

**GARRISON
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2008

Garrison Independent School District
Annual Financial Report
For The Year Ended August 31, 2008

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Introductory Section

CERTIFICATE OF BOARD

Garrison Independent School District
Name of School District

Nacogdoches
County

174-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2008, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

*Authorized Signatures on
Report Filed with TEA*

Signature of Board Secretary

*Authorized Signatures on
Report Filed with TEA*

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

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP
1329 N University Drive Suite A3
Nacogdoches, TX 75961
(936) 564-8186

Independent Auditor's Report on Financial Statements

Board of Trustees
Garrison Independent School District
459 Hwy 59 North
Garrison, Texas 75946

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 Garrison Independent School District as of and for the year ended August 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Garrison 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 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 Garrison Independent School District as of August 31, 2008, 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 January 13, 2009, on our consideration of Garrison 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Garrison Independent School District's basic financial statements. The accompanying combining financial statements and 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" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*Authorized Signatures on
Reports Filed with TEA*

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP

January 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

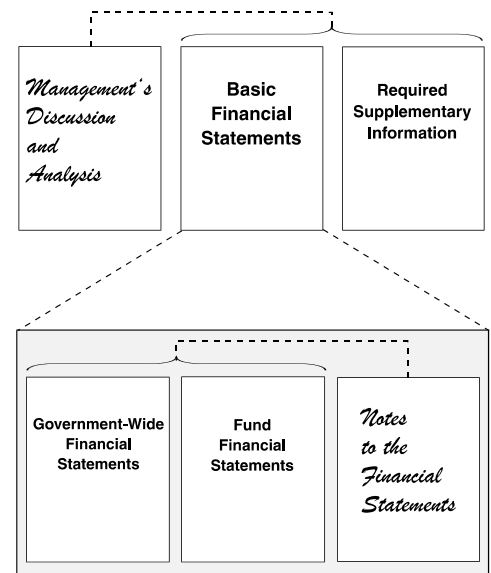
- The District's total combined net assets were \$11,396,341 at August 31, 2008, an increase of \$1,152,956 from the prior year.
- During the current year, the District's expenses were \$6,348,040, compared to \$6,081,058 in the prior year. The net expenses, after deducting amounts paid to the District for charges for services and operating grants were \$5,445,726 during the current year and \$5,280,669 in the prior year, representing an increase of \$165,057, or 3.1%.
- The total cost of the District's programs contributed \$902,314 towards related expenses compared to \$800,389 last year.
- The general fund reported a fund balance this year of \$4,702,608, which includes \$1,559,052 designated by the School Board for future construction projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The following table provides a comparative summary of the District's net assets:

Summary of Net Assets

	8/31/2008	8/31/2007	Amount of Change
<i><u>Governmental Activities</u></i>			
Current and other assets	\$ 5,350,580	\$ 3,773,573	\$ 1,577,007
Capital and long-term assets	8,411,195	8,789,387	(378,192)
Total assets	<u>13,761,775</u>	<u>12,562,960</u>	<u>1,198,815</u>
Current liabilities	305,434	214,575	90,859
Long term liabilities	2,060,000	2,105,000	(45,000)
Total liabilities	<u>2,365,434</u>	<u>2,319,575</u>	<u>45,859</u>
Net assets:			
Invested in capital assets	6,351,195	6,350,707	488
Restricted for debt service	81,919	68,228	13,691
Unrestricted	4,963,227	3,824,450	1,138,777
Total net assets	<u><u>\$ 11,396,341</u></u>	<u><u>\$ 10,243,385</u></u>	<u><u>\$ 1,152,956</u></u>
<i><u>Private Purpose Trust Funds</u></i>			
Current and other assets	\$ 83,129	\$ 92,063	\$ (8,934)
Current liabilities	-	-	-
Net assets held in trust	<u><u>\$ 83,129</u></u>	<u><u>\$ 92,063</u></u>	<u><u>\$ (8,934)</u></u>

Net assets of the District's governmental activities increased to \$11,396,341 during the year ending August 31, 2008. However some of these net assets are either restricted as to the purposes they can be used for, or are invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net assets, which showed an increase of \$1,138,777, totaled \$4,963,227 at year end.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,348,040.
- The amount paid by the federal and state government was \$4,259,318.
- The amount paid through charges for services rendered, including food services, was \$171,904.
- The amount paid through property taxes, investment income, and other income was \$3,069,774.
- Property tax rates increased slightly from \$1.055336 to \$1.069960 per \$100 valuation. The Maintenance & Operations property tax rate increased from \$.993379 to \$1.0220 per \$100 valuation. Property values increased from \$241 million to \$311 million.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's operational activities and changes in net assets:

Summary of Activities & Changes in Net Assets
Governmental Activities

	<u>8/31/2008</u>	<u>8/31/2007</u>	<u>Amount Of Change</u>
Program revenues:			
Charges for services	\$ 171,904	\$ 158,003	\$ 13,901
Operating grants/contributions	730,410	612,236	118,174
Capital grants/contributions	-	30,150	(30,150)
General revenues:			
Property taxes	2,798,740	3,547,921	(749,181)
Investment earnings	230,999	239,707	(8,708)
Unrestricted grants & programs	3,528,908	2,505,553	1,023,355
Other general revenues	40,035	83,795	(43,760)
Total revenues/contributions	<u>7,500,996</u>	<u>7,177,365</u>	<u>323,631</u>
<u>Function</u>			
Expenses:			
10's Instructional & related	3,884,440	3,700,402	184,038
20's School leadership	284,490	271,074	13,416
30's Student services	987,912	993,548	(5,636)
40's Administrative	352,698	327,556	25,142
50's Non-student based support	571,175	525,708	45,467
70's Debt service	104,589	107,458	(2,869)
90's Intergovernment	162,736	155,312	7,424
Total expenses	<u>6,348,040</u>	<u>6,081,058</u>	<u>266,982</u>
Revenues over (under) expenses	1,152,956	1,096,307	56,649
Interfund transfers	-	-	-
Change in net assets	<u>1,152,956</u>	<u>1,096,307</u>	<u>56,649</u>
Beginning net assets	<u>10,243,385</u>	<u>9,147,078</u>	<u>1,096,307</u>
Ending net assets	<u>\$ 11,396,341</u>	<u>\$ 10,243,385</u>	<u>\$ 1,152,956</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

Comparative data for the District's governmental revenues are presented in the following table to assist analysis:

Summary of Revenues Governmental Funds

	<u>8/31/2008</u>	<u>8/31/2007</u>	<u>Change</u>
Property taxes	\$ 2,816,999	\$ 3,443,797	\$ (626,798)
Penalties & interest on taxes	53,514	51,232	2,282
Investment earnings	230,999	239,707	(8,708)
Food service	303,123	312,162	(9,039)
Athletic activities	25,545	22,285	3,260
Foundation & available state funds	3,616,639	2,445,174	1,171,465
Other state income	284,978	310,419	(25,441)
Title I Basis federal program	132,940	139,054	(6,114)
Region VII technology grants	25,000	-	25,000
Contributions	4,483	46,000	(41,517)
Other income	75,750	114,645	(38,895)
Total General Fund	<u>\$ 7,569,970</u>	<u>\$ 7,124,475</u>	<u>\$ 445,495</u>

Explanation and comments:

- Property taxes decreased as a result of a lower tax rate.
- Foundation and available state revenues were increased in 2008 due to increased entitlement per student.
- Investment earnings are approximately the same as the previous year, although interest rates have declined. The use of certificates of deposits which still had higher rates helped the district maintain their investment earnings.

During the year ended August 31, 2008, the District transferred \$142,000 from the General Fund to the Capital Projects Fund. During the year ended August 31, 2007, the District transferred \$1,410,436 to the Capital Projects Fund, \$12,950 to the Cafeteria Fund, and \$8,350 to the Police Car Program.

Comparative data for the District's governmental expenditures are presented in the following table to assist analysis:

Summary of Expenditures
Governmental Funds

	8/31/2008	8/31/2007	Amount Of Change
11 Instruction	\$ 3,586,415	\$ 3,395,918	\$ 190,497
12 Instructional resources and media	71,133	82,067	(10,934)
13 Curriculum and staff development	22,725	17,967	4,758
21 Instructional leadership	79	778	(699)
23 School leadership	284,411	270,296	14,115
31 Guidance and counseling	123,083	127,010	(3,927)
33 Health services	29,330	26,353	2,977
34 Student transportation	178,554	210,867	(32,313)
35 Food service	293,439	345,097	(51,658)
36 Extracurricular activities	311,006	273,285	37,721
41 General administration	352,698	327,556	25,142
51 Plant maintenance and operations	497,049	469,257	27,792
52 Security and monitoring services	53,329	82,189	(28,860)
53 Data processing services	13,919	9,189	4,730
71 Principal on long-term debt	45,000	40,000	5,000
72 Interest on long-term debt	104,589	107,458	(2,869)
81 Capital outlay	224,026	1,363,598	(1,139,572)
93 Payments for shared services	162,736	155,312	7,424
Total General Fund	<u>\$ 6,353,521</u>	<u>\$ 7,304,197</u>	<u>\$ (950,676)</u>

Explanation of variances:

- Function 11, Instruction, increased due to an increase in salaries.
- Function 34, Transportation, decreased because a new bus was purchased in the prior year and no bus purchases occurred this year. Fuel costs were approximately 33% higher.
- Function 81, Capital outlay, decreased due to completion of construction projects that were started in the prior year.

