                         |
| 3000 Total Fund Balances                         | 28,288,755            | 2,730,367                  | 3,150,283                 |
| 4000 Total Liabilities and Fund Balances         | \$ 33,297,443         | \$ 3,040,937               | \$ 4,474,876              |

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

|    | Other<br>Funds | Total<br>Governmental<br>Funds |
|----|----------------|--------------------------------|
| \$ | 998,799        | \$ 36,127,022                  |
|    | -              | 1,351,090                      |
|    | -              | (135,109)                      |
|    | 183,561        | 3,940,968                      |
|    | 2,177          | 356,402                        |
|    | 1,090          | 113,547                        |
|    | 47,904         | 191,859                        |
|    | 23,496         | 124,504                        |
| \$ | 1,257,027      | \$ 42,070,283                  |
|    |                |                                |
| \$ | 42,317         | \$ 1,836,621                   |
|    | -              | 251,891                        |
|    | -              | 855,315                        |
|    | 24,599         | 1,287,252                      |
|    | 161,223        | 329,892                        |
|    | 7,001          | 741,838                        |
|    | -              | 39,015                         |
|    | 417,119        | 1,954,286                      |
|    | 652,259        | 7,296,110                      |
|    | -              | 514,057                        |
|    | 315            | 315                            |
|    | -              | 1,828,141                      |
|    | 325,809        | 10,061,555                     |
|    | -              | 18,746,557                     |
|    | 278,644        | 278,644                        |
|    | -              | 614,537                        |
|    | -              | 2,730,367                      |
|    | 604,768        | 34,774,173                     |
| \$ | 1,257,027      | \$ 42,070,283                  |

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CARROLL INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2008

EXHIBIT C-2

|   |           |                   |
|---|-----------|-------------------|
| <b>Total Fund Balances - Governmental Funds</b>   | \$        | 34,774,173        |
| <br>  |           |                   |
| 1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.  |           | -                 |
| 2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$211,961,354 and the accumulated depreciation was \$48,585,376. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets. |           | (2,658,672)       |
| 3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.  |           | 14,893,999        |
| 4 The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.  |           | (4,886,831)       |
| 5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.   |           | 5,862,333         |
| <br>  |           |                   |
| <b>19 Net Assets of Governmental Activities</b>   | <b>\$</b> | <b>47,985,002</b> |

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

CARROLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2008

| Data Control Codes                     |   | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|---|-----------------------|----------------------------|---------------------------|
| <b>REVENUES:</b>                       |   |                       |                            |                           |
| 5700                                   | Total Local and Intermediate Sources                      | \$ 58,056,804         | \$ 20,935,453              | \$ 638,097                |
| 5800                                   | State Program Revenues                                    | 18,889,982            | -                          | -                         |
| 5900                                   | Federal Program Revenues                                  | 89,880                | -                          | -                         |
| 5020                                   | Total Revenues  | 77,036,666            | 20,935,453                 | 638,097                   |
| <b>EXPENDITURES:</b>                   |   |                       |                            |                           |
| <b>Current:</b>                        |   |                       |                            |                           |
| 0011                                   | Instruction   | 35,661,961            | -                          | -                         |
| 0012                                   | Instructional Resources and Media Services                | 771,397               | -                          | -                         |
| 0013                                   | Curriculum and Instructional Staff Development            | 509,851               | -                          | -                         |
| 0021                                   | Instructional Leadership                                  | 751,096               | -                          | -                         |
| 0023                                   | School Leadership   | 3,148,925             | -                          | -                         |
| 0031                                   | Guidance, Counseling and Evaluation Services              | 1,936,630             | -                          | -                         |
| 0033                                   | Health Services   | 542,624               | -                          | -                         |
| 0034                                   | Student (Pupil) Transportation                            | 1,649,057             | -                          | -                         |
| 0035                                   | Food Services   | -                     | -                          | -                         |
| 0036                                   | Extracurricular Activities                                | 2,357,480             | -                          | -                         |
| 0041                                   | General Administration                                    | 2,808,235             | -                          | -                         |
| 0051                                   | Facilities Maintenance and Operations                     | 7,817,096             | -                          | -                         |
| 0052                                   | Security and Monitoring Services                          | 68,507                | -                          | -                         |
| 0053                                   | Data Processing Services                                  | 961,491               | -                          | -                         |
| 0061                                   | Community Services  | 29,682                | -                          | -                         |
| <b>Debt Service:</b>                   |   |                       |                            |                           |
| 0071                                   | Debt Service - Principal on Long Term Debt                | -                     | 12,005,194                 | -                         |
| 0072                                   | Debt Service - Interest on Long Term Debt                 | -                     | 8,243,051                  | -                         |
| 0073                                   | Debt Service - Bond Issuance Cost and Fees                | -                     | 61,254                     | -                         |
| <b>Capital Outlay:</b>                 |   |                       |                            |                           |
| 0081                                   | Facilities Acquisition and Construction                   | 421,881               | -                          | 13,605,943                |
| <b>Intergovernmental:</b>              |   |                       |                            |                           |
| 0091                                   | Contracted Instructional Services Between Schools         | 11,792,175            | -                          | -                         |
| 0093                                   | Payments to Fiscal Agent/Member Districts of SSA          | 489,894               | -                          | -                         |
| 0097                                   | Payments to Tax Increment Fund                            | 4,452,376             | -                          | -                         |
| 6030                                   | Total Expenditures  | 76,170,358            | 20,309,499                 | 13,605,943                |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | 866,308               | 625,954                    | (12,967,846)              |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |                       |                            |                           |
| 7915                                   | Transfers In  | 1,485,220             | -                          | -                         |
| 8911                                   | Transfers Out (Use)                                       | (1,485,220)           | -                          | -                         |
| 7080                                   | Total Other Financing Sources (Uses)                      | -                     | -                          | -                         |
| <b>SPECIAL ITEMS:</b>                  |   |                       |                            |                           |
| 7918                                   | Special Item - Resource                                   | 4,528,623             | -                          | -                         |
| 1200                                   | Net Change in Fund Balances                               | 5,394,931             | 625,954                    | (12,967,846)              |
| 0100                                   | Fund Balance - September 1 (Beginning)                    | 22,893,824            | 2,104,413                  | 16,118,129                |
| 3000                                   | Fund Balance - August 31 (Ending)                         | \$ 28,288,755         | \$ 2,730,367               | \$ 3,150,283              |

