

*ANNUAL FINANCIAL REPORT*

of the

**DEW  
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended  
August 31, 2010

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**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*TABLE OF CONTENTS*  
August 31, 2010

	<u>Page</u>	<u>Exhibit</u>
<b><u>INTRODUCTORY SECTION</u></b>		
Certificate of Board	3	
<b><u>FINANCIAL SECTION</u></b>		
Independent Auditors' Report	7	
Management's Discussion and Analysis	11	
<b><u>BASIC FINANCIAL STATEMENTS</u></b>		
<b>Government-Wide Financial Statements</b>		
Statement of Net Assets	19	A-1
Statement of Activities	21	B-1
<b>Fund Financial Statements</b>		
<b>    Governmental Funds Financial Statements</b>		
Balance Sheet – Governmental Funds	23	C-1
Reconciliation of the Governmental Balance Sheet to the Statement of Net Assets	25	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	27	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29	C-2R
<b>    Fiduciary Fund Financial Statements</b>		
Statement of Fiduciary Net Assets – Fiduciary Funds	31	D-1
Notes to Financial Statements	33	
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	51	F-1
<b><u>OTHER SUPPLEMENTARY INFORMATION</u></b>		
Combining Balance Sheet – Nonmajor Governmental Funds	54	G-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	56	G-2
Schedule of Delinquent Taxes Receivable	58	H-1
Schedule of Expenditures for Computation of Indirect Costs for 2011-2012	60	H-2
Fund Balance and Cash Flow Calculation Schedule (Unaudited) – General Fund	63	H-3
Budgetary Comparison Schedule – Child Nutrition Fund	65	H-4

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*TABLE OF CONTENTS, Continued*  
August 31, 2010

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67	
Schedule of Findings and Questioned Costs	69	
Summary Schedule or Prior Year Audit Findings	70	
Schedule of Required Responses to Selected School First Indicators	71	K-1

***INTRODUCTORY SECTION***

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CERTIFICATE OF BOARD

Dew Independent School District  
Name of School District

Freestone  
County

081-906  
Co. Dist. Number

We, the undersigned, clarify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the 17 day of January, 2011.

Kim Massey

Signature of Board Secretary

David Powell

Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary)

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*FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
Dew Independent School District:

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

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2010, and the respective changes in financial position and 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 December 17, 2010 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.

Generally accepted accounting principles in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

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responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 17, 2010

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
For the Year Ended August 31, 2010

This discussion and analysis of Dew Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2010. It should be read in conjunction with the District's financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net assets at August 31, 2010 were \$7,831,446.
- For the fiscal year ended August 31, 2010, the District's general fund reported a total negative fund balance of \$134,003.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$550,766.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplemental Information*. The basic 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.
- *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 fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

**GOVERNMENT-WIDE FINANCIAL 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 District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
For the Year Ended August 31, 2010

- 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 non-financial factors such as changes in the District's tax base, staffing patterns, enrollment and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detail information about the District's most significant funds -- not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity -- these assets do not belong to the District, but the District is responsible to properly account for them.

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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* – the District serves as the trustee, or fiduciary, for certain funds such as student activity 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 these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
For the Year Ended August 31, 2010

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net assets were \$7,831,446 at August 31, 2010. *Table 1* focuses on the net assets while *Table 2* shows the revenues and expenses that changed the net asset balance during the fiscal year ended August 31, 2010.

**Table 1**  
**Net Assets**

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Dollar Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010-2009</u>
Current assets	\$ 1,343,204	\$ 1,624,128	\$ (280,924)
Capital assets	7,989,128	8,120,187	(131,059)
<b>Total assets</b>	<u>9,332,332</u>	<u>9,744,315</u>	<u>(411,983)</u>
Current liabilities	590,886	1,428,836	(837,950)
Long-term liabilities	910,000	600,000	310,000
<b>Total liabilities</b>	<u>1,500,886</u>	<u>2,028,836</u>	<u>(527,950)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	7,079,128	7,520,187	(441,059)
Restricted	684,769	501,006	183,763
Unrestricted	67,549	(305,714)	373,263
<b>Total net assets</b>	<u>\$ 7,831,446</u>	<u>\$ 7,715,479</u>	<u>\$ 115,967</u>

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
For the Year Ended August 31, 2010