Comparative data for the District's fund balances of its Governmental Funds are presented in the following table to assist analysis:

Summary of the District's Fund Balances

	8/31/2008	8/31/2007	Amount of Change
<i>Governmental Funds</i>			
General Fund	\$ 4,702,608	\$ 3,410,169	\$ 1,292,439
Food Service Fund	319	4,965	(4,646)
Police Car Grant Fund	-	2,873	(2,873)
Debt Service Fund	76,298	59,943	16,355
Capital Projects Fund	105,732	46,172	59,560
Total - Governmental	<u>\$ 4,884,957</u>	<u>\$ 3,524,122</u>	<u>\$ 1,360,835</u>

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$558,034 below final budget amounts. The most significant positive variances resulted from actual payroll expenditures being less than budgeted and actual utility and maintenance costs being less than budgeted.

Resources available were \$969,605 over the initial budgeted amount. Actual state revenues were higher than initial budgeted amount by \$244,251. Local revenues were \$723,772 more than the initial budget. The use of certificates of deposits which still had higher rates and \$52,683 in accrued interest, allowed the district to receive \$230,999 in investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2008, the District had invested approximately \$12 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$262,214 over last year.

Summary of the District's Capital Assets

	8/31/2008	8/31/2007	Amount of Change
<i>Governmental Activities</i>			
Land	\$ 189,497	\$ 189,497	\$ -
Construction in progress	-	1,369,782	(1,369,782)
Buildings and improvements	11,170,049	9,672,601	1,497,448
Equipment	112,154	9,838	102,316
Vehicles	830,750	798,518	32,232
Subtotal	12,302,450	12,040,236	262,214
Less accumulated depreciation	(3,891,256)	(3,584,529)	(306,727)
Net capital assets	<u>\$ 8,411,194</u>	<u>\$ 8,455,707</u>	<u>\$ (44,513)</u>

During the current year, the District finalized payment for the middle school gymnasium and field house. During the prior year, the District acquired one bus and improved the baseball/softball field, football field, middle school gymnasium, and field house.

Long Term Debt

At year-end the District had \$2.1 million in bonds outstanding. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates on existing bonds.

Debt transactions are summarized as follows:

Summary of the District's Debt

	<u>8/31/2008</u>	<u>8/31/2007</u>
Balance of debt, beginning of year	\$ 2,105,000	\$ 2,145,000
New debts	-	-
Principal payments on bonds	(45,000)	(40,000)
Balance of debt, end of year	<u>\$ 2,060,000</u>	<u>\$ 2,105,000</u>

Payments for interest and fees totaled \$104,589 for fiscal 2008 and \$107,458 for fiscal 2007. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the 2008-2009 budget and tax rates. One of the factors continues to be the implementation of House Bill 1 and the many complexities associated with state aid and setting the tax rate. Increased average daily attendance is about the only way that revenue can be increased. The economic downturn could affect the district with the loss of students; however, the District's student enrollment is holding steady with a small increase in the first months of the 2008-2009 school year.

The current national economic crisis will impact the district's interest income. Interest income will decrease as the District's certificates of deposit mature and will be renewed at much lower rates.

The District has added no major new programs or initiatives to the 2009 budget. The amount available for appropriation in general fund is \$6,265,000 which is \$463,000 more than the final amended 2008 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

GARRISON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2008

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,436,626
1120	<i>Current Investments</i>	3,662,861
1225	<i>Property Taxes Receivable (Net)</i>	169,391
1240	<i>Due from Other Governments</i>	19,483
1250	<i>Accrued Interest</i>	52,683
1267	<i>Due from Fiduciary</i>	428
1290	<i>Other Receivables (Net)</i>	5,751
1410	<i>Deferred Expenses</i>	3,357
Capital Assets:		
1510	<i>Land</i>	189,497
1520	<i>Buildings and Improvements, Net</i>	7,800,316
1530	<i>Furniture and Equipment, Net</i>	421,382
1000	Total Assets	<u>13,761,775</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	22,730
2165	<i>Accrued Liabilities</i>	126,796
2180	<i>Due to Other Governments</i>	155,908
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	45,000
2502	<i>Due in More Than One Year</i>	2,015,000
2000	Total Liabilities	<u>2,365,434</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	6,351,195
Restricted For:		
3850	Debt Service	81,919
3900	Unrestricted	4,963,227
3000	Total Net Assets	<u>\$ 11,396,341</u>

The accompanying notes are an integral part of this statement.

