

QUINLAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

QUINLAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009

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CERTIFICATE OF BOARD

Quinlan Independent School District
Name of School District

Hunt
County

116-908
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended June 30, 2009, at a meeting of the board of school trustees of such school district on _____.

*

Signature of Board Secretary

*

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

* Signature on file with the Texas Education Agency

FINANCIAL SECTION

RUTHERFORD,
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INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Quinlan Independent School District

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 the Quinlan Independent School District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quinlan Independent School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information identified as required supplementary information are not a required part of the basic financial statements but are supplementary information. 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.

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules identified as other supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the 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 also not a required component of the basic financial statements. Such information except for the fund balance and cash flow calculation worksheet which is marked "unaudited" and on which we express no opinion, has 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.

September 27, 2009
Greenville, Texas

*

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

Board of School Trustees
Quinlan Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quinlan Independent School District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 27, 2009. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of 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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted account principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that is more than the inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose as 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 consider to be material weaknesses, as defined above.

Report on Internal Control – Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

September 27, 2009
Greenville, Texas

*

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

Board of School Trustees
Quinlan Independent School District

Members of the Board:

Compliance

We have audited the compliance of the Quinlan Independent School District (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 June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Quinlan 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 June 30, 2009.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant 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 in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Report On Compliance with Requirements Applicable To Each Major Program and Internal Control – Continued

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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.

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

September 27, 2009
Greenville, Texas

*

QUINLAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Reportable Conditions	None
Material Weaknesses 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 thresholds 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	Title I Part A - Improving Basic Programs (84.010)
Pass-through Entity	Texas Education Agency

QUINLAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

**Schedule
Reference
Number**

Findings

NONE

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

**Schedule
Reference
Number**

Prior Findings

NONE

QUINLAN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2009

**Schedule
Reference
Number**

Actions Planned

NONE

QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

This section of Quinlan Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

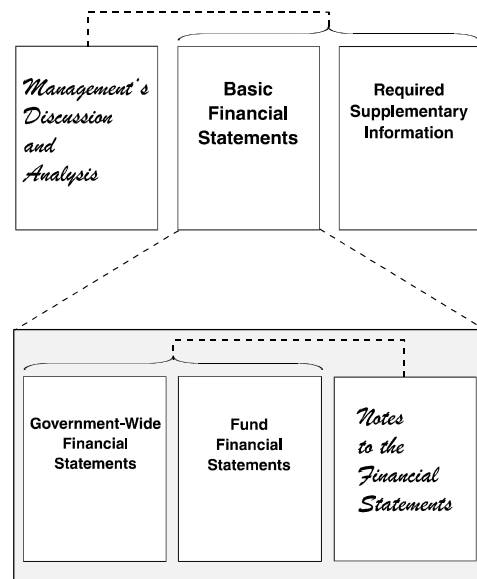
- The District's total combined net assets were \$ 16,145,725 at June 30, 2009.
- During the year, the District's expenses were \$ 377,155 less than the \$ 23,919,046 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$ 5,064,062.
- The District entered into no new debt agreements during the year ended June 30, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

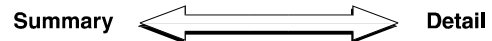
This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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 the print shop.
- 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 basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



**QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the District's basic 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.

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.

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	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
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after 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

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, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

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 the following 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 on the subsequent page that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.

QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. 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. 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

The District's combined net assets were \$ 16,145,725 at June 30, 2009.

Quinlan Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2009	2008	2008-2009
Assets:			
Cash and Investments	\$ 5,782,405	\$ 5,047,148	14.57%
Other Assets	4,846,575	5,094,173	-4.86%
Capital Assets less Accumulated Depreciation	30,635,609	31,308,406	-2.15%
Restricted Assets	23,041	21,520	7.07%
Total Assets	\$ 41,287,630	\$ 41,471,247	-0.44%
Liabilities:			
Current Liabilities	\$ 2,349,087	\$ 2,381,491	-1.36%
Long-term Liabilities	22,792,818	23,612,051	-3.47%
Total Liabilities	\$ 25,141,905	\$ 25,993,542	-3.28%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 8,052,030	\$ 7,981,049	0.89%
Restricted	989,445	1,243,589	-20.44%
Unrestricted	7,104,250	6,253,067	13.61%
Total Net Assets	\$ 16,145,725	\$ 15,477,705	4.32%

Approximately \$ 989,445 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 \$ 23,919,046. 35% of the District's revenue comes from local property taxes (See Table A-2). 62% comes from state aid and federal grants, while only 3% relates to charges for services.

The total cost of all programs and services was \$ 23,541,891. 56% of these costs are for instructional and student services.

The District's current tax collection rate (base tax only – current and delinquent) was 95.21%. The total collection rate (base tax and penalty and interest) was 98.47%.

QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

GOVERNMENTAL ACTIVITIES

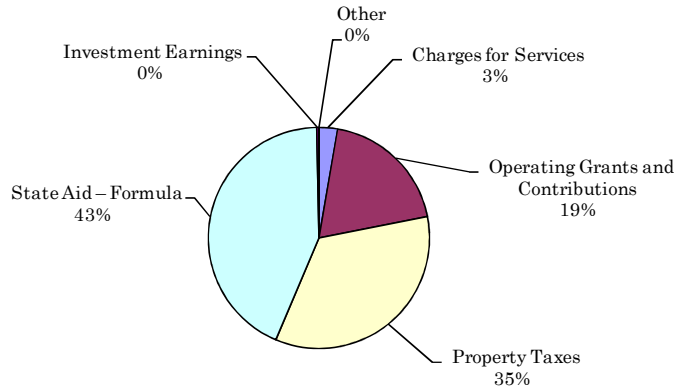
Table A-2

Changes in Quinlan Independent School District's Net Assets

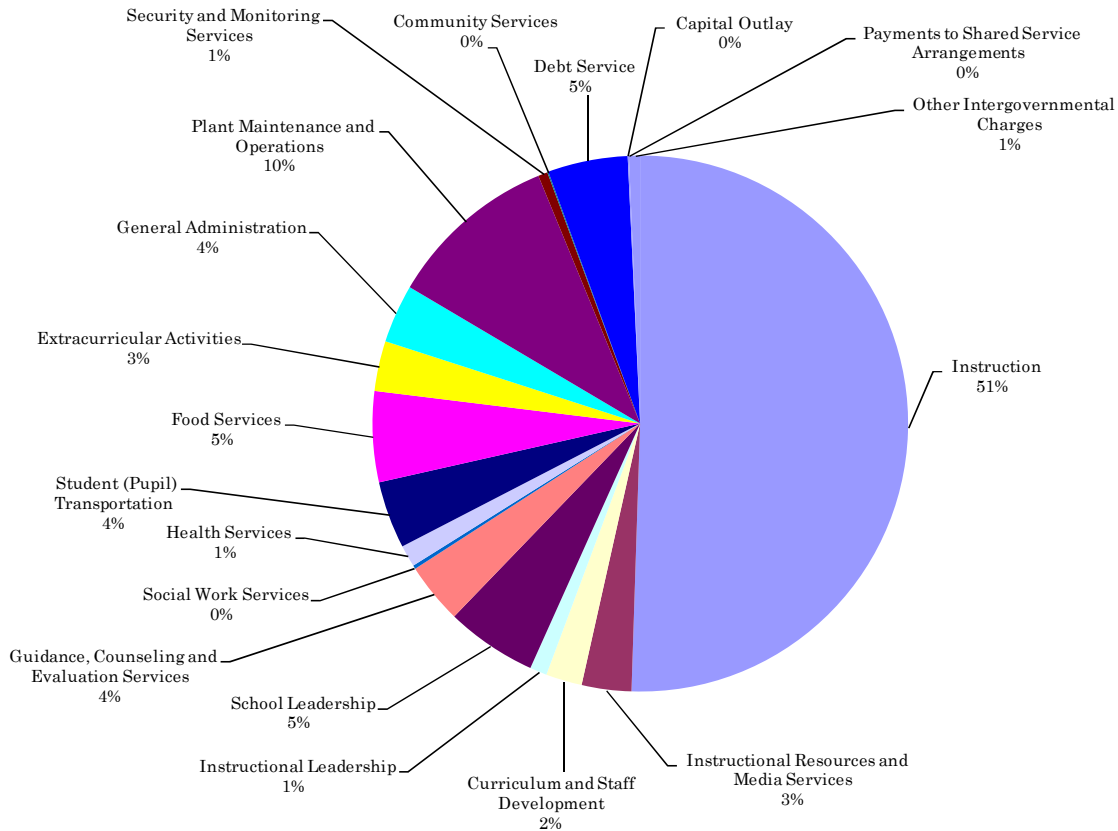
	Governmental Activities		Total Percentage Change 2008-2009
	2009	2008	
Program Revenues:			
Charges for Services	\$ 649,648	\$ 661,499	-1.79%
Operating Grants and Contributions	4,588,781	4,626,303	-0.81%
General Revenues:			
Property Taxes	8,245,812	7,069,094	16.65%
State Aid – Formula	10,353,656	11,469,656	-9.73%
Investment Earnings	80,466	240,868	-66.59%
Other	683	5,573	-87.74%
Total Revenues	<u>\$ 23,919,046</u>	<u>\$ 24,072,993</u>	-0.64%
Expenses:			
Instruction	\$ 11,894,768	\$ 11,398,536	4.35%
Instructional Resources and Media Services	706,264	755,731	-6.55%
Curriculum and Staff Development	510,850	398,807	28.09%
Instructional Leadership	243,856	235,028	3.76%
School Leadership	1,292,027	1,238,765	4.30%
Guidance, Counseling and Evaluation Services	864,457	805,279	7.35%
Social Work Services	49,353	62,797	-21.41%
Health Services	312,937	290,707	7.65%
Student (Pupil) Transportation	951,432	925,935	2.75%
Food Services	1,289,151	1,216,820	5.94%
Co-curricular/Extracurricular Activities	710,818	616,073	15.38%
General Administration	828,985	819,036	1.21%
Plant Maintenance and Operations	2,422,191	2,192,076	10.50%
Security and Monitoring Services	135,971	101,014	34.61%
Community Services	16,020	17,322	-7.52%
Debt Service	1,133,876	943,106	20.23%
Capital Outlay	3,118	-	100.00%
Payments to Shared Service Arrangements	16,370	15,305	6.96%
Other Intergovernmental Charges	159,447	149,963	6.32%
Total Expenses	<u>\$ 23,541,891</u>	<u>\$ 22,182,300</u>	6.13%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 377,155</u>	<u>\$ 1,890,693</u>	-80.05%
Increase (Decrease) in Net Assets	<u>\$ 377,155</u>	<u>\$ 1,890,693</u>	-80.05%
Net Assets - Beginning (July 1)	\$ 15,477,705	\$ 13,768,088	12.42%
Prior Period Adjustments	290,865	(181,076)	260.63%
Net Assets - Beginning, as restated	<u>\$ 15,768,570</u>	<u>\$ 13,587,012</u>	16.06%
Net Assets - Ending (June 30)	<u>\$ 16,145,725</u>	<u>\$ 15,477,705</u>	4.32%

**QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

Sources of Revenue for Fiscal Year 2009 - See Table A-2



Functional Expenses for Fiscal Year 2009 - See Table A-2



**QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

- Table A-3 presents the cost of selected District functions as well as the selected 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 \$ 23,541,891.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 8,245,812.
- Some of the cost was paid by those who directly benefited from the programs \$ 649,648, or
- By grants and contributions \$ 4,588,781.

Table A-3

**Quinlan Independent School District
Net Cost of Selected District Functions**

	Total Cost of Services			% Change	Net Cost of Services		
	2009	2008			2009	2008	% Change
Instruction	11,894,768	11,398,536	4.35%	9,125,504	8,938,331	2.09%	
School Leadership	1,292,027	1,238,765	4.30%	1,292,027	1,188,529	8.71%	
General Administration	828,985	819,036	1.21%	828,985	784,510	5.67%	
Plant Maintenance and Operations	2,422,191	2,192,076	10.50%	2,386,265	2,072,098	15.16%	
Debt Service	1,133,876	943,106	20.23%	576,818	277,427	107.92%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 23,622,250. Any increase in state revenues is a result of an increase of students in average daily attendance. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its general fund budget several times. Even with these adjustments, actual expenditures were \$ 596,968 below final general fund budget amounts. The most significant positive variances resulted from instruction and pupil transportation.

Resources available were \$ 91,642 above the final general fund budgeted amount. The favorable variance was the result of higher than anticipated tax collections and reductions in state funding due to the addition of tax collections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2009, the District had invested \$ 41,052,421 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

Table A-4

Quinlan Independent School District's Capital Assets

	Governmental Activities		Total Percentage Change 2008-2009
	2009	2008	2008-2009
Land	\$ 502,717	\$ 502,717	0.00%
Buildings and Improvements	37,023,635	37,023,635	0.00%
Vehicles	2,618,566	2,546,555	2.83%
Equipment	907,503	686,299	32.23%
Totals at Historical Cost	\$ 41,052,421	\$ 40,759,206	0.72%
Total Accumulated Depreciation	(10,416,812)	(9,450,800)	10.22%
Net Capital Assets	<u>\$ 30,635,609</u>	<u>\$ 31,308,406</u>	-2.15%

LONG TERM DEBT

At year-end, the District had \$ 22,792,816 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings -
The District's bonds presently carry "AAA" ratings.