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Total Dollar Change
	2010	2009	2010-2009
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 29,587	\$ 247,102	\$ (217,515)
Operating grants and contributions	184,025	133,201	50,824
General revenues:			
Property taxes	5,146,197	4,876,759	269,438
State foundation program	269,581	1,055,084	(785,503)
Investment earnings	4,967	22,237	(17,270)
Other revenue	56,413	3,090	53,323
<b>Total Revenue</b>	<u>5,690,770</u>	<u>6,337,473</u>	<u>(646,703)</u>
<b>Expenses</b>			
Instruction	1,189,182	1,153,187	35,995
Instructional resources and media services	71,225	73,221	(1,996)
Curriculum and staff development	1,874	2,907	(1,033)
Instructional leadership	45,791	47,661	(1,870)
Guidance and counseling	58,448	65,573	(7,125)
Social work/health services	30,300	1,444	28,856
Student transportation	80,763	62,737	18,026
Food services	102,933	131,247	(28,314)
Co-curricular/extracurricular activities	54,032	85,862	(31,830)
General administration	149,283	229,616	(80,333)
Plant maintenance and operations	231,226	289,707	(58,481)
Data processing services	45,423	47,770	(2,347)
Interest on debt	21,938	1,288	20,650
Bond issuance cost and fees	-	20,550	(20,550)
Contracted instructional services between schools	3,293,682	4,406,054	(1,112,372)
Payments related to shared service agreements	21,998	23,485	(1,487)
Other intergovernmental charges	176,705	-	176,705
<b>Total Expenses</b>	<u>5,574,803</u>	<u>6,642,309</u>	<u>(1,067,506)</u>
<b>Change in Net Assets</b>	<u>115,967</u>	<u>(304,836)</u>	<u>\$ (420,803)</u>
Beginning net assets	7,715,479	8,020,315	
<b>Ending Net Assets</b>	<u>\$ 7,831,446</u>	<u>\$ 7,715,479</u>	

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
For the Year Ended August 31, 2010

**Governmental Activities Analysis**

Revenues for the District decreased by \$646,703 while expenses decreased by \$1,067,506. Significant factors affecting the \$115,967 increase in net assets included a reduction in Chapter 41 recapture expenditures in the amount of \$1,112,372 balanced by a decrease in state foundation program revenue of \$785,503.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2010, the District's combined governmental funds reported a combined fund balance of \$550,766. This compares to a combined negative fund balance of \$73,818 at August 31, 2009. The fund balance in the general fund increased due to a reduction in expenditures. The capital projects fund increased due to proceeds from a bond issuance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the period ended August 31, 2010, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's budgeted revenues exceeded actual revenues by \$476,087 and the budgeted expenditures exceeded actual expenditures by \$606,669.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2010, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2010, the District had a total of \$9,572,668 invested in capital assets such as land, construction in progress, buildings, and District equipment. This total includes \$136,408 invested during the fiscal year ended August 31, 2010.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

At year end, the District had \$910,000 in general obligation bonds outstanding versus \$600,000 last year. The increase is due to a newly issued general obligation bond.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2010-2011 school year total \$5,457,133 and the District's Board of Trustees adopted an M & O tax rate of \$1.04 and an I & S rate of \$0.065206.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*  
For the Year Ended August 31, 2010

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Dew Independent School District business office at 606 County Road 481, Teague, Texas, 75860, or by calling (903) 389-2828.

***BASIC FINANCIAL STATEMENTS***

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# DEW INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET ASSETS - EXHIBIT A-1

August 31, 2010

<u>Data Control Codes</u>		1
		<u>Governmental Activities</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 1,074,110
1220	Property taxes receivable (delinquent)	299,197
1230	Allowance for uncollectible taxes	(106,082)
1240	Due from other governments	65,098
1420	Deferred Charges	10,881
		<u>1,343,204</u>
	Capital Assets:	
1510	Land	178,250
1520	Buildings, net	7,500,862
1530	Furniture and equipment, net	39,512
1540	Vehicles	270,504
		<u>7,989,128</u>
1000	<b>Total Assets</b>	<u>9,332,332</u>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	10,598
2140	Interest payable	2,444
2160	Accrued wages payable	70,793
2163	Accrued expenses	214
2180	Due to other governments	506,201
2200	Other payables	636
		<u>590,886</u>
	Non-current liabilities:	
2501	Long-term liabilities due within one year	217,000
2502	Long-term liabilities due in more than one year	693,000
		<u>910,000</u>
2000	<b>Total Liabilities</b>	<u>1,500,886</u>
	<b><u>Net Assets</u></b>	
3200	Invested in capital assets, net of related debt	7,079,128
3420	Debt service	3,790
3860	Capital projects	680,979
3900	Unrestricted	67,549
3000	<b>Total Net Assets</b>	<u>\$ 7,831,446</u>

See Notes to Financial Statements.

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# DEW INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2010

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 1,189,182	\$ -	\$ 137,887	\$ (1,051,295)
12	Instructional resources and media services	71,225	-	14,371	(56,854)
13	Curriculum and instructional staff development	1,874	-	1,449	(425)
21	Instructional leadership	45,791	-	-	(45,791)
31	Guidance, counseling and evaluation services	58,448	-	-	(58,448)
33	Health services	30,300	-	-	(30,300)
34	Student (pupil) transportation	80,763	-	-	(80,763)
35	Food services	102,933	29,587	30,318	(43,028)
36	Extracurricular activities	54,032	-	-	(54,032)
41	General administration	149,283	-	-	(149,283)
51	Plant maintenance and operations	231,226	-	-	(231,226)
53	Data Processing Services	45,423	-	-	(45,423)
72	Interest on Long Term Debt	21,938	-	-	(21,938)
91	Contracted instructional services between public schools	3,293,682	-	-	(3,293,682)
93	Payments to fiscal agent/member districts of SSA	21,998	-	-	(21,998)
99	Other governmental charges	176,705	-	-	(176,705)
TP	Total primary government	<u>\$ 5,574,803</u>	<u>\$ 29,587</u>	<u>\$ 184,025</u>	<u>(5,361,191)</u>
MT	Property taxes, levied for general purposes				4,837,065
DT	Property Taxes, levied for debt service				309,132
SF	State aid - formula grants				269,581
IE	Investment earnings				4,967
MI	Miscellaneous local and intermediate revenue				56,413
TR	Total general revenues				<u>5,477,158</u>
CN	Change in net assets				115,967
NB	Net assets - beginning				<u>7,715,479</u>
NE	Net assets - ending				<u>\$ 7,831,446</u>