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

|    | Other<br>Funds | Total<br>Governmental<br>Funds |
|----|----------------|--------------------------------|
| \$ | 3,585,980      | \$ 83,216,334                  |
|    | 1,040,175      | 19,930,157                     |
|    | 1,595,171      | 1,685,051                      |
|    | 6,221,326      | 104,831,542                    |
|    | 2,107,067      | 37,769,028                     |
|    | 41             | 771,438                        |
|    | 65,891         | 575,742                        |
|    | 70,927         | 822,023                        |
|    | -              | 3,148,925                      |
|    | 198,718        | 2,135,348                      |
|    | 51,509         | 594,133                        |
|    | -              | 1,649,057                      |
|    | 2,588,065      | 2,588,065                      |
|    | 945,997        | 3,303,477                      |
|    | 32,070         | 2,840,305                      |
|    | -              | 7,817,096                      |
|    | -              | 68,507                         |
|    | 168,081        | 1,129,572                      |
|    | -              | 29,682                         |
|    | -              | 12,005,194                     |
|    | -              | 8,243,051                      |
|    | -              | 61,254                         |
|    | -              | 14,027,824                     |
|    | -              | 11,792,175                     |
|    | -              | 489,894                        |
|    | -              | 4,452,376                      |
|    | 6,228,366      | 116,314,166                    |
|    | (7,040)        | (11,482,624)                   |
|    | -              | 1,485,220                      |
|    | -              | (1,485,220)                    |
|    | -              | -                              |
|    | -              | 4,528,623                      |
|    | (7,040)        | (6,954,001)                    |
|    | 611,808        | 41,728,174                     |
| \$ | 604,768        | \$ 34,774,173                  |

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CARROLL INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2008

|   |                  |
|---|------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>   | \$ (6,954,001)   |
| <br>The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.   | <br>-            |
| <br>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.   | <br>14,054,661   |
| <br>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.   | <br>(4,886,831)  |
| <br>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. | <br>7,367,101    |
| <br><b>Change in Net Assets of Governmental Activities</b>  | <br>\$ 9,580,930 |

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

CARROLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2008

EXHIBIT E-1

|   | Private<br>Purpose<br>Trust Fund | Agency<br>Funds |
|---|----------------------------------|-----------------|
| <b>ASSETS</b>                               |                                  |                 |
| Cash and Cash Equivalents                   | \$ -                             | \$ 670,424      |
| Restricted Assets                           | 22,301                           | 24,203          |
| Total Assets                                | 22,301                           | \$ 694,627      |
| <b>LIABILITIES</b>                          |                                  |                 |
| Payroll Deductions and Withholdings Payable | -                                | \$ 2,084        |
| Due to Other Funds                          | -                                | 26,511          |
| Due to Student Groups                       | -                                | 666,032         |
| Total Liabilities                           | -                                | \$ 694,627      |
| <b>NET ASSETS</b>                           |                                  |                 |
| Unrestricted Net Assets                     | 22,301                           |                 |
| Total Net Assets                            | 22,301                           |                 |

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

CARROLL INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2008

|  | Private<br>Purpose<br>Trust Fund |
|--|----------------------------------|
| <b>ADDITIONS:</b>                          |                                  |
| Local and Intermediate Sources             | \$ 3,555                         |
| Total Additions                            | <u>3,555</u>                     |
| Change in Net Assets                       | 3,555                            |
| Total Net Assets - September 1 (Beginning) | <u>18,746</u>                    |
| Total Net Assets - August 31 (Ending)      | <u>\$ 22,301</u>                 |

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

CARROLL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net assets (SNA) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational

or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund - This fund is used to account for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

In addition, the District reports the following fund types:

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

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and agency funds.

Private-purpose trust funds – These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds.