Table A-5

Quinlan Independent School District's Long Term Debt

	Governmental Activities		Total Percentage Change 2008-2009
	2009	2008	2008-2009
Loans Payable	\$ 47,270	\$ 76,003	-37.81%
Leases Payable	109,258	213,592	-48.85%
Bonds Payable	22,390,000	23,030,838	-2.78%
Other Debt Payable	246,288	291,618	-15.54%
Total Debt Payable	<u>\$ 22,792,816</u>	<u>\$ 23,612,051</u>	-3.47%

ECONOMIC FACTORS

The District's property valuation continues to increase as in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations including cash flows.

QUINLAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

Student population gains have been constant in the District over the last few years with an approximate 1-2% gain annually. Estimates of enrollment into the new year reflect a slowing of this growth due to the overall economic status of the area. Any development in housing could impact the District's financial future. Both gains in appraisal value and taxes generated locally as well as any student population growth will impact the District's financial position in future years.

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 Michael French, Superintendent of the District.

BASIC FINANCIAL STATEMENTS

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 5,782,405
1225	Property Taxes Receivable, Net	2,049,336
1240	Due from Other Governments	2,507,537
1290	Other Receivables, Net	80,463
1420	Capitalized Bond and Other Debt Issuance Costs, Net	209,239
	Capital Assets:	
1510	Land	502,717
1520	Buildings and Improvements, Net	29,101,414
1530	Furniture and Equipment, Net	1,031,478
1800	Restricted Assets	23,041
1000	Total Assets	\$ 41,287,630
LIABILITIES		
2110	Accounts Payable	\$ 143,094
2140	Interest Payable	397,279
2165	Accrued Liabilities	1,803,192
2300	Deferred Revenues	5,522
	Noncurrent Liabilities:	
2501	Due within one year	880,187
2502	Due in more than one year	21,912,631
2000	Total Liabilities	\$ 25,141,905
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	\$ 8,052,030
	Restricted For:	
3850	Debt Service	989,445
3900	Unrestricted	7,104,250
3000	Total Net Assets	\$ 16,145,725

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

		1	3	4	6
		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Data			Charges for	Operating	
Control			Services	Grants and	Governmental
Codes	Functions/Programs	Expenses		Contributions	Activities
	Government Activities:				
11	Instruction	\$ 11,894,768	\$ 105,547	\$ 2,663,717	\$ (9,125,504)
12	Instructional Resources and Media Services	706,264	-	-	(706,264)
13	Curriculum and Staff Development	510,850	-	146,486	(364,364)
21	Instructional Leadership	243,856	-	-	(243,856)
23	School Leadership	1,292,027	-	-	(1,292,027)
31	Guidance, Counseling and Evaluation Services	864,457	-	394,492	(469,965)
32	Social Work Services	49,353	-	-	(49,353)
33	Health Services	312,937	-	-	(312,937)
34	Student (Pupil) Transportation	951,432	-	3,315	(948,117)
35	Food Services	1,289,151	420,211	806,366	(62,574)
36	Cocurricular / Extracurricular Activities	710,818	87,964	854	(622,000)
41	General Administration	828,985	-	-	(828,985)
51	Plant Maintenance and Operations	2,422,191	35,926	-	(2,386,265)
52	Security and Monitoring Services	135,971	-	9,907	(126,064)
61	Community Services	16,020	-	6,586	(9,434)
72	Interest on Long-term Debt	1,119,662	-	557,058	(562,604)
73	Debt Issuance Costs and Fees	14,214	-	-	(14,214)
81	Capital Outlay	3,118	-	-	(3,118)
93	Payments for Shared Service Arrangements	16,370	-	-	(16,370)
99	Other Intergovernmental Charges	159,447	-	-	(159,447)
TG	Total Government Activities	<u>\$ 23,541,891</u>	<u>\$ 649,648</u>	<u>\$ 4,588,781</u>	<u>\$ (18,303,462)</u>
	Total Primary Government	<u>\$ 23,541,891</u>	<u>\$ 649,648</u>	<u>\$ 4,588,781</u>	<u>\$ (18,303,462)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 6,921,502
DT	Property Taxes, Levied for Debt Service				1,324,310
IE	Investment Earnings				80,466
GC	Grant and Contributions Not Restricted to Specific Programs				10,353,656
MI	Miscellaneous				683
TG	Total General Revenues and Transfers				<u>\$ 18,680,617</u>
CN	Change in Net Assets				<u>\$ 377,155</u>
NB	Net Assets - Beginning (July 1)				\$ 15,477,705
PA	Prior Period Adjustments				290,865
	Net Assets - Beginning, as restated				<u>\$ 15,768,570</u>
NE	Net Assets - Ending (June 30)				<u>\$ 16,145,725</u>

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Fund	98 Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 4,126,855	\$ 1,075,059	\$ 303,724	\$ 5,505,638
1225 Property Taxes Receivable, Net	1,764,536	284,800	-	2,049,336
1240 Due from Other Governments	2,326,661	9,330	171,546	2,507,537
1290 Other Receivables	68,077	12,386	-	80,463
1800 Restricted Assets	-	-	23,041	23,041
1000 Total Assets	<u>\$ 8,286,129</u>	<u>\$ 1,381,575</u>	<u>\$ 498,311</u>	<u>\$ 10,166,015</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 22,822	\$ -	\$ -	\$ 22,822
2160 Accrued Wages Payable	1,295,845	-	317,032	1,612,877
2200 Accrued Expenditures	138,864	-	51,451	190,315
2300 Deferred Revenues	1,764,536	284,800	5,521	2,054,857
2000 Total Liabilities	<u>\$ 3,222,067</u>	<u>\$ 284,800</u>	<u>\$ 374,004</u>	<u>\$ 3,880,871</u>
FUND BALANCES				
Reserved Fund Balances:				
3420 Debt Service	\$ -	\$ 1,096,775	\$ -	\$ 1,096,775
3440 Outstanding Encumbrances	48,050	-	-	48,050
3450 Reserve for Food Service	-	-	62,603	62,603
3490 Other Reserves of Fund Balance	-	-	61,704	61,704
3600 Unreserved	5,016,012	-	-	5,016,012
3000 Total Fund Balance	<u>\$ 5,064,062</u>	<u>\$ 1,096,775</u>	<u>\$ 124,307</u>	<u>\$ 6,285,144</u>
4000 Total Liabilities and Fund Balances	<u>\$ 8,286,129</u>	<u>\$ 1,381,575</u>	<u>\$ 498,311</u>	<u>\$ 10,166,015</u>