See Notes to Financial Statements.

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# DEW INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2010

Data Control Codes	10  General	60 Capital Projects Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
<b><u>Assets</u></b>				
1110	\$ 384,194	\$ 680,979	\$ 8,937	\$ 1,074,110
1220	295,244	-	3,953	299,197
1230	(106,003)	-	(79)	(106,082)
1240	23,538	-	41,560	65,098
1260	41,268	-	-	41,268
1000	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>	<b>Total Assets</b>
	<u>\$ 638,241</u>	<u>\$ 680,979</u>	<u>\$ 54,371</u>	<u>\$ 1,373,591</u>
<b><u>Liabilities</u></b>				
2110	\$ 9,675	\$ -	\$ 923	\$ 10,598
2160	66,491	-	4,302	70,793
2163	-	-	214	214
2170	-	-	41,268	41,268
2180	506,201	-	-	506,201
2200	636	-	-	636
2300	189,241	-	3,874	193,115
2000	<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<u>772,244</u>	<u>-</u>	<u>50,581</u>	<u>822,825</u>
<b><u>Fund Balances</u></b>				
Reserved Fund Balances:				
3420	-	-	3,790	3,790
Unreserved and undesignated reported in:				
3600	(134,003)	-	-	(134,003)
3860	-	680,979	-	680,979
3000	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<u>(134,003)</u>	<u>680,979</u>	<u>3,790</u>	<u>550,766</u>
4000	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	<u>\$ 638,241</u>	<u>\$ 680,979</u>	<u>\$ 54,371</u>	<u>\$ 1,373,591</u>

See Notes to Financial Statements.

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**DEW INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS - EXHIBIT C-1R**  
August 31, 2010

Total fund balances for governmental funds \$ 550,766

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	\$ 178,250	
Capital assets - depreciable	<u>7,810,878</u>	7,989,128

Debt due in more than one year	(693,000)
Debt due within one year	(217,000)
Deferred charges	10,881
Accrued interest	(2,444)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>193,115</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 7,831,446</u></u></b>
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See Notes to Financial Statements.

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**DEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - EXHIBIT C-2**  
For the Year Ended August 31, 2010

Data Control Codes	10 General	60 Capital Projects Fund	Nonmajor Governmental Funds	98 Total Governmental Funds	
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 4,974,732	\$ 996	\$ 338,719	\$ 5,314,447
5800	State program revenues	269,581	-	12,728	282,309
5900	Federal program revenues	-	-	171,297	171,297
5020	<b>Total Revenues</b>	<u>5,244,313</u>	<u>996</u>	<u>522,744</u>	<u>5,768,053</u>
<b>Expenditures</b>					
0011	Instruction	852,274	-	115,889	968,163
0012	Instruction resources and media services	56,854	-	14,371	71,225
0013	Curriculum and instructional staff development	425	-	1,449	1,874
0021	Instructional leadership	45,791	-	-	45,791
0031	Guidance, counseling, and evaluation services	58,448	-	-	58,448
0033	Health services	30,300	-	-	30,300
0034	Student transportation	41,193	-	-	41,193
0035	Food services	-	-	102,933	102,933
0036	Extracurricular activities	54,032	-	-	54,032
0041	General administration	145,844	-	-	145,844
0051	Plant maintenance and operations	186,914	39,337	-	226,251
0053	Data processing services	45,423	-	-	45,423
0071	Principal on long-term debt	-	-	290,000	290,000
0072	Interest and fiscal charges	-	-	15,342	15,342
0073	Bond issuance costs	-	16,321	-	16,321
0081	Capital outlay	-	137,944	-	137,944
0099	Other governmental charges	56,798	119,907	-	176,705
<b>Intergovernmental:</b>					
0091	Contracted instructional services between public schools	3,293,682	-	-	3,293,682
0093	Payments to fiscal agent/ member districts of SSA	-	-	21,998	21,998
6030	<b>Total Expenditures</b>	<u>4,867,978</u>	<u>313,509</u>	<u>561,982</u>	<u>5,743,469</u>
1100	<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>376,335</u>	<u>(312,513)</u>	<u>(39,238)</u>	<u>24,584</u>
<b>Other Financing Sources (Uses)</b>					
7911	Bonds issued	-	600,000	-	600,000
7915	Transfers in	106,529	-	42,043	148,572
8911	Transfers (out)	(42,043)	(106,529)	-	(148,572)
7080	<b>Total Other Financing Sources (Uses)</b>	<u>64,486</u>	<u>493,471</u>	<u>42,043</u>	<u>600,000</u>
1200	<b>Net Change in Fund Balances</b>	440,821	180,958	2,805	624,584
0100	Beginning Fund Balances	(574,824)	500,021	985	(73,818)
3000	<b>Ending Fund Balances</b>	<u>\$ (134,003)</u>	<u>\$ 680,979</u>	<u>\$ 3,790</u>	<u>\$ 550,766</u>

See Notes to Financial Statements.