Agency funds – The agency funds are purely custodial and thus do not involve measurement of results of operations.

b. **Measurement Focus – Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements** – These financial statements are reported using the economic resources measurement

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

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

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

### 3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.

- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments were made throughout the year.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. Since it is the Districts policy to cancel all encumbrances outstanding at year end; the end-of-year outstanding encumbrances that were provided for in the subsequent year’s budget are:

|                       |    |          |
|-----------------------|----|----------|
| General Fund          | \$ | 0        |
| Special Revenue Fund  |    | 0        |
| Debt Service Fund     |    | 0        |
| Capital Projects Fund |    | <u>0</u> |
| Total                 | \$ | <u>0</u> |

5. Financial Statement Amounts

Cash and Cash Equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District’s cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

On government-wide financial statements, inventories are presented at cost using the first in, first out (FIFO) method and are expensed when used. On fund financial statements, inventories of governmental funds are valued at cost. For all funds, cost is determined using the FIFO method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase.

Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources.

### Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

| <u>Asset Class</u>         | <u>Estimated Useful Lives</u> |
|----------------------------|-------------------------------|
| Buildings and Improvements | 15-50                         |
| Vehicles                   | 5-10                          |
| Other Equipment            | 3-15                          |

#### 6. Receivable and Payable Balances

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

#### 7. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and do not appear on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and therefore, do not appear on the government-wide statement of net assets.

#### 8. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrued at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

## 9. Use of Estimates

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

## 10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the Guide. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

## 11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the Guide. Mandatory codes are utilized in the form provided in that section.

## B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2008, all District cash deposits were covered by FDIC insurance or by pledged collateral held by the District or its depository in the District's name. The District's deposits appear to have been properly secured throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities.
- b. obligation of the State of Texas or its agencies.
- c. obligation guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligation of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

The District adopted the provision of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The

Statement requires certain investments to be reported at fair value rather than cost or amortized cost, and that changes in the fair value be recorded as investment revenue.

District investments include investments in external investment pools, such as Texpool, Texas Class, Lone Star Investment Pool and Money Market Mutual Funds. All Texpool, Lone Star Investment Pool, MBIA, interest bearing checking accounts and Money Market Mutual Funds are reported at share price (fair value).

The Texas Local Government Investment Pool (Texpool) is managed by the Texas Comptroller of Public Accounts. The Comptroller is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's investment policy. This Board is composed equally of participants in Texpool and other persons who do not have a business relationship with Texpool who are qualified to advise Texpool.

Texas Class is an investment pool operated by a publically held entity regulated by the SEC by Texas Class.

The Lone Star Investment Pool is managed by the Board of Directors of the Texas Association of School Boards. This Board is comprised of elected members of the organization. An advisory board of qualified investment members advised the directors on investment decisions.

The District did not have any investments in repurchase agreements at year end. Any repurchase agreements are evidenced by written agreement approved by both parties.

Investments can be categorized according to three levels of custodial credit risk. These three levels of custodial risk are as follows:

- Category 1 Insured or registered, or securities held by the District or it's agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the financial Institution's trust department or agency in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the financial institution, or by its trust department or agent but not in the District's name.

The following table categorizes the District's investment at August 31, 2008, using these three levels of custodial credit risk.

|                                      | Category<br>1 | Category<br>2 | Category<br>3 | Fair<br>Value       |
|--------------------------------------|---------------|---------------|---------------|---------------------|
| Texas Class*                         | 1             |               |               | \$35,911,041        |
| Texpool*                             | 1             |               |               | 117,262             |
| Lone Star Investment*                | 1             |               |               | 337,448             |
| Money Market Funds-<br>Bank of Texas | 1             |               |               | 431,695             |
| Total                                |               |               |               | <u>\$36,797,446</u> |

\*Local government pool investments are based upon a contract and not the security itself. Therefore, these type of investments are not categorized above.

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

- a. Name of bank: Bank of Texas, N.A.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 11,849,480
- c. Largest cash, savings and time deposit combined account balances amounted to \$10,849,170 occurred during the month of August.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$200,000.

C. Property Taxes

Property taxes are levied by 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 October 1 levy date. 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 collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property 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. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$1.04 to fund general operations and \$0.43 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$4,899,664,421 including all supplements.

D.Capital Assets

|  | <b>Beginning<br/>Balances</b> | <b>Increases</b>   | <b>Decreases</b>   | <b>Ending<br/>Balances</b> |
|--|-------------------------------|--------------------|--------------------|----------------------------|
| <u>Governmental activities:</u>                    |                               |                    |                    |                            |
| <b>Capital assets not being depreciated:</b>       |                               |                    |                    |                            |
| Land   | \$13,987,344                  | 7,890              | \$0                | \$13,995,234               |
| Historical Property                                | 68,125                        | 0                  | 0                  | 68,125                     |
| Construction in Progress                           | 5,873,715                     | 7,070,698          | 3,627,755          | 9,316,658                  |
| Total capital assets not being depreciated         | \$19,929,184                  | 7,078,588          | 3,627,755          | \$23,380,017               |
| <b>Capital assets being depreciated:</b>           |                               |                    |                    |                            |
| Buildings & improvements                           | \$170,249,283                 | 3,627,755          | 0                  | \$173,877,038              |
| Equipment  | 13,755,627                    | 2,053,365          | 698,265            | 15,110,727                 |
| Vehicles   | 8,027,260                     | 1,268,115          | 2,227,054          | 7,068,321                  |
| Total capital assets being depreciated             | \$192,032,170                 | 6,949,235          | 2,925,319          | \$196,056,086              |
| <b>Less accumulated depreciation for:</b>          |                               |                    |                    |                            |
| Buildings and improvements                         | \$33,294,668                  | \$3,347,000        | \$0                | \$36,641,668               |
| Equipment  | 10,837,467                    | 1,189,506          | 376,190            | 11,650,783                 |
| Vehicles   | 4,453,241                     | 350,322            | 1,680,066          | 3,123,497                  |
| Total accumulated depreciation                     | \$48,585,376                  | \$4,886,829        | \$2,056,256        | \$51,415,948               |
| Total capital assets being depreciated, net        | \$143,446,794                 | \$2,062,406        | \$869,062          | \$144,640,138              |
| <b>Governmental activities capital assets, net</b> | <u>\$163,375,978</u>          | <u>\$9,140,994</u> | <u>\$4,496,817</u> | <u>\$168,020,155</u>       |