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total fund balances - Balance Sheet (governmental funds)	\$	6,285,144
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		30,635,609
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		2,049,337
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		156,495
Payables for bond principal which are not due in the current period are not reported in the funds.		(22,390,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(109,258)
Payables for debt interest which are not due in the current period are not reported in the funds.		(397,279)
Payables for notes which are not due in the current period are not reported in the funds.		(47,270)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(246,288)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		209,239
		<hr/>
Net assets of governmental activities - Statement of Net Assets	\$	<u><u>16,145,729</u></u>

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES					
5700	Local and Intermediate Sources	\$ 6,875,867	\$ 1,287,220	\$ 543,492	\$ 8,706,579
5800	State Program Revenues	11,219,542	557,058	714,795	12,491,395
5900	Federal Program Revenues	-	-	2,424,276	2,424,276
5020	Total Revenues	\$ 18,095,409	\$ 1,844,278	\$ 3,682,563	\$ 23,622,250
EXPENDITURES					
Current:					
0011	Instruction	\$ 9,785,536	\$ -	\$ 1,852,591	\$ 11,638,127
0012	Instructional Resources and Media Services	676,553	-	3,429	679,982
0013	Curriculum and Staff Development	358,926	-	145,773	504,699
0021	Instructional Leadership	236,856	-	-	236,856
0023	School Leadership	1,221,405	-	26,403	1,247,808
0031	Guidance, Counseling and Evaluation Services	457,807	-	394,492	852,299
0032	Social Work Services	43,142	-	-	43,142
0033	Health Services	301,083	-	1,240	302,323
0034	Student (Pupil) Transportation	797,842	-	3,315	801,157
0035	Food Services	-	-	1,204,976	1,204,976
0036	Cocurricular / Extracurricular Activities	542,995	-	7,010	550,005
0041	General Administration	808,846	-	-	808,846
0051	Plant Maintenance and Operations	2,416,540	-	-	2,416,540
0052	Security and Monitoring Services	118,285	-	9,907	128,192
0061	Community Services	8,715	-	7,305	16,020
0071	Principal on Long-term Debt	133,067	640,838	-	773,905
0072	Interest on Long-term Debt	15,255	1,131,941	-	1,147,196
0073	Debt Issuance Costs and Fees	-	1,024	-	1,024
0081	Capital Outlay	162,347	-	-	162,347
0093	Payments for Shared Service Arrangements	16,370	-	-	16,370
0099	Other Intergovernmental Charges	159,447	-	-	159,447
6030	Total Expenditures	\$ 18,261,017	\$ 1,773,803	\$ 3,656,441	\$ 23,691,261
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (165,608)	\$ 70,475	\$ 26,122	\$ (69,011)
1200	Net Change in Fund Balances	\$ (165,608)	\$ 70,475	\$ 26,122	\$ (69,011)
0100	Fund Balances - Beginning (July 1)	\$ 5,114,009	\$ 1,006,709	\$ 97,674	\$ 6,218,392
1300	Prior Period Adjustments	115,661	19,591	511	135,763
	Fund Balances - Beginning, as restated	\$ 5,229,670	\$ 1,026,300	\$ 98,185	\$ 6,354,155
3000	Fund Balances - Ending (June 30)	\$ 5,064,062	\$ 1,096,775	\$ 124,307	\$ 6,285,144

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds	\$	(69,011)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		293,215
The depreciation of capital assets used in governmental activities is not reported in the funds.		(966,012)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		296,796
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(16,033)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		640,838
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		104,334
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		28,733
Debt issuance costs and similar items are amortized in the SOA but not in the funds.		(13,191)
The change in accreted interest on capital appreciation bonds is not reported in the funds.		61,363
(Increase) decrease in accrued interest expense from beginning of period to end of period.		(17,794)
The net revenue (expense) of internal service funds is reported with governmental activities.		<u>33,917</u>
Change in net assets of governmental activities - Statement of Activities	\$	<u><u>377,155</u></u>

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2009

<u>Data Control Codes</u>	<u>Internal Service Funds</u>
 ASSETS	
Current Assets:	
1110 Cash and Investments	<u>\$ 276,767</u>
Total Current Assets	<u>\$ 276,767</u>
1000 Total Assets	<u>\$ 276,767</u>
 LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 120,272</u>
Total Current Liabilities	<u>\$ 120,272</u>
2000 Total Liabilities	<u>\$ 120,272</u>
 NET ASSETS	
3900 Unrestricted Net Assets	<u>\$ 156,495</u>
3000 Total Net Assets	<u><u>\$ 156,495</u></u>

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

<u>Data</u> <u>Control</u> <u>Codes</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ <u>151,756</u>
5020 Total Operating Revenues	\$ <u>151,756</u>
OPERATING EXPENSES	
6400 Other Operating Costs	\$ <u>117,839</u>
6030 Total Operating Expenses	\$ <u>117,839</u>
1300 Change in Net Assets	\$ <u>33,917</u>
0100 Total Net Assets - Beginning (July 1)	\$ (32,524)
Prior Period Adjustment	<u>155,102</u>
Total Net Assets - Beginning, as Restated	<u>\$ 122,578</u>
3000 Total Net Assets - Ending (June 30)	\$ <u><u>156,495</u></u>

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Receipts from Miscellaneous Sources	\$ 186
Cash Receipts from Quasi interfund transactions	151,570
Cash Payments for Reinsurance and Administration	(48,962)
Cash Payments for Claims	(33,661)
Net Cash Provided by (Used for) Operating Activities	\$ 69,133
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 69,133
Cash and Cash Equivalents - Beginning (July 1)	207,634
Cash and Cash Equivalents - Ending (June 30)	\$ 276,767
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 33,917
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	35,216
Net Cash Provided by (Used for) Operating Activities	\$ 69,133

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 JUNE 30, 2009

Data Control Codes		Agency Funds
	ASSETS	
1110	Cash and Investments	\$ 74,658
1000	Total Assets	\$ 74,658
	LIABILITIES	
2190	Due to Student Groups	\$ 74,658
2000	Total Liabilities	\$ 74,658
	NET ASSETS	
3000	Total Net Assets	\$ -

The accompanying notes are an integral part of this statement.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

A. Summary of Significant Accounting Policies

The basic financial statements of the Quinlan 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

A. Summary of Significant Accounting Policies (Continued)

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.

