

**NURSERY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

Roloff, Hmatek & Co., L.L.P.

Certified Public Accountants

Financial Consultants

Business Advisors

**NURSERY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

Nursery Independent School District
Annual Financial Report
For The Year Ended August 31, 2010

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Introductory Section

CERTIFICATE OF BOARD

Nursery Independent School District
Name of School District

Victoria
County

235-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the 13 day of December 2010

Missy Yearwood
Signature of Board Secretary

Diane C. Allen
Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section



Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants
Financial Consultants
Business Advisors

"Pointing The Way to Success"

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Independent Auditors' Report on Financial Statements

Board of Trustees
Nursery Independent School District
P.O. Box 69
Nursery, Texas 77976

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nursery Independent School 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 Nursery Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the 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 Nursery Independent School District as of August 31, 2010, and the respective changes in financial position, 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 November 11, 2010, on our consideration of Nursery Independent School 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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 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 Nursery Independent School District's financial statements as a whole. The accompanying supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited", 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.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.

November 11, 2010

Management's Discussion and Analysis (Unaudited)

NURSERY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2010

As management of the Nursery Independent School District ("District"), we offer readers as an introduction to the District's financial statements, this narrative overview and analysis of the District's activities and financial performance for the year ended August 31, 2010. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The net assets of the District at August 31, 2010 were \$2,451,962. Of this amount, \$1,828,896 are unrestricted net assets.
- The District's total net assets increased \$332,554, or 16%, from the prior year.
- The general fund had a fund balance of \$1,700,922 at August 31, 2010, an increase of \$36,937, or 2%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report of the District consists of three parts – management's discussion and analysis (this section), the basic financial statements, and 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 the general government services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund statements*, if any, offer *short-term* and *long-term* financial information about the activities the government operates like businesses. The District did not have any proprietary funds during the year.
- *Fiduciary fund statements*, if any, provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong.

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

NURSERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED AUGUST 31, 2010

The table below summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. As stated earlier, the District did not have any proprietary funds during the year.

Major Features of the District's Government-wide and Fund Financial Statements

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

NURSERY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2010

- Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- 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.

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, curriculum, staff development, general administration, extracurricular activities and health services. 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* and 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 specific purposes.

- Some funds are required by State law and by bond covenants, if any.
- 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 into 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 operations. 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 government funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain *other supplementary information* on property taxes, indirect costs, fund balance, budgetary information and other reports required by Texas Education Agency and/or *Government Auditing Standards*.

NURSERY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net assets, and the statement of activities, report information about the District's activities in a way that should help answer this question. These two statements report the net assets of the District and changes in them. The District's net assets (the difference between assets and liabilities) can be thought of as a way to measure financial health of the District. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

Statement of Net Assets

The statement of net assets serves as a useful indicator over time of the District's financial position. It distinguishes assets and liabilities as to their expected use for current operations and capital investment. The District's assets exceeded its liabilities at the close of fiscal year 2010 by \$2,451,962. The following condensed Statement of Net Assets provides an overview of the District's net assets as of August 31, 2010 and 2009.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010-2009</u>	<u>2010-2009</u>
Assets:				
Current Assets	\$ 1,945,080	\$ 2,104,839	\$ (159,759)	(8%)
Capital Assets	<u>3,973,779</u>	<u>3,715,501</u>	<u>258,278</u>	7%
Total Assets	<u>5,918,859</u>	<u>5,820,340</u>	<u>98,519</u>	2%
Liabilities:				
Current Liabilities	94,596	232,555	(137,959)	(59%)
Non-Current Liabilities	<u>3,372,301</u>	<u>3,468,377</u>	<u>(96,076)</u>	(3%)
Total Liabilities	<u>3,466,897</u>	<u>3,700,932</u>	<u>(234,035)</u>	(6%)
Net Assets:				
Invested in Capital Assets, Net of Related Debt	601,479	247,124	354,355	143%
Restricted	21,588	31,786	(10,198)	(32%)
Unrestricted	<u>1,828,895</u>	<u>1,840,498</u>	<u>(11,603)</u>	(1%)
Total Net Assets	<u>\$ 2,451,962</u>	<u>\$ 2,119,408</u>	<u>\$ 332,554</u>	16%

A portion (\$601,479) of the District's net assets reflects its investment in capital assets (e.g., land, buildings, and furniture and equipment), less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and consequently, these assets are not available for future spending. The restricted portion (\$21,588) of net assets is restricted for debt service. The remaining balance (\$1,828,896) of unrestricted net assets may be used to meet the District's ongoing obligations to employees and vendors.

NURSERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED AUGUST 31, 2010

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2010 and 2009.

	<u>Governmental Activities</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2010</u>	<u>2009</u>	<u>2010-2009</u>	<u>2010-2009</u>
Program Revenues:				
Charges for Services	\$ 15,901	\$ 14,748	\$ 1,153	8%
Operating Grants and Contributions	210,635	182,349	28,286	16%
General Revenues:				
Property Taxes	2,118,236	2,027,280	90,956	4%
State Aid-Formula	275,620	183,103	92,517	51%
Investment Earnings	51,838	65,384	(13,546)	(21%)
Other	23,494	(21,284)	44,778	(210%)
Total Revenues	<u>2,695,724</u>	<u>2,451,580</u>	<u>244,144</u>	10%
Expenses:				
Instruction	710,187	645,739	64,448	10%
Instructional Resources and Media Services	73,122	2,918	70,204	2406%
Curriculum Dev. and Instruct. Staff Dev.	4,477	5,195	(718)	(14%)
School Leadership	81,479	79,366	2,113	3%
Guidance, Counseling and Evaluation Svcs.	57,527	5,189	52,338	1009%
Health Services	290	980	(690)	(70%)
Student Transportation	--	870	(870)	(100%)
Food Service	69,572	65,616	3,956	6%
Cocurricular/Extracurricular Activities	2,715	--	2,715	N/A
General Administration	76,994	70,960	6,034	9%
Plant Maintenance and Operations	157,140	70,706	86,434	122%
Security and Monitoring Services	1,727	1,234	493	40%
Data Processing Services	4,482	3,210	1,272	40%
Interest on Long-Term Debt	147,181	156,767	(9,586)	(6%)
Bond Issuance Costs and Fees	7,110	1,034	6,076	588%
Contracted Instr. Svcs. Between Schools	760,634	835,871	(75,237)	(9%)
Payments Related to Shared Svcs. Arrangem	40,138	43,423	(3,285)	(8%)
Other Intergovernmental Charges	168,395	148,475	19,920	13%
Total Expenses	<u>2,363,170</u>	<u>2,137,553</u>	<u>225,617</u>	11%
Increase (Decrease) in Net Assets	<u>\$ 332,554</u>	<u>\$ 314,027</u>	<u>\$ 18,527</u>	6%

NURSERY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED AUGUST 31, 2010

The District's total revenues increased by 10%, while expenses increased by 6%. The District's property tax rate decreased from \$1.1055 to \$1.1050 per \$100 in valuation, while the total taxable property value increased by approximately 6%, attributing to an approximate \$91,000 increase in property tax revenues. State foundation program and per capita revenues increased by about \$93,000 and investment earnings decreased by about \$13,000. The most significant increases in expenses occurred in the functional categories of instruction, instructional resources and media services, guidance, counseling, and evaluation services, and plant maintenance and operations. The fiscal year operations resulted in an increase in net assets of \$332,554.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$2,676,062, an increase of approximately 8% from the preceding year. Local revenues increased in total by approximately 4% due primarily to an increase in property tax revenues. State revenues increased in total by approximately 36% due primarily to an increase in state foundation program revenues. Federal revenues increased by approximately 28% due primarily to the receipt of federal stimulus grants. Expenditures from governmental fund types totaled \$2,712,461, a decrease of about 47% from the preceding year, due primarily to prior year construction costs. The decrease in expenditures was concentrated in the functional categories of instruction, capital outlay, and contracted instructional services, while expenditures in the functional categories of instructional resources and media services, guidance, counseling and evaluation services, food service, plant maintenance and operations and other governmental charges significantly increased.

General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. These amendments significantly changed budgeted revenues and expenditures as follows:

- 5700 Local and Intermediate Sources – The budget for tax revenue was increased to account for greater than estimated revenue received by district.
- 5800 State Program Revenues – The budget for state revenue was increased for a one-time Chapter 41 settle-up payment received for the prior year payments adjustment.
- Function 11 (Instruction) – The budget for expenditures was increased primarily for the purchase of classroom furniture for the new school building.
- Function 12 (Instructional Resources and Media Services) – The budget for expenditures was increased primarily for the purchase of library books and furniture.
- Function 51 (Plant Maintenance and Operations) – The budget for expenditures was increased primarily for new school classroom building utility costs.
- Function 91 (Contracted Instructional Services Between Public Schools) – The budget was decreased primarily for a lower-than-projected student attendance credit purchase amount due to the State.