Depreciation was charged to functions as follows:

|   |                    |
|---|--------------------|
| Instruction                                 | \$2,557,811        |
| Instructional Resources and Media Services  | 760,196            |
| Instructional Leadership                    | 2,319              |
| Student Transportation                      | 357,013            |
| Food Services                               | 44,173             |
| Cocurricular and Extracurricular Activities | 648,789            |
| General Administration                      | 2,084              |
| Plant Maintenance and Operations            | 98,692             |
| Data Processing                             | 115,754            |
| Total                                       | <u>\$4,886,829</u> |

E. Long Term Obligations

Long-Term Obligation Activity

|                               | <b>Beginning Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending Balance</b> | <b>Amounts Due Within One Year</b> |
|-------------------------------|--------------------------|------------------|------------------|-----------------------|------------------------------------|
| Governmental Activities:      |                          |                  |                  |                       |                                    |
| General Obligation Bonds      | \$147,582,381            | \$0              | \$12,005,194     | 135,577,187           | \$5,950,167                        |
| Loans Payable                 | 0                        | 0                | 0                | 0                     | 0                                  |
| Accreted Interest Payable     | 19,023,405               | 208,734          | 0                | 19,232,139            | 0                                  |
| Total Governmental Activities | \$166,605,786            | \$208,734        | \$12,005,194     | \$154,809,326         | \$5,950,167                        |

Bonds

Bonded indebtedness of the District is identified as non-current liabilities in the government wide financial statements, with current requirements for principal shown as due in one year. Bonds outstanding at August 31, 2008 are as follows:

| <u>Description</u>                                   | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Balance</u>       |
|--|----------------------|------------------------|----------------------|
| Tax Refunding Bonds, Series 1990A                    | 7.100-7.25%          | \$15,900,000           | \$1,255,641          |
| Tax Refunding Bonds, Series 1993                     | N/A                  | 14,807,683             | 0                    |
| Tax School Building and Refunding Bonds, Series 1994 | 5.7 – 6.329%         | 20,614,338             | 0                    |
| Tax School Building Bonds, Series 1995               | 4.900%               | 3,730,000              | 0                    |
| Tax School Building Bonds, Series 1996               | 4.70 – 5.0%          | 9,305,000              | 0                    |
| Tax School Building and Refunding Bonds, Series 1997 | 5.49%                | 9,335,000              | 0                    |
| Variable Rate Tax School Building Bonds, Series 1997 | 4.93 – 5.150%        | 10,200,000             | 1,200,000            |
| Variable Rate Tax School Building Bonds, Series 1997 | 5.150 – 5.210%       | 9,800,000              | 2,050,000            |
| Tax School Building Bonds, Series 1998               |                      |                        | 3,580,000            |
| Tax School Building and Refunding Bonds, Series 1999 | 5.180 – 5.700%       | 16,226,727             | 1,309,669            |
| Tax School Building Bonds, Series 1999               | 4.10 – 5.150%        | 23,900,000             | 26,845,098           |
| Tax School Building Bonds, Series 2000-A             | 4.440%               | 11,100,000             | 0                    |
| Tax School Building Bonds, Series 2000               | Variable             | 35,000,000             | 17,900,000           |
| Tax School Building and Refunding Bonds, Series 2001 | 3.230 – 5.410%       | 21,854,997             | 4,830,000            |
| Tax School Building Bonds, Series 2003               | 1.20 – 3.690%        | 12,119,999             | 1,860,000            |
| Tax School Building Bonds, Series 2005               |                      | 20,564,997             | 20,294,997           |
| Tax School Buildings Bonds, Series 2006              |                      | 38,071,919             | 31,116,919           |
| Tax School Buildings Bonds, Series 2006C             |                      | 23,399,863             | <u>23,334,863</u>    |
| Total  |                      |                        | <u>\$135,577,187</u> |

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial purposes, the debt has been defeased and therefore removed as a liability from the District’s government-wide financial statements. As of August 31, 2008, the amount of defeased debt outstanding but removed from the government-wide financial statements amounted to \$36,379,451.