In addition, the District reports the following fund types:

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Agency Funds – These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equity liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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.

QUINLAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009

A. Summary of Significant Accounting Policies (Continued)

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 June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
- b. A meeting of the Board is called for the purpose of adopting the purposed 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 expenditure 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 throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. 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		<u>-0-</u>
Total	\$	<u><u>-0-</u></u>

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Investments

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.

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

Debt Costs

Debt issuance costs are included in noncurrent assets. Unamortized premium or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight line method.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

Fund Equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for long-term debt retirement, capital projects, outstanding encumbrances and food service.

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.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

A. Summary of Significant Accounting Policies (Continued)

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.

There are no significant receivables which are not scheduled for collection within one year of year end.

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 presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

8. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues 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.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

A. Summary of Significant Accounting Policies (Continued)

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 June 30, 2009, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. Deposits appear to have been secured throughout the 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 have been 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.

District investments include investments in TexPool, an external investment pool. All TexPool investments are reported at share price (fair value) and are presented as cash and cash equivalents.

Texas Local Government Investment Pool ("TexPool") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly investment their funds in authorized investments.

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (the "Trust Company"), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory 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.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

B. Deposits, Securities, and Investments (Continued)

The following table identifies the District's investment at June 30, 2009:

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
TexPool	AAA	\$ 5,364,398

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

- a. Name of bank: American National Bank, Quinlan, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 1,245,576.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 966,305, and occurred during the month of June 2009.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 267,993.

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

- a. **Credit Risk**
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.
- b. **Custodial Credit Risk**
Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.
Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.
- c. **Concentration of Credit Risk**
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.
- d. **Interest Rate Risk**
This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.
- e. **Foreign Currency Risk**
This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

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 \$ 1.040 to fund general operations and \$.200 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 651,034,423.

D. Capital Assets

Capital asset activities during the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 502,717	\$ -	\$ -	502,717
Total Capital Assets not being Depreciated	\$ 502,717	\$ -	\$ -	\$ 502,717
Capital Assets being Depreciated:				
Building and Improvements	\$ 37,023,635	\$ -	\$ -	\$ 37,023,635
Equipment	686,299	221,204	-	907,503
Vehicles	2,546,555	72,011	-	2,618,566
Total Capital Assets being Depreciated	\$ 40,256,489	\$ 293,215	\$ -	\$ 40,549,704
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 7,178,780	\$ 743,441	\$ -	\$ 7,922,221
Equipment	471,858	63,595	-	535,453
Vehicles	1,800,162	158,976	-	1,959,138
Total Accumulated Depreciation	\$ 9,450,800	\$ 966,012	\$ -	\$ 10,416,812
Total Capital Assets being Depreciated, Net	\$ 30,805,689	\$ (672,797)	\$ -	\$ 30,132,892
Governmental Activities Capital Assets, Net	\$ 31,308,406	\$ (672,797)	\$ -	\$ 30,635,609

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

D. Capital Assets (Continued)

Depreciation was charged to function as follows:

Instruction	\$ 363,444
Instructional Resources and Media Services	67,184
Curriculum and Staff Development	6,151
Instructional Leadership	7,000
School Leadership	44,219
Guidance, Counseling and Evaluation Services	12,158
Social Work Services	6,211
Health Services	10,614
Student (Pupil) Transportation	150,275
Food Services	84,175
Co-Curricular/Extracurricular Activities	160,813
General Administration	20,139
Plant Maintenance and Operations	23,151
Security and Monitoring Services	7,779
Facilities Acquisition and Construction	<u>2,699</u>
Totals	<u>\$ 966,012</u>

E. Long Term Obligations

Long Term Obligation Activity

Long term obligations activity during the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 23,030,838	\$ -	\$ 640,838	\$ 22,390,000	\$ 740,000
Capital Leases Payable	213,592	-	104,334	109,258	27,709
Loans Payable	76,003	-	28,733	47,270	30,929
Accreted Interest Payable	61,361	12,800	74,161	-	-
Unamortized Premium	263,880	-	17,592	246,288	-
Refunding (Gain) Loss	(33,625)	-	(33,625)	-	-
Total Governmental Activities	<u>\$ 23,612,049</u>	<u>\$ 12,800</u>	<u>\$ 832,033</u>	<u>\$ 22,792,816</u>	<u>\$ 798,638</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

E. Long Term Obligations (Continued)

The following issues are outstanding at June 30, 2009:

Description	Rate	Original	Obligations Outstanding
Unlimited Tax School Building Bonds, Series 2006	5.50%	15,000,000	\$ 13,725,000
Unlimited Tax Refunding Bonds, Series 2007	3.89%	9,540,530	8,665,000
Total			<u>\$ 22,390,000</u>

Debt service requirements on bonded debt at June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2010	\$ 740,000	\$ 1,045,679	\$ 1,785,679
2011	775,000	1,012,629	1,787,629
2012	815,000	977,954	1,792,954
2013	840,000	943,079	1,783,079
2014	875,000	909,479	1,784,479
2015-2019	5,030,000	3,924,568	8,954,568
2020-2024	5,185,000	2,727,920	7,912,920
2025-2029	4,680,000	1,615,365	6,295,365
2030-2034	3,450,000	358,020	3,808,020
Totals	<u>\$ 22,390,000</u>	<u>\$ 13,514,693</u>	<u>\$ 35,904,693</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of June 30, 2009.

Loans

The District entered into a loan agreement with First Bank, Texarkana, Texas for an energy management lighting retrofit. The loan incurs interest at a rate of 7.502%. Semi-annual principal and interest payments are required and the loan will fully mature on July 28, 2010.