Total actual revenues were \$49,690 less than the final budgeted amount, due primarily to state foundation revenue being lower than the final budgeted amounts. Total actual expenditures were \$307,224 lower than the final budget due primarily to large favorable variances in function 11 (Instruction), function 51 (Plant Maintenance and Operations), function 91 (Contracted Instructional Services Between Public Schools), function 99 (Other Intergovernmental Charges), and other less significant budget variances. In function 11 (Instruction), the favorable variance is attributable to payroll

NURSERY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED AUGUST 31, 2010

costs being lower than expected. The favorable variance in function 51 (Plant Maintenance and Operations) is due to utilities and insurance and bonding costs being less than anticipated. The favorable variance in function 91 (Contracted Instructional Services Between Schools) is primarily attributable to Chapter 41 payments to the State of Texas being less than anticipated because of favorable growth in average daily attendance. In function 99 (Other Intergovernmental Charges), the favorable variance is due primarily to student tuition being much less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of August 31, 2010 was \$3,973,779 (net of accumulated depreciation). This investment in capital assets includes school facilities, machinery and equipment, and furniture. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$258,278 from fiscal year 2009. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation) as of August 31, 2010 and 2009.

	Governmental Activities		\$ Change 2010-2009	% Change 2010-2009
	2010	2009		
Land	\$ 20,170	\$ 20,170	\$ --	0%
Buildings and Improvements	4,011,333	79,004	3,932,329	4977%
Construction-in-Progress	--	3,650,783	(3,650,783)	(100%)
Furniture and Equipment	116,714	6,772	109,942	1623%
Totals at Historical Cost	4,148,217	3,756,729	391,488	10%
Total Accumulated Depreciation	(174,437)	(41,228)	(133,209)	323%
Net Capital Assets	<u>\$ 3,973,780</u>	<u>\$ 3,715,501</u>	<u>\$ 258,279</u>	7%

Long-term Debt

As of August 31, 2010, the District had long-term debt outstanding of \$3,372,301. This amount is comprised of general obligation bonds. Additional information regarding the District's long-term debt can be found in Note E to the financial statements. The following table summarizes the District's long-term debt outstanding at August 31, 2010 and 2009.

	Governmental Activities		\$ Change 2010-2009	% Change 2010-2009
	2010	2009		
General Obligation Bonds	<u>\$ 3,372,301</u>	<u>\$ 3,468,377</u>	<u>\$ (96,076)</u>	(3%)

NURSERY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED AUGUST 31, 2010

ECONOMIC OUTLOOK

Total appraised property tax value used for the fiscal year 2011 budget preparation decreased by 5.6% from fiscal year 2010. The District decreased its tax rate from \$1.105 to \$1.10 per \$100 valuation. Of the total tax rate, \$1.00 per \$100 is for the purpose of maintenance and operations and \$0.10 per \$100 is for payment of principal and interest on debt.

The District is a "Chapter 41" district and will be required to send a large amount of tax revenues to the state for student attendance credit purchases. As property wealth in the District increases, this cost will increase from fiscal year 2010 to fiscal year 2011.

Construction of the new classroom building to replace several of the portable classroom buildings and renovation of the old main school building was substantially complete as of September, 2009. The District continues to evaluate the need of other building and grounds improvements that will contribute to improved student performance and safety of district students, employees, and visitors.