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**DEW INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - EXHIBIT C-3**  
**For the Year Ended August 31, 2010**

Net changes in fund balances - total governmental funds \$ 624,584

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(267,467)
Capital outlay	136,408

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	290,000
Bonds issued	(600,000)
Accrued interest	(1,156)
Bond issuance costs	16,321
Amortization of deferred charges	(5,440)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(77,283)
--	----------

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>115,967</u></b>
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See Notes to Financial Statements.

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# DEW INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS - EXHIBIT E-1

August 31, 2010

<u>Data Control Codes</u>		<u>Agency Funds</u>
	<b>Assets:</b>	
1110	Cash and cash equivalents	\$ 4,611
1000	<b>Total Assets</b>	<u>\$ 4,611</u>
	<b>Liabilities:</b>	
	Current liabilities:	
2190	Due to student groups	\$ 4,611
2000	<b>Total Liabilities</b>	<u>\$ 4,611</u>

See Notes to Financial Statements.

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**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS*  
For the Year Ended August 31, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations and is considered a primary government. As required by generally accepted accounting principles, these general purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

**B. Financial Statement Presentation**

These financial statements include Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District’s activities.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

- A change in the fund financial statements to focus on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the District as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment 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. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The general fund is considered a major fund for reporting purposes.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes.

**Capital Projects Funds**

The capital projects funds are used to account for the expenditures of resources accumulated from long-term debt. The capital projects fund is considered a major fund for reporting purposes.

**Special Revenue Funds**

The District accounts for resources reserved, or designated, for specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund. Sometimes, balances must be returned to the grantor at the close of specified project periods. The special revenue funds are considered nonmajor for reporting purposes.

**Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

**Agency Funds**

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

**D. Measurement Focus and Basis of Accounting**

The government-wide Statement of Net Assets and Statement of Activities and all fiduciary funds are accounted for on a flow of economic resources measurement focus – accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Fiduciary fund equity consists of net assets.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The District utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned when not used.

**E. Assets, Liabilities, and Net Assets or Fund Equity**

**1. Deposits and Investments**

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, “*Accounting and Reporting for Certain Investments and External Investment Pools*,” the District reports all investments at fair value, except for “money market investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools’ share price.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

Direct obligations of the U.S. Government  
Fully collateralized certificates of deposit and money market accounts  
Statewide investment pools and commercial paper

**2. Receivables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds” in the fund financial statement.

Advances between funds are offset by a fund balance reserve account in an applicable governmental fund to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

**4. Capital Assets**

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with the construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 40 years
Vehicles	10 years
Equipment	8 to 20 years

**5. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

**6. 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.

**7. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**8. Data Control Codes**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year.

**A. Deficit Fund Balance**

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

<u>Fund Name</u>	<u>Fund Balance</u>	<u>Remarks</u>
General	\$ (134,003)	The District will increase fund balance by decreasing overall spending.

**B. Expenditures in Excess of Appropriations**

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

Other governmental charges    \$56,798

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2010, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

# DEW INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended August 31, 2010

At August 31, 2010, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investment or Investment Type</u>	<u>Administrator</u>	<u>Ratings</u>
TexPool	Federated Investors Inc.	AAAm
TexSTAR	First Southwest Asset Management	AAAm

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

### B. Capital Assets

A summary of changes in capital assets for governmental activities at year end were as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 178,250	\$ -	\$ -	\$ 178,250
Total capital assets not being depreciated	<u>178,250</u>	<u>-</u>	<u>-</u>	<u>178,250</u>
Other capital assets:				
Buildings and improvements	8,840,751	-	-	8,840,751
Furniture and equipment	81,510	16,501	-	98,011
Vehicles	335,749	119,907	-	455,656
Total other capital assets	<u>9,258,010</u>	<u>136,408</u>	<u>-</u>	<u>9,394,418</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,118,870)	(221,019)	-	(1,339,889)
Furniture and equipment	(51,621)	(6,878)	-	(58,499)
Vehicles	(145,582)	(39,570)	-	(185,152)
Total accumulated depreciation	<u>(1,316,073)</u>	<u>(267,467)</u>	<u>-</u>	<u>(1,583,540)</u>
Other capital assets, net	<u>7,941,937</u>	<u>(131,059)</u>	<u>-</u>	<u>7,810,878</u>
<b>Totals</b>	<u>\$ 8,120,187</u>	<u>\$ (131,059)</u>	<u>\$ -</u>	<u>\$ 7,989,128</u>

Depreciation was charged to governmental functions as follows:

11	Instruction	\$ (221,019)
34	Student (pupil) transportation	(39,570)
41	General administration	(3,439)
51	Plant maintenance and operations	(3,439)
	Total Depreciation Expense	<u>\$ (267,467)</u>

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**C. Long-Term Debt**

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities.