GARRISON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 3,790,582	\$ --	\$ 453,352	\$ (3,337,230)	
12	Instructional Resources and Media Services	71,133	--	3,317	(67,816)	
13	Curriculum and Staff Development	22,725	--	18,837	(3,888)	
21	Instructional Leadership	79	--	--	(79)	
23	School Leadership	284,411	--	4,791	(279,620)	
31	Guidance, Counseling, & Evaluation Services	123,083	--	64,602	(58,481)	
33	Health Services	29,330	--	2,396	(26,934)	
34	Student Transportation	195,986	--	4,791	(191,195)	
35	Food Service	304,814	146,359	156,764	(1,691)	
36	Cocurricular/Extracurricular Activities	334,699	25,545	4,791	(304,363)	
41	General Administration	352,698	--	9,582	(343,116)	
51	Plant Maintenance and Operations	497,749	--	4,791	(492,958)	
52	Security and Monitoring Services	59,507	--	2,396	(57,111)	
53	Data Processing Services	13,919	--	--	(13,919)	
72	Interest on Long-term Debt	104,589	--	--	(104,589)	
93	Payments Related to Shared Services Arrangements	162,736	--	--	(162,736)	
TG	Total Governmental Activities	6,348,040	171,904	730,410	(5,445,726)	
TP	Total Primary Government	\$ 6,348,040	\$ 171,904	\$ 730,410	(5,445,726)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				2,635,164	
DT	Property Taxes, Levied for Debt Service				163,576	
IE	Investment Earnings				230,999	
GC	Grants and Contributions Not Restricted to Specific Programs				3,528,908	
MI	Miscellaneous				40,035	
TR	Total General Revenues				6,598,682	
CN	Change in Net Assets				1,152,956	
NB	Net Assets - Beginning				10,243,385	
NE	Net Assets - Ending				\$ 11,396,341	

The accompanying notes are an integral part of this statement.

GARRISON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2008

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,238,120	\$ 198,506	\$ 1,436,626
1120	Current Investments	3,612,861	50,000	3,662,861
1225	Taxes Receivable, Net	163,769	5,622	169,391
1240	Due from Other Governments	12,716	6,767	19,483
1250	Accrued Interest	52,683	--	52,683
1260	Due from Other Funds	35,428	--	35,428
1290	Other Receivables	5,751	--	5,751
1410	Deferred Expenditures	3,357	--	3,357
1000	Total Assets	<u>\$ 5,124,685</u>	<u>\$ 260,895</u>	<u>\$ 5,385,580</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ 22,730	\$ 22,730
2160	Accrued Wages Payable	111,621	5,973	117,594
2170	Due to Other Funds	--	35,000	35,000
2180	Due to Other Governments	146,687	9,221	155,908
2300	Unearned Revenue	163,769	5,622	169,391
2000	Total Liabilities	<u>422,077</u>	<u>78,546</u>	<u>500,623</u>
FUND BALANCES:				
Reserved Fund Balances:				
3420	Debt Service	--	76,298	76,298
3450	Reserve for Food Service	--	319	319
Designated Fund Balance:				
3510	Construction	1,725,977	105,732	1,831,709
3530	Capital Expenditures for Equipment	531,075	--	531,075
3540	Self-Insurance	60,000	--	60,000
3600	Unreserved	2,385,556	--	2,385,556
3000	Total Fund Balances	<u>4,702,608</u>	<u>182,349</u>	<u>4,884,957</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,124,685</u>	<u>\$ 260,895</u>	<u>\$ 5,385,580</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 4,884,957
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,411,195
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	169,391
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,060,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(9,202)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 11,396,341</u>

The accompanying notes are an integral part of this statement.