Debt service requirements on long-term debt at August 31, 2008, are as follows:

Governmental Activities

| Year Ending<br>August 31 | Principal            | Interest             | Total                |
|--------------------------|----------------------|----------------------|----------------------|
| 2009                     | 5,950,167            | 8,589,089            | 14,539,256           |
| 2010                     | 4,792,077            | 9,337,809            | 14,129,886           |
| 2011                     | 6,387,963            | 7,743,606            | 14,131,569           |
| 2012                     | 5,678,520            | 8,028,225            | 13,706,745           |
| 2013                     | 4,931,418            | 7,771,095            | 12,702,513           |
| 2014-2018                | 21,507,369           | 38,628,370           | 60,135,739           |
| 2019-2023                | 35,119,673           | 20,231,683           | 55,351,356           |
| 2024-2028                | 41,830,000           | 10,015,950           | 51,845,950           |
| 2029-2033                | 7,445,000            | 1,944,758            | 9,389,758            |
| 2034-2036                | 1,935,000            | 101,879              | 2,036,879            |
| Totals                   | <u>\$135,577,187</u> | <u>\$112,392,464</u> | <u>\$247,969,651</u> |

F. Pension Plan

- **Plan Description**  
The District contributes to the Teacher Retirement System of Texas (the “System”), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System includes a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS publication heading.

- Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. In certain instances, the District is required to make all or a portion of the State's 6.0% contribution. Contributions are not actuarially determined but are legally established each biennium by the legislature of the State of Texas. The District's employees contributions to the System for the years ended August 31, 2008, 2007, and 2006 were \$2,706,484, \$ 2,508,087 and \$ 2,241,653, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the years ended August 31, 2008, 2007, and 2006 were \$454,694, \$388,915 and \$ 333,761, respectively.

- On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$2,892,171 are reflected in the general fund basic financial statements.

#### G. Risk Management

##### Health Care

During the year ended August 31, 2008, employees of the Carroll Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$290 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to Cigna Health Care through December 31, 2007. United Healthcare became the new health care provider as of January 1, 2008. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Carroll Independent School District and United Healthcare is renewable January 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Cigna Health Care and United Healthcare are available for the year ended December 31, 2007 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

H. Litigation

The District appears to have no significant pending litigation as of August 31, 2008, which is required to be disclosed according to the District's counsel.

I. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2008 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

J. Interfund Balances and Activities

Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2008 noted for the District.

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2008, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| General Fund           | Special Revenue     | \$162,222        |
| General Fund           | Debt Service        | 0                |
| General Fund           | Capital Projects    | 0                |
| General Fund           | Special Revenue     | 90,875           |
| Debt Service           | General Fund        | 38,733           |
| General Fund           | Agency Fund         | <u>64,572</u>    |
| Total                  |                     | <u>\$356,402</u> |

K. Compliance, Stewardship, and Accountability

Expenditures Over Appropriations

There were no expenditures in excess of appropriations at functional expenditure levels.

L. Subsequent Events

There were no events which occurred subsequent to year end through the date of this report that would have a significant impact on the Districts financial status or operations which would be required to be disclosed in these footnotes.

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CARROLL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2008

| Data<br>Control<br>Codes               | Budgeted Amounts  |               | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |              |
|--|---|---------------|--------------------------------|--|--------------|
|  | Original  | Final         |                                |  |              |
| <b>REVENUES:</b>                       |   |               |                                |  |              |
| 5700                                   | Total Local and Intermediate Sources                      | \$ 55,996,221 | \$ 58,403,770                  | \$ 58,056,804  | \$ (346,966) |
| 5800                                   | State Program Revenues                                    | 17,836,356    | 18,876,856                     | 18,889,982   | 13,126       |
| 5900                                   | Federal Program Revenues                                  | 147,680       | 147,680                        | 89,880   | (57,800)     |
| 5020                                   | Total Revenues  | 73,980,257    | 77,428,306                     | 77,036,666   | (391,640)    |
| <b>EXPENDITURES:</b>                   |   |               |                                |  |              |
| <b>Current:</b>                        |   |               |                                |  |              |
| 0011                                   | Instruction   | 34,199,136    | 35,683,754                     | 35,661,961   | 21,793       |
| 0012                                   | Instructional Resources and Media Services                | 774,620       | 1,174,071                      | 771,397  | 402,674      |
| 0013                                   | Curriculum and Instructional Staff Development            | 538,750       | 554,292                        | 509,851  | 44,441       |
| 0021                                   | Instructional Leadership                                  | 755,692       | 755,692                        | 751,096  | 4,596        |
| 0023                                   | School Leadership   | 3,204,518     | 3,184,668                      | 3,148,925  | 35,743       |
| 0031                                   | Guidance, Counseling and Evaluation Services              | 1,972,150     | 1,972,150                      | 1,936,630  | 35,520       |
| 0033                                   | Health Services   | 520,723       | 542,723                        | 542,624  | 99           |
| 0034                                   | Student (Pupil) Transportation                            | 1,519,889     | 1,658,238                      | 1,649,057  | 9,181        |
| 0036                                   | Extracurricular Activities                                | 2,650,812     | 2,525,352                      | 2,357,480  | 167,872      |
| 0041                                   | General Administration                                    | 2,984,065     | 2,903,065                      | 2,808,235  | 94,830       |
| 0051                                   | Facilities Maintenance and Operations                     | 7,671,208     | 7,963,858                      | 7,817,096  | 146,762      |
| 0052                                   | Security and Monitoring Services                          | 129,074       | 129,074                        | 68,507   | 60,567       |
| 0053                                   | Data Processing Services                                  | 802,221       | 1,209,221                      | 961,491  | 247,730      |
| 0061                                   | Community Services  | 30,000        | 30,000                         | 29,682   | 318          |
| <b>Capital Outlay:</b>                 |   |               |                                |  |              |
| 0081                                   | Facilities Acquisition and Construction                   | 126,222       | 531,882                        | 421,881  | 110,001      |
| <b>Intergovernmental:</b>              |   |               |                                |  |              |
| 0091                                   | Contracted Instructional Services Between Schools         | 11,132,499    | 11,882,499                     | 11,792,175   | 90,324       |
| 0093                                   | Payments to Fiscal Agent/Member Districts of SSA          | 376,183       | 491,183                        | 489,894  | 1,289        |
| 0097                                   | Payments to Tax Increment Fund                            | 4,421,010     | 4,452,376                      | 4,452,376  | -            |
| 6030                                   | Total Expenditures  | 73,808,772    | 77,644,098                     | 76,170,358   | 1,473,740    |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | 171,485       | (215,793)                      | 866,308  | 1,082,101    |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |               |                                |  |              |
| 7915                                   | Transfers In  | 1,373,368     | 1,514,661                      | 1,485,220  | (29,441)     |
| 8911                                   | Transfers Out (Use)                                       | (1,373,368)   | (1,514,661)                    | (1,485,220)  | 29,441       |
| 7080                                   | Total Other Financing Sources (Uses)                      | -             | -                              | -  | -            |
| <b>SPECIAL ITEMS:</b>                  |   |               |                                |  |              |
| 7918                                   | Special Item - Resource                                   | -             | 4,528,624                      | 4,528,623  | (1)          |
| 1200                                   | Net Change in Fund Balances                               | 171,485       | 4,312,832                      | 5,394,931  | 1,082,100    |
| 0100                                   | Fund Balance - September 1 (Beginning)                    | -             | 22,878,374                     | 22,893,824   | 15,450       |
| 3000                                   | Fund Balance - August 31 (Ending)                         | \$ 171,485    | \$ 27,191,206                  | \$ 28,288,755  | \$ 1,097,550 |