These indicators were taken into account when adopting the general fund budget for 2011. The District has a balanced budget for fiscal year 2011. Consequently, the District does not expect a significant change in its fund balance as a result of fiscal year 2011 operations.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

NURSERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2010

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 1,550,324
1120	Current Investments	252,924
1225	Property Taxes Receivable (Net)	68,587
1240	Due from Other Governments	36,775
1420	Capitalized Bond and Other Debt Issuance Costs	36,469
Capital Assets:		
1510	Land	20,170
1520	Buildings and Improvements, Net	3,847,180
1530	Furniture and Equipment, Net	106,430
1000	Total Assets	<u>5,918,859</u>
LIABILITIES:		
2110	Accounts Payable	35,110
2140	Interest Payable	6,245
2165	Accrued Liabilities	43,498
2180	Due to Other Governments	9,743
Noncurrent Liabilities:		
2501	Due Within One Year	102,472
2502	Due in More Than One Year	3,217,528
2516	Premium & Discount on Issuance of Bonds	52,301
2000	Total Liabilities	<u>3,466,897</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	601,479
Restricted For:		
3850	Debt Service	21,588
3900	Unrestricted	1,828,895
3000	Total Net Assets	<u>\$ 2,451,862</u>

The accompanying notes are an integral part of this statement.

NURSERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 710,187	\$ --	\$ 125,190	\$ (584,997)
12	<i>Instructional Resources and Media Services</i>	73,122	--	315	(72,807)
13	<i>Curriculum and Staff Development</i>	4,477	--	2,896	(1,581)
23	<i>School Leadership</i>	81,479	--	4,052	(77,427)
31	<i>Guidance, Counseling, & Evaluation Services</i>	57,527	--	46,110	(11,417)
33	<i>Health Services</i>	290	--	--	(290)
35	<i>Food Service</i>	69,572	15,901	30,721	(22,950)
36	<i>Cocurricular/Extracurricular Activities</i>	2,715	--	--	(2,715)
41	<i>General Administration</i>	76,994	--	1,351	(75,643)
51	<i>Plant Maintenance and Operations</i>	157,140	--	--	(157,140)
52	<i>Security and Monitoring Services</i>	1,727	--	--	(1,727)
53	<i>Data Processing Services</i>	4,482	--	--	(4,482)
72	<i>Interest on Long-term Debt</i>	147,181	--	--	(147,181)
73	<i>Bond Issuance Costs and Fees</i>	7,110	--	--	(7,110)
91	<i>Contracted Instructional Services between Schools</i>	760,634	--	--	(760,634)
93	<i>Pmts. Related to Shared Services Arrangements</i>	40,138	--	--	(40,138)
99	<i>Other Intergovernmental Charges</i>	168,395	--	--	(168,395)
TG	Total Governmental Activities	2,363,170	15,901	210,635	(2,136,634)
TP	Total Primary Government	\$ 2,363,170	\$ 15,901	\$ 210,635	(2,136,634)
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				1,888,019
DT	<i>Property Taxes, Levied for Debt Service</i>				230,217
IE	<i>Investment Earnings</i>				51,838
GC	<i>Grants and Contributions Not Restricted to Specific Progra</i>				275,620
MI	<i>Miscellaneous</i>				23,494
TR	Total General Revenues				2,469,188
CN	Change in Net Assets				332,554
NB	Net Assets - Beginning				2,119,408
NE	Net Assets - Ending				\$ 2,451,962

The accompanying notes are an integral part of this statement.

NURSERY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 1,503,876	\$ 14,257	\$ 32,191	\$ 1,550,324
1120	Current Investments	252,924	--	--	252,924
1225	Taxes Receivable, Net	64,502	--	4,085	68,587
1240	Due from Other Governments	--	--	36,776	36,776
1000	Total Assets	\$ 1,821,302	\$ 14,257	\$ 73,052	\$ 1,908,611
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 19,317	\$ 11,136	\$ 4,657	\$ 35,110
2150	Payroll Deductions & Withholdings	3,328	--	--	3,328
2160	Accrued Wages Payable	31,174	--	7,901	39,075
2180	Due to Other Governments	1,510	--	8,233	9,743
2200	Accrued Expenditures	549	--	546	1,095
2300	Unearned Revenue	64,502	--	4,086	68,588
2000	Total Liabilities	120,380	11,136	25,423	156,939
FUND BALANCES:					
Reserved Fund Balances:					
3420	Debt Service	--	--	47,629	47,629
3490	Other Reserves of Fund Balance	--	3,121	--	3,121
Designated Fund Balance:					
3510	Construction	1,125,000	--	--	1,125,000
3530	Capital Expenditures for Equipment	175,000	--	--	175,000
3600	Unreserved	400,922	--	--	400,922
3000	Total Fund Balances	1,700,922	3,121	47,629	1,751,672
4000	Total Liabilities and Fund Balances	\$ 1,821,302	\$ 14,257	\$ 73,052	\$ 1,908,611

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 1,751,672
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,973,780
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	68,587
Bond issuance costs are capitalized and amortized in the statement of net assets.	36,469
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,372,301)
Payables for bond interest which are not due in the current period are not reported in the funds.	<u>(6,245)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 2,451,962</u>

The accompanying notes are an integral part of this statement.