GARRISON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 2,998,349	\$ 312,303	\$ 3,310,652
5800 State Program Revenues	3,771,074	157,415	3,928,489
5900 Federal Program Revenues	2,182	328,647	330,829
5020 Total Revenues	<u>6,771,605</u>	<u>798,365</u>	<u>7,569,970</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,339,081	247,334	3,586,415
0012 Instructional Resources and Media Services	70,212	921	71,133
0013 Curriculum and Staff Development	3,888	18,837	22,725
0021 Instructional Leadership	79	--	79
0023 School Leadership	284,411	--	284,411
0031 Guidance, Counseling, & Evaluation Services	60,877	62,206	123,083
0033 Health Services	29,330	--	29,330
0034 Student Transportation	178,554	--	178,554
0035 Food Service	--	293,439	293,439
0036 Cocurricular/Extracurricular Activities	311,006	--	311,006
0041 General Administration	352,698	--	352,698
0051 Plant Maintenance and Operations	482,719	14,330	497,049
0052 Security and Monitoring Services	50,456	2,873	53,329
0053 Data Processing Services	13,919	--	13,919
0071 Principal on Long-term Debt	--	45,000	45,000
0072 Interest on Long-term Debt	--	104,589	104,589
0081 Capital Outlay	--	224,026	224,026
0093 Payments to Shared Service Arrangements	162,736	--	162,736
6030 Total Expenditures	<u>5,339,966</u>	<u>1,013,555</u>	<u>6,353,521</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>1,431,639</u>	<u>(215,190)</u>	<u>1,216,449</u>
Other Financing Sources and (Uses):			
7912 Sale of Real or Personal Property	2,800	--	2,800
7915 Transfers In	--	142,000	142,000
8911 Transfers Out	(142,000)	--	(142,000)
7080 Total Other Financing Sources and (Uses)	<u>(139,200)</u>	<u>142,000</u>	<u>2,800</u>
1200 Net Change in Fund Balances	1,292,439	(73,190)	1,219,249
0100 Fund Balances - Beginning	3,410,169	255,539	3,665,708
3000 Fund Balances - Ending	<u>\$ 4,702,608</u>	<u>\$ 182,349</u>	<u>\$ 4,884,957</u>

The accompanying notes are an integral part of this statement.

GARRISON 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, 2008*

Net change in fund balances - total governmental funds	\$ 1,219,249
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	262,215
The depreciation of capital assets used in governmental activities is not reported in the funds.	(306,727)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(71,774)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	4,993
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	<u>45,000</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 1,152,956</u>

The accompanying notes are an integral part of this statement.

GARRISON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2008

Data Control Codes	Private-purpose Trust Funds	Agency Funds Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 7,679	\$ 33,702
1120 <i>Current Investments</i>	2,784	--
1900 <i>Other Assets</i>	72,666	--
1000 Total Assets	<u>\$ 83,129</u>	<u>\$ 33,702</u>
LIABILITIES:		
Current Liabilities:		
2170 <i>Due to Other Funds</i>	\$ --	\$ 428
2190 <i>Due to Student Groups</i>	--	33,274
2000 Total Liabilities	<u>--</u>	<u>33,702</u>
NET ASSETS		
3800 <i>Held in Trust</i>	83,129	--
3000 Total Net Assets	<u>\$ 83,129</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 3,798
Contributions	10,016
Total Additions	<u>13,814</u>
Deductions:	
Scholarship Awards	22,748
Administrative Expenses	--
Total Deductions	<u>22,748</u>
Change in Net Assets	(8,934)
Net Assets-Beginning of the Year	92,063
Net Assets-End of the Year	<u>\$ 83,129</u>

The accompanying notes are an integral part of this statement.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies

The basic financial statements of Garrison 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 seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and 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.

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

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

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Improvements	20
Vehicles	5-10
Equipment	5-10

d. Receivable and Payable Balances

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

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

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

f. Use of Estimates

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

g. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2008

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

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>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2008, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,635,028 and the bank balance was \$4,563,642. The District's cash deposits at August 31, 2008 and during the year ended August 31, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2008 are shown below.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	< 1 year	\$ 3,157,021
Lone Star Investment Pool	n/a	508,624
Total Investments		<u>\$ 3,665,645</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2008, 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:

Lone Star Investment Pool is rated AAAm by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended August 31, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 189,497	\$ --	\$ --	\$ 189,497
Construction in progress	1,369,782	171,644	1,541,426	--
Total capital assets not being depreciated	<u>1,559,279</u>	<u>171,644</u>	<u>1,541,426</u>	<u>189,497</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,672,601	1,497,448	--	11,170,049
Equipment	53,816	58,338	--	112,154
Vehicles	798,518	32,232	--	830,750
Total capital assets being depreciated	<u>10,524,935</u>	<u>1,588,018</u>	<u>--</u>	<u>12,112,953</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,127,917)	(241,815)	--	(3,369,732)
Equipment	(6,606)	(5,770)	--	(12,376)
Vehicles	(450,006)	(59,142)	--	(509,148)
Total accumulated depreciation	<u>(3,584,529)</u>	<u>(306,727)</u>	<u>--</u>	<u>(3,891,256)</u>
Total capital assets being depreciated, net	<u>6,940,406</u>	<u>1,281,291</u>	<u>--</u>	<u>8,221,697</u>
Governmental activities capital assets, net	<u>\$ 8,499,685</u>	<u>\$ 1,452,935</u>	<u>\$ 1,541,426</u>	<u>\$ 8,411,194</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