## T.E.A. REQUIRED SCHEDULES

CARROLL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2009-2010  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2008

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

| Account Number | Account Name                                  | 1                     | 2                        | 3                      | 4                      | 5                    | 6                        | 7            |
|----------------|---|-----------------------|--------------------------|------------------------|------------------------|----------------------|--------------------------|--------------|
|                |   | (702)<br>School Board | (703)<br>Tax Collections | (701)<br>Supt's Office | (750)<br>Indirect Cost | (720)<br>Direct Cost | (other)<br>Miscellaneous | Total        |
| 611X-6146      | PAYROLL COSTS                                 | \$ -                  | \$ -                     | \$ 319,712             | \$ 1,658,426           | \$ 7,186             | \$ -                     | \$ 1,985,324 |
| 6149           | Leave for Separating Employees in Fn 41 & 53  | -                     | -                        | 19,185                 | 25,212                 | -                    | -                        | 44,397       |
| 6149           | Leave - Separating Employees not in 41 & 53   | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6211           | Legal Services                                | -                     | -                        | 221,933                | -                      | -                    | -                        | 221,933      |
| 6212           | Audit Services                                | -                     | -                        | -                      | 32,000                 | -                    | -                        | 32,000       |
| 6213           | Tax Appraisal/Collection - Appraisal in Fn 99 | -                     | -                        | -                      | 460,271                | -                    | -                        | 460,271      |
| 621X           | Other Professional Services                   | -                     | -                        | 45,603                 | 126,285                | -                    | -                        | 171,888      |
| 6220           | Tuition and Transfer Payments                 | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6230           | Education Service Centers                     | -                     | -                        | -                      | 74,583                 | -                    | -                        | 74,583       |
| 6240           | Contr. Maint. and Repair                      | -                     | -                        | -                      | 190,787                | -                    | -                        | 190,787      |
| 6250           | Utilities                                     | -                     | -                        | -                      | 8,049                  | -                    | -                        | 8,049        |
| 6260           | Rentals                                       | -                     | -                        | 14,191                 | 91,853                 | -                    | -                        | 106,044      |
| 6290           | Miscellaneous Contr.                          | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6320           | Textbooks and Reading                         | -                     | -                        | 108                    | 472                    | -                    | -                        | 580          |
| 6330           | Testing Materials                             | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 63XX           | Other Supplies Materials                      | -                     | -                        | 15,448                 | 300,085                | -                    | -                        | 315,533      |
| 6410           | Travel, Subsistence, Stipends                 | 6,748                 | -                        | 7,164                  | 26,978                 | -                    | -                        | 40,890       |
| 6420           | Ins. and Bonding Costs                        | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6430           | Election Costs                                | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6490           | Miscellaneous Operating                       | -                     | -                        | 2,816                  | 23,223                 | -                    | -                        | 26,039       |
| 6500           | Debt Service                                  | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6600           | Capital Outlay                                | -                     | -                        | -                      | -                      | -                    | -                        | -            |
| 6000           | TOTAL   | \$ 6,748              | \$ -                     | \$ 646,160             | \$ 3,018,224           | \$ 7,186             | \$ -                     | \$ 3,678,318 |