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
Bonds payables:					
Series 2009	\$ 600,000	\$ -	\$ (290,000)	\$ 310,000	\$ 152,000
Series 2010	-	600,000	-	600,000	65,000
	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ (290,000)</u>	<u>\$ 910,000</u>	<u>\$ 217,000</u>
<b>Total Governmental Activities</b>	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ (290,000)</u>	<u>\$ 910,000</u>	<u>\$ 217,000</u>
				<u><b>Long-term liabilities due in more than one year</b></u>	<u>\$ 693,000</u>

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end were as follows:

<b>Year Ended Aug 31, 2010</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2011	\$ 217,000	\$ 27,119	\$ 244,119
2012	225,000	20,318	245,318
2013	230,000	12,355	242,355
2014	238,000	4,165	242,165
	<u>\$ 910,000</u>	<u>\$ 63,957</u>	<u>\$ 973,957</u>

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**D. Interfund Transactions**

The composition of interfund balances was as follows:

	<b>Transfer Out</b>	<b>Transfer In</b>
General Fund		
Transfer to capital projects fund	\$ -	\$ 106,529
Total General Fund	-	106,529
Capital Projects Fund		
Transfer to general fund	106,529	-
Total Special Revenue Fund	\$ 106,529	\$ -
	<b>Due to</b>	<b>Due from</b>
General fund		
Nonmajor governmental funds	-	41,268
	\$ -	\$ 41,268
	<b>Due to</b>	<b>Due from</b>
Nonmajor governmental funds		
General fund	\$ 41,268	\$ -
	41,268	-

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

**IV. OTHER INFORMATION**

**A. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**C. Pension Plan**

**Teacher Retirement System**

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 issues 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.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.4 percent of their annual covered salary and the State of Texas contributes an amount equal to 6.58 percent of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$71,500, \$63,078 and \$56,005, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009, 2008 were \$8,548, \$3,863 and \$5,262, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$75,141 for the year ending August 31, 2010.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**D. Retiree Health Care Plan**

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (“TRS”). TRS-Care provides health care coverage for certain persons (and their dependents) who retired TRS. 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 web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0 percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$238, \$141, and \$318, respectively, the active member contributions were \$7,262, \$6,406 and \$5,641, respectively, and the District's contributions were \$6,145, \$5,421 and \$4774, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$2,735, \$2,176, and \$1,937, respectively.

**E. Employee Health Care Coverage**

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$268 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependants. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2010 and terms of coverage and premiums costs are included in the contractual provisions.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**F. Workers' Compensation Insurance**

During the year ended August 31, 2010, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees. The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's contribution and coverage summary document. After the member's deductible has been met, the Fund is responsible for additional claims. The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2009, the Fund carries a discounted reserve of \$73,463,401 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2009, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2009, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**G. Unemployment Compensation**

During the year ended August 31, 2010, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2009, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

**H. Shared Services Arrangements**

ESEA, Title II, Part A – Teacher and Principal Training and Recruiting

The District participates in a shared services arrangement to be used to increase student academic achievement by improving teacher and principal quality. The shared services arrangement is funded under ESEA, Title II, Part A – Teacher and Principal Training and Recruiting. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region XII, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

ESEA, Title II, Part D – Enhancing Education Through Technology

The District participates in a shared services arrangement to be used to improve student academic achievement through the use of technology in elementary and secondary schools. The shared services arrangement is funded under ESEA, Title II, Part D – Enhancing Education Through Technology. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region XII, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

ESEA, Title III – English Language Acquisition and Language Enhancement

The District participates in a shared services arrangement for the improvement of the education of limited English proficient children funded under ESEA, Title III – English Language Acquisition and Language Enhancement. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region XII, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

ESEA, Title IV – Safe and Drug-free School and Communities Act

The District participates in a shared services arrangement to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention program. The shared services arrangement is funded under ESEA, Title IV – Safe and Drug-free School and Communities Act. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region XII, nor does the District have a new equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the shared services arrangement.