Depreciation was charged to functions as follows:

Instruction	\$ 209,160
Student Transportation	46,791
Food Services	11,375
Extracurricular Activities	29,650
Plant Maintenance and Operations	700
Security and Monitoring Services	9,051
	<u>\$ 306,727</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2008, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	School Breakfast/Lunch	\$ 35,000	Cash advance
General Fund	Student Activity Fund	428	Cash advance
	Total	<u>\$ 35,428</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2008, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	\$ 142,000	Supplement fund sources
	Total	<u>\$ 142,000</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2008, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,105,000	\$ --	\$ 45,000	\$ 2,060,000	\$ 45,000
Total governmental activities	<u>\$ 2,105,000</u>	<u>\$ --</u>	<u>\$ 45,000</u>	<u>\$ 2,060,000</u>	<u>\$ 45,000</u>

Bonds Payable:

Unlimited Tax School Building Bonds, Series 2001, originally issued for \$2,320,000.

Effective interest rates range from 4.75% to 6.75%. Interest of \$104,589 was incurred for the year ended August 31, 2008.

	\$ 2,060,000
Total Bonds Payable	<u>\$ 2,060,000</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 45,000	\$ 101,551	\$ 146,551
2010	50,000	98,345	148,345
2011	50,000	95,283	145,283
2012	55,000	92,739	147,739
2013	55,000	90,360	145,360
2014-2018	335,000	408,647	743,647
2019-2023	450,000	315,633	765,633
2024-2028	585,000	188,322	773,322
2029-2033	435,000	34,298	469,298
Totals	\$ 2,060,000	\$ 1,425,178	\$ 3,485,178

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the District was unable to obtain property and liability insurance at a cost it considered to be economically justifiable. The District joined together with other school districts in the State to form the Texas Association of Public Schools Property and Liability Fund (TAPS), a public entity risk pool currently operating as a common risk management and insurance program for 76 member school districts. The District pays an annual premium to TAPS for its general and liability insurance coverage. The agreement for Formation of TAPS provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for catastrophic claims. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

In the past, the District participated in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District no longer utilizes this plan for current coverage; however, the District remains obligated for past claims made during the years of participation. For current claims, the District participates as a fully funded member of the TASB worker's compensation fund.

Changes in the balances of workers' compensation claim liabilities during the past three years are as follows:

	Balance Beginning of Year	Incurred Claims (IBNR)	Claims Paid	Balance End of Year
Year ended Aug 31, 2006	\$ 32,988	\$ 5,581	\$ 9,587	\$ 29,002
Year ended Aug 31, 2007	29,002	(10,754)	4,053	14,195
Year ended Aug 31, 2008	14,195	(2,354)	2,639	9,202

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

H. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System 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.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2008, 2007 and 2006 were \$238,672, \$231,962 and \$194,586, 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, 2008, 2007 and 2006 were \$24,759, \$23,904 and \$21,379, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$244,347 for the year ended August 31, 2008.

I. Retiree Health Care Plan

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2008, 2007 and 2006. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2008, 2007, and 2006, the State's contributions to TRS-Care were \$37,296, \$36,240, and \$30,404, respectively, the active member contributions were \$24,244, \$23,535, and \$15,202, respectively, and the District's contributions were \$21,860, \$21,571, and \$18,533, respectively, which equaled the required contributions each year.

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

J. Employee Health Care Coverage

During the year ended August 31, 2008, the District participated in the TRS Active-Care health insurance plan offered through the Teacher Retirement System of Texas. The District made monthly contributions to the plan of \$225 per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2008.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District became the fiscal agent on July 1, 2008 for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District will account for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. There were no expenditures recorded from July 1, 2008 through August 31, 2008 because Garrison ISD did not begin managing the Cooperative's financial transactions until September 1, 2008.

Member Districts

Chireno ISD
Cushing ISD
Central Heights ISD
Douglass ISD
Etoile ISD
Garrison ISD
Martinsville ISD
Woden ISD

GARRISON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for a federal program with the following school districts:

Member Districts

Special Education

Fiscal Agent

Woden ISD *

Member Districts

Chireno ISD
Cushing ISD
Central Heights ISD
Douglass ISD
Etoile ISD
Martinsville ISD
Woden ISD

Alternative Education

Fiscal Agent

Nacogdoches ISD

Member Districts

Chireno ISD
Cushing ISD
Central Heights ISD
Douglass ISD
Etoile ISD
Martinsville ISD
Nacogdoches ISD
Woden ISD

Federal Vocational Ed

Fiscal Agent

Central Heights ISD

Member Districts

Chireno ISD
Cushing ISD
Central Heights ISD
Douglass ISD
Etoile ISD
Martinsville ISD
Woden ISD

* Garrison ISD became the fiscal agent of the Nacogdoches County Special Education Cooperative on July 1, 2008.