Debt service requirements on loans at June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2010	\$ 30,929	\$ 2,977	\$ 33,906
2011	16,340	613	16,953
Totals	<u>\$ 47,269</u>	<u>\$ 3,590</u>	<u>\$ 50,859</u>

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

E. Long Term Obligations (Continued)

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Interest Rate	Date of Agreement	Original Value
Blue Bird Bus Company - School Bus	4.72%	08/02/07	\$ 52,994
Blue Bird Bus Company - School Bus	4.72%	08/02/07	53,984
Blue Bird Bus Company - School Bus	4.72%	08/02/07	82,441
Blue Bird Bus Company - School Bus	4.72%	08/02/07	79,815
Totals			<u>\$ 269,234</u>

The lease terms are for two years. The agreement calls for annual payments over the life of the lease.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments as of June 30, 2009:

Year Ending June 30	Total Requirements
2010	\$ 114,415
Total Minimum Lease Payment	\$ 114,415
Less Amount Representing Interest	<u>(5,157)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 109,258</u>

F. Pension Plan

1. 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, under the TRS publication heading.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

F. Pension Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provided for a member contribution rate of 6.4% for fiscal year 2009, 2008 and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.00% for fiscal year 2007. The District's employees' contributions to the System for the periods ended June 30, 2009, 2008, and 2007 were \$ 778,804, \$ 724,454, and \$ 747,381, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended June 30, 2009, 2008, and 2007 were \$ 195,811, \$ 143,737, and \$ 136,638, respectively.

3. 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 \$ 748,459 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The Quinlan School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008, 2007. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

G. School District Retiree Health Plan (Continued)

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 113,747 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 30,106 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the year ended June 30, 2009, employees of the Quinlan Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan.

All premiums were paid to a TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Quinlan Independent School District and TRS Activecare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2008, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Workers Compensation

The District participates in the East Texas Educational Insurance Association Workers Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 138,755 for the 08-09 fiscal year. Additionally, the District incurred fixed costs of \$ 40,383 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self insurance of \$ 120,272 includes \$ 71,310 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

H. Risk Management

Changes in the workers compensation claims liability amounts in fiscal periods 2009 and 2008 are represented below:

	2009	2008
Claims Payable (July 1)	\$ 85,055	\$ 138,288
Claims Incurred and Changes in Estimate	68,915	(12,885)
Claim Payments	(33,698)	(40,348)
Claims Payable (June 30)	\$ 120,272	\$ 85,055

Other Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 2009 fiscal period, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal period, and there were no settlements exceeding insurance coverage for each of the past three fiscal periods.

I. Litigation

The District is not involved in any litigation as of June 30, 2009.

J. Prior Period Adjustments

Government-wide Financial Statements

The increase in net assets identified on Exhibit B-1 includes the following corrections of errors in prior periods:

Recognition and receipt of state aid funding and reduction of state funds recognized as earned in the prior period	\$ 135,763
Adjustment of Claim Liabilities Payable	155,102
Total Prior Period Adjustment	\$ 290,865

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

J. Prior Period Adjustments (Continued)

Governmental Funds

The increase or decrease in various major funds as identified on Exhibit C-3 includes the following corrections of errors in the prior period:

General Fund -		
Recognition and receipt of state aid funding	\$	115,661
Debt Service Fund -		
Recognition and receipt of state aid funding		19,591
Other Governmental Funds		
Recognition and receipt of state aid funding		<u>511</u>
Total Prior Period Adjustment	\$	<u><u>135,763</u></u>

Prioritary Funds

The increase or decrease in various funds as identified on Exhibit D-2 includes the following corrections of errors in the prior period:

Internal Service Fund		
Adjustment of Claims Liability Payable	\$	155,102

K. 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 June 30, 2009, 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.

L. Joint Ventures

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Title V & Title IV	Region X ESC	Program Services
Hunt County Co-operative	Lone Oak Independent School District	Administration Service

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

M. Economic Dependency

The District received 52.88% of its governmental fund-type revenues from the State of Texas. Under the State foundation aid program, the District must perform certain duties as required by the State. As the primary support for District operations, funding from the State is imperative to the economic viability of the District.

N. Revenue from Local and Intermediate Sources

During the year ended June 30, 2009, the District received revenue from local and intermediate sources consisting of the following:

Local Revenue Sources:	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property Tax Collections - Current	\$ 6,181,958	\$ 1,191,007	\$ -	\$ 7,372,965
Property Tax Collections - Delinquent	267,690	45,162	-	312,852
Penalties, Interest and Other				
Tax-Related Income	222,978	40,221	-	263,199
Investment Income	67,475	10,830	919	79,224
Food Service Income	-	-	420,211	420,211
Gifts and Bequests	585	-	30,004	30,589
Cocurricular/Extracurricular Activities	43,881	-	63,448	107,329
Other	91,300	-	28,910	120,210
Total Local Revenue	\$ 6,875,867	\$ 1,287,220	\$ 543,492	\$ 8,706,579

O. Receivables

Receivables at June 30, 2009, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Due from Other Governments	\$ 2,326,661	\$ 9,330	\$ 171,546	\$ 2,507,537
Property Taxes	1,960,595	316,444	-	2,277,039
Less Allowance for Uncollectible				
Property Taxes	(196,059)	(31,644)	-	(227,703)
Property Tax Collections	66,077	-	-	66,077
Miscellaneous Other Receivables	2,000	-	-	2,000
Net Receivables	\$ 4,159,274	\$ 294,130	\$ 171,546	\$ 4,624,950