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 82,281,982

LESS: Deductions of Unallowable Costs

FISCAL YEAR

|  |      |            |
|--|------|------------|
| Total Capital Outlay (6600)                | (10) | \$ 834,470 |
| Total Debt & Lease(6500)                   | (11) | -          |
| Plant Maintenance (Function 51, 6100-6400) | (12) | 7,723,776  |
| Food (Function 35, 6341 and 6499)          | (13) | 1,234,415  |
| Stipends (6413)                            | (14) | -          |
| Column 4 (above) - Total Indirect Cost     |      | 3,018,224  |

SubTotal: 12,810,885

Net Allowed Direct Cost \$ 69,471,097

CUMULATIVE

|   |      |                |
|---|------|----------------|
| Total Cost of Buildings before Depreciation (1520)                    | (15) | \$ 173,877,038 |
| Historical Cost of Building over 50 years old                         | (16) | \$ 68,125      |
| Amount of Federal Money in Building Cost (Net of #16)                 | (17) | \$ -           |
| Total Cost of Furniture & Equipment before Depreciation (1530 & 1540) | (18) | \$ 22,179,048  |
| Historical Cost of Furniture & Equipment over 16 years old            | (19) | \$ -           |
| Amount of Federal Money in Furniture & Equipment (Net of #19)         | (20) | \$ -           |

(8) NOTE A: \$1,129,572 in Function 53 expenditures are included in this report on administrative costs.  
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CARROLL INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2008

**UNAUDITED**

|    |   |              |               |
|----|---|--------------|---------------|
| 1  | Total General Fund Balance as of 8/31/08 (Exhibit C-1 object 3000 for the General Fund Only)  |              | \$ 28,288,755 |
| 2  | Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)  | \$ 9,542,198 |               |
| 3  | Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)  | -            |               |
| 4  | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)  | 5,471,926    |               |
| 5  | Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).  | 6,763,854    |               |
| 6  | Estimate of delayed payments from state sources (58xx) including August payment delays  | 356,825      |               |
| 7  | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount. | -            |               |
| 8  | Estimate of delayed payments from federal sources (59xx)  | -            |               |
| 9  | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)                           | -            |               |
| 10 | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)  |              | 22,134,803    |
| 11 | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)  |              | \$ 6,153,952  |

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

CARROLL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2008

| Data<br>Control<br>Codes                    | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---|------------------|--------------|--------------------------------|--|
|   | Original         | Final        |                                |  |
| REVENUES:                                   |                  |              |                                |  |
| 5700 Total Local and Intermediate Sources   | \$ -             | \$ 2,660,571 | \$ 2,401,818                   | \$ (258,753)   |
| 5800 State Program Revenues                 | -                | 64,500       | 78,366                         | 13,866   |
| 5900 Federal Program Revenues               | -                | 187,000      | 95,777                         | (91,223)   |
| 5020 Total Revenues                         | -                | 2,912,071    | 2,575,961                      | (336,110)  |
| EXPENDITURES:                               |                  |              |                                |  |
| 0035 Food Services                          | -                | 2,773,305    | 2,588,065                      | 185,240  |
| 6030 Total Expenditures                     | -                | 2,773,305    | 2,588,065                      | 185,240  |
| 1200 Net Change in Fund Balances            | -                | 138,766      | (12,104)                       | (150,870)  |
| 0100 Fund Balance - September 1 (Beginning) | -                | 213,078      | 213,161                        | 83   |
| 3000 Fund Balance - August 31 (Ending)      | \$ -             | \$ 351,844   | \$ 201,057                     | \$ (150,787)   |

CARROLL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2008

| Data<br>Control<br>Codes | Budgeted Amounts                           |               | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |             |
|--------------------------|--|---------------|--------------------------------|--|-------------|
|                          | Original                                   | Final         |                                |  |             |
| REVENUES:                |  |               |                                |  |             |
| 5700                     | Total Local and Intermediate Sources       | \$ 20,742,481 | \$ 20,742,481                  | \$ 20,935,453  | \$ 192,972  |
| 5020                     | Total Revenues                             | 20,742,481    | 20,742,481                     | 20,935,453   | 192,972     |
| EXPENDITURES:            |  |               |                                |  |             |
| Debt Service:            |  |               |                                |  |             |
| 0071                     | Debt Service - Principal on Long Term Debt | 11,005,194    | 11,005,194                     | 12,005,194   | (1,000,000) |
| 0072                     | Debt Service - Interest on Long Term Debt  | 9,170,093     | 9,170,093                      | 8,243,051  | 927,042     |
| 0073                     | Debt Service - Bond Issuance Cost and Fees | 150,000       | 150,000                        | 61,254   | 88,746      |
| 6030                     | Total Expenditures                         | 20,325,287    | 20,325,287                     | 20,309,499   | 15,788      |
| 1200                     | Net Change in Fund Balances                | 417,194       | 417,194                        | 625,954  | 208,760     |
| 0100                     | Fund Balance - September 1 (Beginning)     | -             | 2,104,413                      | 2,104,413  | -           |
| 3000                     | Fund Balance - August 31 (Ending)          | \$ 417,194    | \$ 2,521,607                   | \$ 2,730,367   | \$ 208,760  |