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, school name, 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 SSA.

M. Other Disclosures

The allowance for uncollectible taxes receivable was \$50,111 at August 31, 2008.

Investment income earned during the year ended August 31, 2008 was \$230,999.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

GARRISON INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,272,577	\$ 2,274,577	\$ 2,998,349	\$ 723,772
5800	State Program Revenues	3,526,823	3,526,823	3,771,074	244,251
5900	Federal Program Revenues	600	600	2,182	1,582
5020	Total Revenues	5,800,000	5,802,000	6,771,605	969,605
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	3,616,227	3,616,227	3,339,081	277,146
0012	Instructional Resources and Media Services	78,120	78,120	70,212	7,908
0013	Curriculum and Staff Development	3,350	48,350	3,888	44,462
	Total Instruction & Instr. Related Services	3,697,697	3,742,697	3,413,181	329,516
Instructional and School Leadership:					
0021	Instructional Leadership	1,000	16,000	79	15,921
0023	School Leadership	289,941	289,941	284,411	5,530
	Total Instructional & School Leadership	290,941	305,941	284,490	21,451
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	68,022	68,022	60,877	7,145
0033	Health Services	30,362	30,362	29,330	1,032
0034	Student (Pupil) Transportation	218,308	218,308	178,554	39,754
0036	Cocurricular/Extracurricular Activities	299,773	335,773	311,006	24,767
	Total Support Services - Student (Pupil)	616,465	652,465	579,767	72,698
Administrative Support Services:					
0041	General Administration	360,985	360,985	352,698	8,287
	Total Administrative Support Services	360,985	360,985	352,698	8,287
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	601,644	601,644	482,719	118,925
0052	Security and Monitoring Services	49,011	51,011	50,456	555
0053	Data Processing Services	14,000	14,000	13,919	81
	Total Support Services - Nonstudent Based	664,655	666,655	547,094	119,561
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	169,257	169,257	162,736	6,521
	Total Intergovernmental Charges	169,257	169,257	162,736	6,521
6030	Total Expenditures	5,800,000	5,898,000	5,339,966	558,034
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(96,000)	1,431,639	1,527,639
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	--	--	2,800	2,800
8911	Transfers Out	--	(142,000)	(142,000)	--
7080	Total Other Financing Sources and (Uses)	--	(142,000)	(139,200)	2,800
1200	Net Change in Fund Balance	--	(238,000)	1,292,439	1,530,439
0100	Fund Balance - Beginning	3,410,169	3,410,169	3,410,169	--
3000	Fund Balance - Ending	\$ 3,410,169	\$ 3,172,169	\$ 4,702,608	\$ 1,530,439

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2008

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 44,287	\$ 25,757	\$ 128,462	\$ 198,506
1120	Current Investments	--	50,000	--	50,000
1225	Taxes Receivable, Net	--	5,622	--	5,622
1240	Due from Other Governments	6,226	541	--	6,767
1000	Total Assets	<u>\$ 50,513</u>	<u>\$ 81,920</u>	<u>\$ 128,462</u>	<u>\$ 260,895</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 22,730	\$ 22,730
2160	Accrued Wages Payable	5,973	--	--	5,973
2170	Due to Other Funds	35,000	--	--	35,000
2180	Due to Other Governments	9,221	--	--	9,221
2300	Unearned Revenue	--	5,622	--	5,622
2000	Total Liabilities	<u>50,194</u>	<u>5,622</u>	<u>22,730</u>	<u>78,546</u>
FUND BALANCES:					
Reserved Fund Balances:					
3420	Debt Service	--	76,298	--	76,298
3450	Reserve for Food Service	319	--	--	319
Designated Fund Balance:					
3510	Construction	--	--	105,732	105,732
3000	Total Fund Balances	<u>319</u>	<u>76,298</u>	<u>105,732</u>	<u>182,349</u>
4000	Total Liabilities and Fund Balances	<u>\$ 50,513</u>	<u>\$ 81,920</u>	<u>\$ 128,462</u>	<u>\$ 260,895</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 146,359	\$ 165,944	\$ --	\$ 312,303
5800 <i>State Program Revenues</i>	157,415	--	--	157,415
5900 <i>Federal Program Revenues</i>	328,647	--	--	328,647
5020 Total Revenues	<u>632,421</u>	<u>165,944</u>	<u>--</u>	<u>798,365</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	247,334	--	--	247,334
0012 <i>Instructional Resources and Media Services</i>	921	--	--	921
0013 <i>Curriculum and Staff Development</i>	18,837	--	--	18,837
0031 <i>Guidance, Counseling, & Evaluation Services</i>	62,206	--	--	62,206
0035 <i>Food Service</i>	293,439	--	--	293,439
0051 <i>Plant Maintenance and Operations</i>	14,330	--	--	14,330
0052 <i>Security and Monitoring Services</i>	2,873	--	--	2,873
0071 <i>Principal on Long-term Debt</i>	--	45,000	--	45,000
0072 <i>Interest on Long-term Debt</i>	--	104,589	--	104,589
0081 <i>Capital Outlay</i>	--	--	224,026	224,026
6030 Total Expenditures	<u>639,940</u>	<u>149,589</u>	<u>224,026</u>	<u>1,013,555</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(7,519)</u>	<u>16,355</u>	<u>(224,026)</u>	<u>(215,190)</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	142,000	142,000
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>142,000</u>	<u>142,000</u>
1200 Net Change in Fund Balances	<u>(7,519)</u>	<u>16,355</u>	<u>(82,026)</u>	<u>(73,190)</u>
0100 Fund Balances - Beginning	<u>7,838</u>	<u>59,943</u>	<u>187,758</u>	<u>255,539</u>
3000 Fund Balances - Ending	<u>\$ 319</u>	<u>\$ 76,298</u>	<u>\$ 105,732</u>	<u>\$ 182,349</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2008