NURSERY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	10	60	98	
	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 1,938,287	\$ 3,183	\$ 248,337	\$ 2,189,807
5800 <i>State Program Revenues</i>	309,008	--	6,508	315,516
5900 <i>Federal Program Revenues</i>	--	--	170,739	170,739
5020 Total Revenues	<u>2,247,295</u>	<u>3,183</u>	<u>425,584</u>	<u>2,676,062</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	503,283	--	111,027	614,310
0012 <i>Instructional Resources and Media Services</i>	73,122	--	--	73,122
0013 <i>Curriculum and Staff Development</i>	1,581	--	2,896	4,477
0023 <i>School Leadership</i>	81,479	--	--	81,479
0031 <i>Guidance, Counseling, & Evaluation Services</i>	11,417	--	46,110	57,527
0033 <i>Health Services</i>	290	--	--	290
0035 <i>Food Service</i>	1,840	--	64,155	65,995
0041 <i>General Administration</i>	68,648	--	--	68,648
0051 <i>Plant Maintenance and Operations</i>	145,064	12,076	--	157,140
0052 <i>Security and Monitoring Services</i>	1,575	--	--	1,575
0053 <i>Data Processing Services</i>	1,750	--	--	1,750
0071 <i>Principal on Long-term Debt</i>	--	--	90,000	90,000
0072 <i>Interest on Long-term Debt</i>	--	--	153,403	153,403
0073 <i>Bond Issuance Costs and Fees</i>	--	--	1,900	1,900
0081 <i>Capital Outlay</i>	--	371,678	--	371,678
0091 <i>Contracted Instructional Services</i>				
0091 <i>Between Public Schools</i>	760,634	--	--	760,634
0093 <i>Pmts. Related to Shared Service Arrangements</i>	40,138	--	--	40,138
0099 <i>Other Intergovernmental Charges</i>	168,395	--	--	168,395
6030 Total Expenditures	<u>1,859,216</u>	<u>383,754</u>	<u>469,491</u>	<u>2,712,461</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>388,079</u>	<u>(380,571)</u>	<u>(43,907)</u>	<u>(36,399)</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	304,396	60,336	364,732
7949 <i>Other Resources</i>	13,590	--	--	13,590
8911 <i>Transfers Out</i>	(364,732)	--	--	(364,732)
7080 Total Other Financing Sources and (Uses)	<u>(351,142)</u>	<u>304,396</u>	<u>60,336</u>	<u>13,590</u>
1200 Net Change in Fund Balances	<u>36,937</u>	<u>(76,175)</u>	<u>16,429</u>	<u>(22,809)</u>
0100 Fund Balances - Beginning	<u>1,663,985</u>	<u>79,296</u>	<u>31,200</u>	<u>1,774,481</u>
3000 Fund Balances - Ending	<u>\$ 1,700,922</u>	<u>\$ 3,121</u>	<u>\$ 47,629</u>	<u>\$ 1,751,672</u>

The accompanying notes are an integral part of this statement.

NURSERY INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

Net change in fund balances - total governmental funds	\$ (22,809)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	391,489
The depreciation of capital assets used in governmental activities is not reported in the funds.	(133,209)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	6,071
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	90,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(5,210)
(Increase) decrease in accrued interest from beginning of period to end of period.	146
Premium on bond issuance costs is amortized in the SOA.	<u>6,076</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 332,554</u>

The accompanying notes are an integral part of this statement.

NURSERY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2010

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,827	2,827
1000	Total Assets	2,827	2,827
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	2,827	2,827
2000	Total Liabilities	2,827	2,827
	NET ASSETS		
3000	Total Net Assets	-	-

The accompanying notes are an integral part of this statement.

NURSERY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Significant Accounting Policies

The basic financial statements of Nursery Independent School District (the "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 ("Resource 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 three-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 has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets 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 presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This is the fund used to account for capital projects activity. This fund typically involves receipt of debt proceeds and payment of construction costs associated with capital projects.