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
For the Year Ended August 31, 2010

Freestone-Navarro Bi-County Cooperative

The District participates in a cooperative agreement for the following federal funds:

- IDEA - Part B, Formula
- IDEA - Part B, Preschool
- IDEA - Part B, Formula - American Recovery and Reinvestment Act of 2009
- IDEA - Part B, Preschool - American Recovery and Reinvestment Act of 2009

The following school districts are members of the Freestone-Navarro Bi-County Cooperative with the District:

- Blooming Grove ISD    Mildred ISD
- Dawson ISD             Rice ISD
- Fairfield ISD          Teague ISD
- Frost ISD                Wortham ISD
- Kerens ISD

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

**I. Restatement**

The District has restated the beginning net assets for governmental activities and beginning fund balance in the general fund at the beginning of the year to correct for the reporting of foundation revenue accrual in the prior year. The restatement of beginning net assets and fund balance are as follows:

	<b>Governmental Activities</b>	<b>General</b>
Prior year ending net assets/fund balance	\$ 7,694,764	\$ (595,539)
State foundation revenue	20,715	20,715
Restated beginning net assets/fund balance	\$ 7,715,479	\$ (574,824)

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# DEW INDEPENDENT SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND - EXHIBIT F-1

For the year ended August 31, 2010

Data Control Codes	1	2	3	Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
5700	\$ 5,189,900	\$ 5,189,900	\$ 4,974,732	\$ (215,168)
5800	530,500	530,500	269,581	(260,919)
5020	<u>5,720,400</u>	<u>5,720,400</u>	<u>5,244,313</u>	<u>(476,087)</u>
<b>Expenditures</b>				
0011	1,044,188	1,044,188	852,274	191,914
0012				
0012	67,579	67,579	56,854	10,725
0013				
0013	2,220	2,220	425	1,795
0021	44,557	45,957	45,791	166
0031				
0031	58,448	58,448	58,448	-
0033	30,300	30,300	30,300	-
0034	55,471	55,471	41,193	14,278
0036	86,995	86,995	54,032	32,963
0041	215,894	214,494	145,844	68,650
0051	243,702	243,702	186,914	56,788
0053	50,261	50,261	45,423	4,838
<b>Intergovernmental</b>				
0091				
0091	3,347,331	3,540,032	3,293,682	246,350
0093				
0093	35,000	35,000	-	35,000
0099	-	-	56,798 *	(56,798)
6030	<u>5,281,946</u>	<u>5,474,647</u>	<u>4,867,978</u>	<u>606,669</u>
1100				
	<b>Excess (Deficiency) of</b>			
	<b>Revenues Over(Under)</b>			
	<b>Expenditures</b>	<u>438,454</u>	<u>245,753</u>	<u>376,335</u>
			<u>64,486</u>	<u>64,486</u>
<b>Other financing sources (uses)</b>				
7915	-	-	106,529	106,529
8911	-	-	(42,043)	(42,043)
7080				
7080	<u>-</u>	<u>-</u>	<u>64,486</u>	<u>64,486</u>
1200	<b>Net Change in Fund Balance</b>	438,454	440,821	195,068
0100	Beginning Fund Balances	<u>(574,824)</u>	<u>(574,824)</u>	-
3000	<b>Ending Fund Balances</b>	<u>\$ (136,370)</u>	<u>\$ (134,003)</u>	<u>\$ 195,068</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 2.\* Expenditures exceeded appropriations at the legal level of control.

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***OTHER SUPPLEMENTARY INFORMATION***

# DEW INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT G-1

August 31, 2010

<u>Data Control Codes</u>	211  ESEA Title 1 <u>Part A</u>	240  Child Nutrition	266  ARRA of 2009 Title XIV State Fiscal Stabilization	270  ESEA, Title VI Part B, Subpart Rural School
<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ -	\$ 2,907	\$ -
1220	Property taxes - delinquent	-	-	-
1230	Allowance for uncollectible taxes	-	-	-
1240	Due from other governments	15,664	1,029	7,761
1000	<b>Total Assets</b>	<b>\$ 15,664</b>	<b>\$ 3,936</b>	<b>\$ 12,278</b>
<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ -	\$ 923	\$ -
2160	Accrued wages payable	1,373	2,929	-
2163	Accrued expenses	130	84	-
2164	Deferred revenue	-	-	-
2170	Due to other funds	14,161	-	12,278
2000	<b>Total Liabilities</b>	<b>15,664</b>	<b>3,936</b>	<b>12,278</b>
<b><u>Fund Balances</u></b>				
Reserved for:				
3420	Debt service	\$ -	\$ -	\$ -
3000	<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,664</b>	<b>\$ 3,936</b>	<b>\$ 12,278</b>

285	404	411	599	Total Nonmajor Governmental Funds
Title I, Part A Stimulus	Student Succ. Init- Acc REA	Technology	Debt Service	
\$ -	\$ 2,240	\$ -	\$ 3,790	\$ 8,937
-	-	-	3,953	3,953
-	-	-	(79)	(79)
4,275	553	-	-	41,560
<u>\$ 4,275</u>	<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ 7,664</u>	<u>\$ 54,371</u>
\$ -	\$ -	\$ -	\$ -	\$ 923
-	-	-	-	4,302
-	-	-	-	214
-	-	-	3,874	3,874
4,275	2,793	-	-	41,268
<u>4,275</u>	<u>2,793</u>	<u>-</u>	<u>3,874</u>	<u>50,581</u>
\$ -	\$ -	\$ -	\$ 3,790	\$ 3,790
-	-	-	3,790	3,790
<u>\$ 4,275</u>	<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ 7,664</u>	<u>\$ 54,371</u>