REQUIRED SUPPLEMENTARY INFORMATION

QUINLAN INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2009

Data Control Codes	1		2	3	4
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 6,659,947	\$ 6,675,897	\$ 6,875,867	\$ 199,970
5800	State Program Revenues	11,186,105	11,327,870	11,219,542	(108,328)
5020	Total Revenues	\$ 17,846,052	\$ 18,003,767	\$ 18,095,409	\$ 91,642
EXPENDITURES					
0010	Instruction and Instructional Related Services:				
0011	Instruction	\$ 9,570,983	\$ 9,926,939	\$ 9,785,536	\$ 141,403
0012	Instructional Resources and Media Services	934,444	686,852	676,553	10,299
0013	Curriculum and Staff Development	242,157	376,593	358,926	17,667
	Total Instruction and Instr. Related Services	<u>\$ 10,747,584</u>	<u>\$ 10,990,384</u>	<u>\$ 10,821,015</u>	<u>\$ 169,369</u>
0020	Instructional and School Leadership:				
0021	Instructional Leadership	\$ 253,602	\$ 257,645	\$ 236,856	\$ 20,789
0023	School Leadership	1,195,663	1,251,540	1,221,405	30,135
	Total Instructional and School Leadership	<u>\$ 1,449,265</u>	<u>\$ 1,509,185</u>	<u>\$ 1,458,261</u>	<u>\$ 50,924</u>
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 434,468	\$ 477,210	\$ 457,807	\$ 19,403
0032	Social Work Services	59,019	49,475	43,142	6,333
0033	Health Services	308,471	319,569	301,083	18,486
0034	Student (Pupil) Transportation	899,942	940,853	797,842	143,011
0036	Cocurricular / Extracurricular Activities	553,544	552,868	542,995	9,873
	Total Support Services - Student (Pupil)	<u>\$ 2,255,444</u>	<u>\$ 2,339,975</u>	<u>\$ 2,142,869</u>	<u>\$ 197,106</u>
0040	Administrative Support Services:				
0041	General Administration	\$ 901,047	\$ 882,537	\$ 808,846	\$ 73,691
	Total Administrative Support Services	<u>\$ 901,047</u>	<u>\$ 882,537</u>	<u>\$ 808,846</u>	<u>\$ 73,691</u>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 2,431,696	\$ 2,482,782	\$ 2,416,540	\$ 66,242
0052	Security and Monitoring Services	108,088	131,537	118,285	13,252
	Total Support Services - Nonstudent Based	<u>\$ 2,539,784</u>	<u>\$ 2,614,319</u>	<u>\$ 2,534,825</u>	<u>\$ 79,494</u>
0060	Ancillary Services:				
0061	Community Services	\$ 18,430	\$ 17,085	\$ 8,715	\$ 8,370
	Total Ancillary Services	<u>\$ 18,430</u>	<u>\$ 17,085</u>	<u>\$ 8,715</u>	<u>\$ 8,370</u>
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ -	\$ 130,000	\$ 133,067	\$ (3,067)
0072	Interest on Long-term Debt	151,000	21,000	15,255	5,745
	Total Debt Service	<u>\$ 151,000</u>	<u>\$ 151,000</u>	<u>\$ 148,322</u>	<u>\$ 2,678</u>
0080	Capital Outlay:				
0081	Capital Outlay	\$ -	\$ 168,500	\$ 162,347	\$ 6,153
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 168,500</u>	<u>\$ 162,347</u>	<u>\$ 6,153</u>
0090	Intergovernmental Changes:				
0093	Payments for Shared Service Arrangements	\$ 20,000	\$ 20,000	\$ 16,370	\$ 3,630
0099	Other Intergovernmental Charges	160,000	165,000	159,447	5,553
	Total Intergovernmental Charges	<u>\$ 180,000</u>	<u>\$ 185,000</u>	<u>\$ 175,817</u>	<u>\$ 9,183</u>
6030	Total Expenditures	\$ 18,242,554	\$ 18,857,985	\$ 18,261,017	\$ 596,968
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (396,502)</u>	<u>\$ (854,218)</u>	<u>\$ (165,608)</u>	<u>\$ 688,610</u>
1200	Net Change in Fund Balance	<u>\$ (396,502)</u>	<u>\$ (854,218)</u>	<u>\$ (165,608)</u>	<u>\$ 688,610</u>
0100	Fund Balance - Beginning (July 1)	\$ 5,114,009	\$ 5,114,009	\$ 5,114,009	\$ -
1300	Prior Period Adjustment	-	-	115,661	115,661
0100	Fund Balance - Beginning , as Restated	<u>\$ 5,114,009</u>	<u>\$ 5,114,009</u>	<u>\$ 5,229,670</u>	<u>\$ 115,661</u>
3000	Fund Balance - Ending (June 30)	\$ 4,717,507	\$ 4,259,791	\$ 5,064,062	\$ 804,271

OTHER SUPPLEMENTARY INFORMATION

QUINLAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2009

Tax Roll Year	Last Ten Periods Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2008	20 Current Year's Total Levy	31 Maintenance Tax Collections	32 Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2009
		Maintenance	2 Debt Service							
XXXX	2000 and Prior Years	Various	Various	Various	\$ 230,054	\$ -	\$ 8,586	\$ 1,924	\$ (10,888)	\$ 208,656
2000	2001	1.34300	0.087562	287,651,454	36,077	-	1,465	96	(2,887)	31,629
2001	2002	1.34000	0.068800	316,821,571	59,967	-	2,980	153	(3,951)	52,883
2002	2003	1.34000	0.215200	346,114,596	83,784	-	3,406	547	(4,440)	75,391
2003	2004	1.36190	0.193300	389,498,778	117,756	-	8,778	1,246	(3,871)	103,861
2004	2005	1.41190	0.211000	424,259,899	159,441	-	20,170	3,012	(2,991)	133,268
2005	2006	1.42196	0.200938	477,859,236	238,763	-	31,339	4,429	(5,523)	197,472
2006	2007	1.30160	0.200000	514,987,680	345,422	-	82,619	12,695	(8,302)	241,806
2007	2008	1.04000	0.200000	553,849,194	676,001	-	294,827	56,589	(16,856)	307,729
2008	2009	1.04000	0.200000	651,034,423	-	8,072,827	5,996,075	1,155,355	2,948	924,345
1000	TOTALS				\$ 1,947,265	\$ 8,072,827	\$ 6,450,245	\$ 1,236,046	\$ (56,761)	\$ 2,277,040

QUINLAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2007-2008
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs			\$ 216,428	\$ 286,907		\$ 4,606	\$ 507,941
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6211	Legal Services	105,627						105,627
6212	Audit Services				18,300			18,300
6213	Tax Appraisal and Collection		2,964					2,964
621X	Other Prof. Services			75,368	1,825			77,193
6220	Tuition and Transfer Payments							-
6230	Education Service Centers				19,131			19,131
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals				8,821			8,821
6290	Miscellaneous Contr.				2,500			2,500
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading							-
6330	Testing Materials							-
63XX	Other Supplies, Materials			2,234	11,875			14,109
6410	Travel, Subsistence, Stipends	7,693		9,959	4,043			21,695
6420	Ins. And Bonding Costs							-
6430	Election Costs	2,056						2,056
6490	Miscellaneous Operating	3,686		2,220	22,603			28,509
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 119,062	\$ 2,964	\$ 306,209	\$ 376,005	\$ -	\$ 4,606	\$ 808,846

Total expenditures for General and Special Revenue Funds:

(9) \$ 21,917,457

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)

(10) \$ 306,137

Total Debt & Lease (6500)

(11) \$ 148,322

Plant Maintenance (Function 51, 6100-6400)

(12) \$ 2,399,040

Food (Function XX, 6341 and 6499)

(13) \$ 514,737

Stipend (6413)

(14) \$ 6,292

Column D (above) - Total Indirect Cost

\$ 376,005

Subtotal

3,750,533

Net Allowed Direct Cost

\$ 18,166,924

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)

(15) \$ 37,023,635

Historical Cost of Buildings over 50 years old

(16) \$ -

Amount of Federal Money in building Cost (Net of # 16)

(17) \$ -

Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)

(18) \$ 3,526,069

Historical Cost of Furniture & Equipment over 16 years old

(19) \$ 460,991

Amount of Federal Money in Furniture & Equipment (Net of # 19)

(20) \$ -

(8) Note A - No Function 53 expenditures and \$ 2,964 Function 99 expenditures are included in this report on administrative costs.