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CARROLL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2008

| Last 10 Years Ended<br>August 31 | Tax Rates          |                     | (3)<br>Assessed/Appraised<br>Value for School<br>Tax Purposes |
|----------------------------------|--------------------|---------------------|---|
|                                  | (1)<br>Maintenance | (2)<br>Debt Service |   |
| 1999 and prior years             | \$ 1.430000        | \$ 0.310000         | \$ 1,995,256,679  |
| 2000                             | 1.429500           | 0.360500            | 2,288,477,470   |
| 2001                             | 1.440000           | 0.445000            | 2,670,868,997   |
| 2002                             | 1.420000           | 0.515000            | 3,042,670,230   |
| 2003                             | 1.440000           | 0.500000            | 3,416,730,477   |
| 2004                             | 1.438500           | 0.464000            | 3,605,227,070   |
| 2005                             | 1.500000           | 0.435000            | 3,721,512,423   |
| 2006                             | 1.500000           | 0.440000            | 3,829,949,221   |
| 2007                             | 1.370000           | 0.430000            | 4,326,177,444   |
| 2008 (School year under audit)   | 1.040000           | 0.430000            | 4,899,664,421   |
| 100 TOTALS                       |                    |                     |   |

| (10)<br>Beginning<br>Balance<br>9/1/2007 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>8/31/2008 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 186,263                               | \$ -                                    | \$ 58                              | \$ 24                               | \$ (1,869)                              | \$ 184,312                             |
| 55,293                                   | -                                       | 3,193                              | 1,320                               | (267)                                   | 50,513                                 |
| 45,437                                   | -                                       | 12                                 | 5                                   | (280)                                   | 45,140                                 |
| 45,243                                   | -                                       | 98                                 | 41                                  | (976)                                   | 44,128                                 |
| 71,440                                   | -                                       | 16,032                             | 6,629                               | (5,854)                                 | 42,925                                 |
| 101,851                                  | -                                       | 14,595                             | 6,034                               | 39,453                                  | 120,675                                |
| 117,926                                  | -                                       | 23,782                             | 9,833                               | 40,176                                  | 124,487                                |
| 175,095                                  | -                                       | 37,562                             | 15,530                              | (8,854)                                 | 113,149                                |
| 474,729                                  | -                                       | 239,069                            | 98,846                              | (1,627)                                 | 135,187                                |
| -  | 71,249,330                              | 50,115,668                         | 20,720,901                          | 77,813                                  | 490,574                                |
| \$ 1,273,277                             | \$ 71,249,330                           | \$ 50,450,069                      | \$ 20,859,163                       | \$ 137,715                              | \$ 1,351,090                           |
| \$ -                                     | \$ -                                    | \$ 3,149,980                       | \$ 1,302,396                        | \$ -                                    | \$ (4,452,376)                         |

FEDERAL AWARDS SECTION

CARROLL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2008

| (1)<br>FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | (2)<br>Federal<br>CFDA<br>Number | (3)<br>Pass-Through<br>Entity Identifying<br>Number | (4)<br>Federal<br>Expenditures |
|--|----------------------------------|---|--------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                  |   |                                |
| <u>Passed Through State Department of Education</u>                          |                                  |   |                                |
| ESEA, Title I, Part A - Improving Basic Programs                             | 84.010A                          | 09610101220919                                      | \$ 107,214                     |
| ESEA, Title I, Part A - Improving Basic Programs                             | 84.010A                          | 08610101220919                                      | 4,833                          |
| Total CFDA Number 84.010A  |                                  |   | 112,047                        |
| IDEA - Part B, Formula   | 84.027                           | 086600012209196600                                  | 1,094,874                      |
| IDEA - Part B, Formula   | 84.027                           | 086600012209196600                                  | 67,673                         |
| IDEA - Part B, Discretionary   | 84.027                           | 086600062209196680                                  | 55,791                         |
| Total CFDA Number 84.027   |                                  |   | 1,218,338                      |
| Career and Technical - Basic Grant   | 84.048                           | 0842000622091911                                    | 23,230                         |
| IDEA - Part B, Preschool   | 84.173                           | 086610012209196610                                  | 21,089                         |
| ESEA Title IV - Safe and Drug-Free Schools                                   | 84.186A                          | 08691001220919                                      | 19,011                         |
| Title V, Part A - Innovative Programs  | 84.298                           | 08685001220919                                      | 7,937                          |
| Title II, Part D -Enhancing Ed. Through Technology                           | 84.318                           | 08630001220919                                      | 1,186                          |
| ESEA, Title II, Part A, Teacher/Principal Training                           | 84.367A                          | 08694501220919                                      | 92,780                         |
| ESEA, Title II, Part A, Teacher/Principal Training                           | 84.367A                          | 08694501220919                                      | 4,473                          |
| Total CFDA Number 84.367A  |                                  |   | 97,253                         |
| Total Passed Through State Department of Education                           |                                  |   | \$ 1,500,091                   |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>   |                                  |   | <b>\$ 1,500,091</b>            |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                  |   |                                |
| <u>Passed Through the State Department of Agriculture</u>                    |                                  |   |                                |
| National School Breakfast & Lunch Program*                                   | 10.555                           | 71300701  | \$ 95,777                      |
| Total Passed Through the State Department of Agriculture                     |                                  |   | \$ 95,777                      |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                       |                                  |   | <b>\$ 95,777</b>               |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                  |                                  |   | <b>\$ 1,595,868</b>            |

\*Clustered Programs as required by Compliance Supplement March, 2008

CARROLL INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2008

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Carroll Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2008.