**DEW INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT G-2**  
For the Year Ended August 31, 2010

Data Control Codes		211	240	266	270
		ESEA Title 1 Part A	Child Nutrition	ARRA of 2009 Title XIV State Fiscal Stabilization	ESEA, Title VI Part B, Subpart Rural School
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ 29,587	\$ -	\$ -
5800	State program revenues	-	3,284		472
5900	Federal program revenues	47,913	27,034	57,810	23,100
5020	<b>Total Revenues</b>	<u>47,913</u>	<u>59,905</u>	<u>57,810</u>	<u>23,572</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	47,913	-	35,812	7,752
0012	Instruction resources				
0012	and media services	-	-	-	14,371
0013	Curriculum and staff development				1,449
0035	Food services	-	102,933	-	-
0071	Principal on long-term debt				
0072	Interest	-	-	-	-
0093	Payments to fiscal agent/ member districts of SSA	-	-	21,998	-
6030	<b>Total Expenditures</b>	<u>47,913</u>	<u>102,933</u>	<u>57,810</u>	<u>23,572</u>
7915	Transfers in	-	42,043	-	-
1200	<b>Net Change in Fund Balance</b>	-	(985)	-	-
0100	Beginning Fund Balances	-	985	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

285	404	411	599	Total Nonmajor Governmental Funds
Title I, Part A Stimulus	Student Succ. Init- Acc REA	Technology	Debt Service	
\$ -	\$ -	\$ -	\$ 309,132	\$ 338,719
-	2,323	6,649	-	12,728
15,440	-	-	-	171,297
<u>15,440</u>	<u>2,323</u>	<u>6,649</u>	<u>309,132</u>	<u>522,744</u>
15,440	2,323	6,649	-	115,889
-	-	-	-	14,371
-	-	-	-	1,449
-	-	-	-	102,933
-	-	-	290,000	290,000
-	-	-	15,342	15,342
-	-	-	-	21,998
<u>15,440</u>	<u>2,323</u>	<u>6,649</u>	<u>305,342</u>	<u>539,984</u>
-	-	-	-	42,043
-	-	-	3,790	2,805
-	-	-	-	985
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,790</u>	<u>\$ 3,790</u>

**DEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT H-1**  
For the Year Ended August 31, 2010

Last Ten Years	1		2		3		10	
	Tax Rates				Net Assessed/ Appraised Value For School Tax Purposes		Beginning Balance 8/31/09	
	Maintenance	Debt Service						
2001 and prior	\$ Various	\$ Various			\$ Various		\$	32,491
2002	0.9000	-			156,611,813			6,876
2003	1.5000	-			299,605,100			22,531
2004	1.5000	-			293,118,420			22,004
2005	1.5000	-			256,292,067			24,260
2006	1.3000	-			431,798,230			34,249
2007	1.1900	-			567,655,321			36,433
2008	0.9100	-			478,765,270			29,710
2009	0.9449	-			511,409,800			61,844
2010	0.9656	0.061155			503,015,970			-
<b>1000 Totals</b>							<b>\$</b>	<b>270,398</b>

20	31	32	40	50
<u>Current Year's Total Levy</u>	<u>Maintenance Total Collected</u>	<u>I&amp;S Total Collected</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/10</u>
\$ -	\$ 128	\$ -	\$ (1)	\$ 32,362
-	25	-	(1)	6,850
-	20	-	1	22,512
-	238	-	-	21,766
-	429	-	-	23,831
-	680	-	1	33,570
-	1,257	-	4	35,180
-	8,150	-	83	21,643
-	26,246	-	(461)	35,137
<u>5,146,160</u>	<u>4,853,022</u>	<u>308,301</u>	<u>81,509</u>	<u>66,346</u>
<u>\$ 5,146,160</u>	<u>\$ 4,890,195</u>	<u>\$ 308,301</u>	<u>\$ 81,135</u>	<u>\$ 299,197</u>

**DEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF**  
**INDIRECT COSTS FOR 2010-2011**  
**GENERAL AND SPECIAL REVENUE FUNDS - EXHIBIT H-2**  
**For the Year Ended August 31, 2010**

<u>Account Number</u>	(1) 702	(2) 703	(3) 701
	<u>School Board</u>	<u>Tax Collection</u>	<u>Superintendent's Office</u>
611X-6146 Payroll costs	\$ -	\$ -	\$ 44,682
6211 Legal services	-	-	3,188
6212 Audit services	-	-	-
6213 Tax appraisal/collection	-	93,534	-
621X Other professional services	-	-	10,294
6230 Education service centers	-	-	10,412
63XX Other supplies	-	-	1,493
6410 Travel, subsistence, and stipends	2,469	-	4,527
6420 Insurance and bonding	-	-	3,000
6490 Miscellaneous operating	62	-	5,428
<b>Totals</b>	<u>\$ 2,531</u>	<u>\$ 93,534</u>	<u>\$ 83,024</u>

**Other Information:**

**Total Expenditures for General and Special Revenue Funds (Exhibit C-3)** (9) \$ 5,429,960

Less: deductions of unallowed costs:

**Fiscal Year**

Total capital outlay (6600)	(10) \$	137,944
Total debt and lease (6500)	(11)	290,000
Plant maintenance (function 51, 6100-6400)	(12)	226,251
Food (function 35, 6341 and 6499)	(13)	102,933
Stipends (6413)	(14)	-
Column (4) above - total indirect cost		<u>68,887</u>
Subtotal		<u>826,015</u>
<b>Net Allowable Direct Cost</b>		<u>\$ 4,603,945</u>

Note A: Expenditures included in this report on administrative costs:

Function 53	\$ 45,423
Function 99	\$ 56,798

(4) 750	(5) 720	(6) (Other)	(7)
<u>Indirect Cost</u>	<u>Direct Cost</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 65,987	\$ -	\$ 89	\$ 110,758
-	-	-	3,188
2,900	-	-	2,900
-	-	-	93,534
-	-	-	10,294
-	-	-	10,412
-	-	-	1,493
-	-	-	6,996
-	-	-	3,000
-	-	-	5,490
\$ 68,887	\$ -	\$ 89	\$ 248,065

**Cumulative**

Total cost of buildings before depreciation (1520)	(15)	\$ 8,840,751
Historical cost of buildings over 50 years old	(16)	-
Amount of federal money in building cost (Net of 16)	(17)	-
Total cost of furniture, vehicles, & equipment before depreciation (1530 and 1540)	(18)	553,667
Historical cost of furniture, vehicles, and equipment over 16 years old	(19)	-
Amount of federal money in furniture and equipment (Net of 19)	(20)	-

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**DEW INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATIONS SCHEDULE (UNAUDITED)**  
**GENERAL FUND- EXHIBIT H-3**

<u>Explanation</u>	<u>Amount</u>
Total general fund fund balance at year end (Exhibit C-1 object 3000 for the general fund only)	\$ (134,003)
Total reserved fund balance at year end (Exhibit C-1 object 3400 for the general fund only)	-
Total designated fund balance (Exhibit C-1 object 3500 for the general fund only)	-
Estimated amount needed to cover fall cash flow deficits in general fund (net of borrowed funds and funds representing deferred revenues)	730,759
Estimate of one month average cash disbursements during the regular school session (9-1-09 to 5-31-10)	480,508
Estimate of delayed payments from state sources (58XX) including August payment delays	-
Estimate of underpayments from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
Estimate of delayed payments from federal sources (59XX)	-
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)	-
General fund optimum fund balance and cash flow (2+3+4+5+6+7+8+9)	1,211,267
Excess or deficit undesignated unreserved general fund fund balance (1-10)	\$ (1,345,270)

The District's administration will continue to monitor the general fund fund balance in the following budgetary cycles to maintain a fund balance level within District policy and State guidelines.

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# DEW INDEPENDENT SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### CHILD NUTRITION PROGRAM - EXHIBIT H-4

For the year ended August 31, 2010

Data Control Codes	Budgeted Amounts			Variance With Final Budget Positive (Negative)	
	Original	Final	Actual		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 20,000	\$ 20,000	\$ 29,587	\$ 9,587
5800	State program revenues	2,500	2,500	3,284	784
5900	Federal program revenues	20,500	20,500	27,034	6,534
5020	<b>Total Revenues</b>	<u>43,000</u>	<u>43,000</u>	<u>59,905</u>	<u>16,905</u>
	<b>Expenditures</b>				
	Current:				
0035	Food services	124,000	124,000	102,933	21,067
6030	<b>Total Expenditures</b>	<u>124,000</u>	<u>124,000</u>	<u>102,933</u>	<u>21,067</u>
1100	<b>Excess (Deficiency) of</b>				
	<b>Revenues Over(Under)</b>	<u>(81,000)</u>	<u>(81,000)</u>	<u>(43,028)</u>	<u>37,972</u>
	<b>Expenditures</b>				
1200	<b>Net Change in Fund Balances</b>	(81,000)	(81,000)	(985)	80,015
0100	Beginning Fund Balances	985	985	985	-
3000	<b>Ending Fund Balances</b>	<u>\$ (80,015)</u>	<u>\$ (80,015)</u>	<u>\$ -</u>	<u>\$ 80,015</u>

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Board of Trustees of the  
Dew Independent School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dew Independent School District (the "District") as of and for the year ended August 31, 2010 which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that we reported to management of the District in a separate letter dated December 17, 2010.

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 17, 2010

**DEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2010

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Dew Independent School District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*See Management Letter*

**C. FINDINGS - FEDERAL AUDIT AWARDS**

*None Noted*

**DEW INDEPENDENT SCHOOL DISTRICT**  
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***  
**For the Year Ended August 31, 2010**

None

**DEW**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO*  
**SELECTED SCHOOL FIRST INDICATORS - EXHIBIT K-1**  
For the year ended August 31, 2010

<u>Data Control Codes</u>		<u>Responses</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 weaknesses in internal controls?	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?	\$ <u>          -</u>