QUINLAN INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND
 AS OF JUNE 30, 2009

"UNAUDITED"

Data Control Codes	Explanation	Amount
1	Total General Fund Balance June 30, 2009 (Exhibit C-1 object 3000 for the General Fund only)	<u>\$ 5,064,062</u>
2	Total General Fund Reserve Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	\$ 48,050
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for General Fund only)	-
4	Estimated amount needed to cover fall cash flow deficit in General Fund (net of borrowed funds and funds representing deferred revenues)	-
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 5/31/10)	2,030,000
6	Estimate of delayed payments from state sources (58XX) including August payment delay	2,500,000
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)	200,000
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)	<u>-</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>\$ 4,778,050</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-10)	<u><u>\$ 286,012</u></u>

Excess balances available will be used to continue District faculty improvements and upgrades.

QUINLAN INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2009

Data Control Codes	1	2	3	4	
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 437,000	\$ 437,000	\$ 421,119	\$ (15,881)
5800	State Program Revenues	7,500	7,500	7,639	139
5900	Federal Program Revenues	<u>767,000</u>	<u>767,000</u>	<u>798,727</u>	<u>31,727</u>
5020	Total Revenues	<u>\$ 1,211,500</u>	<u>\$ 1,211,500</u>	<u>\$ 1,227,485</u>	<u>\$ 15,985</u>
EXPENDITURES					
Current:					
0030	Support Services - Student (Pupil):				
0035	Food Service	<u>\$ 1,207,947</u>	<u>\$ 1,223,461</u>	<u>\$ 1,204,976</u>	<u>\$ 18,485</u>
	Total Support Services - Student (Pupil)	<u>\$ 1,207,947</u>	<u>\$ 1,223,461</u>	<u>\$ 1,204,976</u>	<u>\$ 18,485</u>
6030	Total Expenditures	<u>\$ 1,207,947</u>	<u>\$ 1,223,461</u>	<u>\$ 1,204,976</u>	<u>\$ 18,485</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,553</u>	<u>\$ (11,961)</u>	<u>\$ 22,509</u>	<u>\$ 34,470</u>
1200	Net Change in Fund Balance	\$ 3,553	\$ (11,961)	\$ 22,509	\$ 34,470
0100	Fund Balance - Beginning (July 1)	<u>40,094</u>	<u>40,094</u>	<u>40,094</u>	<u>-</u>
3000	Fund Balance - Ending (June 30)	<u><u>\$ 43,647</u></u>	<u><u>\$ 28,133</u></u>	<u><u>\$ 62,603</u></u>	<u><u>\$ 34,470</u></u>

QUINLAN INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2009

Data Control Codes	1	2	3	4	
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 1,238,644	\$ 1,238,644	\$ 1,287,220	\$ 48,576
5800	State Program Revenues	<u>592,666</u>	<u>592,666</u>	<u>557,058</u>	<u>(35,608)</u>
5020	Total Revenues	<u>\$ 1,831,310</u>	<u>\$ 1,831,310</u>	<u>\$ 1,844,278</u>	<u>\$ 12,968</u>
EXPENDITURES					
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 641,000	\$ 641,000	\$ 640,838	\$ 162
0072	Interest on Long-term Debt	1,132,000	1,132,000	1,131,941	59
0073	Bond Issuance Costs and Fees	<u>2,000</u>	<u>2,000</u>	<u>1,023</u>	<u>977</u>
	Total Debt Service	<u>\$ 1,775,000</u>	<u>\$ 1,775,000</u>	<u>\$ 1,773,802</u>	<u>\$ 1,198</u>
6030	Total Expenditures	<u>\$ 1,775,000</u>	<u>\$ 1,775,000</u>	<u>\$ 1,773,802</u>	<u>\$ 1,198</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 56,310</u>	<u>\$ 56,310</u>	<u>\$ 70,476</u>	<u>\$ 14,166</u>
1200	Net Change in Fund Balance	<u>\$ 56,310</u>	<u>\$ 56,310</u>	<u>\$ 70,476</u>	<u>\$ 14,166</u>
0100	Fund Balance - Beginning	\$ 1,006,708	\$ 1,006,708	\$ 1,006,708	\$ -
1300	Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>19,591</u>	<u>19,591</u>
	Fund Balance - Beginning, as restated	<u>\$ 1,006,708</u>	<u>\$ 1,006,708</u>	<u>\$ 1,026,299</u>	<u>\$ 19,591</u>
3000	Fund Balance - Ending (June 30)	<u><u>\$ 1,063,018</u></u>	<u><u>\$ 1,063,018</u></u>	<u><u>\$ 1,096,775</u></u>	<u><u>\$ 33,757</u></u>

QUINLAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2009

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -0-

FEDERAL AWARDS SECTION

QUINLAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	Pass-Through Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Greenville Independent School District:			
Head Start	93.600	06CH6997/08	\$ 83,316
Total Department of Health and Human Services			\$ 83,316
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs*	84.010A	09610101116908	\$ 649,705
IDEA-B Formula	84.027	096600011169086600	563,808
IDEA-B Preschool	84.173	096610011169086610	12,128
Reading First	84.357A	086455057110081	86,995
IDEA-B, Discretionary	84.027	116-908	3,727
ESEA Title II Part A - Teacher & Principal Training	84.367A	09694501116908	154,495
ESEA Title II Part D - Enhancing Education through Technology	84.318X	09630001116908	5,954
Carl D. Perkins - Basic Grant		09420006116908	41,386
IDEA B - Preschool Access to General Curriculum		116-908	9,000
Total passed through the Texas Education Agency			\$ 1,527,198
Passed through the Education Service Center, Region X:			
ESEA Title III Part A	84.365	09671001057950	\$ 7,469
ESEA Title IV Part A - Safe & Drug Free Schools & Community	84.186A	09691001057950	7,566
Total passed through the Education Service Center, Region X			\$ 15,035
Total Department of Education			\$ 1,542,233
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71400701	\$ 181,381
National School Lunch Program	10.555	71300701	559,253
Total passed through the Texas Department of Agriculture			\$ 740,634
Passed through the Texas Department of Human Services:			
Commodity Food Distribution	10.565	116008A	\$ 58,093
Total passed through the Texas Department of Human Services			\$ 58,093
Total Department of Agriculture			\$ 798,727
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,424,276

* Indicates Major Program

QUINLAN INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Quinlan 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 June 30, 2009.