Data Control Codes		240 National School Breakfast/Lunch Program	401 Optional Extended Year Program
ASSETS:			
1110	Cash and Cash Equivalents	\$ 37,479	\$ (259)
1240	Due from Other Governments	3,813	259
1000	Total Assets	<u>\$ 41,292</u>	<u>\$ --</u>
LIABILITIES:			
Current Liabilities:			
2160	Accrued Wages Payable	\$ 5,973	\$ --
2170	Due to Other Funds	35,000	--
2180	Due to Other Governments	--	--
2000	Total Liabilities	<u>40,973</u>	<u>--</u>
FUND BALANCES:			
Reserved Fund Balances:			
3450	Reserve for Food Service	319	--
3000	Total Fund Balances	<u>319</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 41,292</u>	<u>\$ --</u>

404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Prekindergarten Grants	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ (2,154)	\$ 208	\$ 9,013	\$ 44,287
<u>2,154</u>	<u>--</u>	<u>--</u>	<u>6,226</u>
<u>\$ --</u>	<u>\$ 208</u>	<u>\$ 9,013</u>	<u>\$ 50,513</u>
\$ --	\$ --	\$ --	\$ 5,973
--	--	--	35,000
<u>--</u>	<u>208</u>	<u>9,013</u>	<u>9,221</u>
<u>--</u>	<u>208</u>	<u>9,013</u>	<u>50,194</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>319</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>319</u>
<u>\$ --</u>	<u>\$ 208</u>	<u>\$ 9,013</u>	<u>\$ 50,513</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	262 Enhancing Education throug Technology
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 146,359	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	1,871	--	--
5900 <i>Federal Program Revenues</i>	132,940	154,893	38,556	1,337
5020 Total Revenues	<u>132,940</u>	<u>303,123</u>	<u>38,556</u>	<u>1,337</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	58,734	--	33,056	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	12,000	--	5,500	1,337
0031 <i>Guidance, Counseling, & Evaluation Services</i>	62,206	--	--	--
0035 <i>Food Service</i>	--	293,439	--	--
0051 <i>Plant Maintenance and Operations</i>	--	14,330	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	--
6030 Total Expenditures	<u>132,940</u>	<u>307,769</u>	<u>38,556</u>	<u>1,337</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	(4,646)	--	--
1200 Net Change in Fund Balances	--	(4,646)	--	--
0100 Fund Balances - Beginning	--	4,965	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 319</u>	<u>\$ --</u>	<u>\$ --</u>

jh	269 Title V, Part A Innovative Programs	285 Police Car Grant	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment
	\$ --	\$ --	\$ --	\$ --	\$ --
	--	--	2,592	21,537	18,365
	921	--	--	--	--
	<u>921</u>	<u>--</u>	<u>2,592</u>	<u>21,537</u>	<u>18,365</u>
	--	--	2,592	21,537	18,365
	921	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	2,873	--	--	--
	<u>921</u>	<u>2,873</u>	<u>2,592</u>	<u>21,537</u>	<u>18,365</u>
	--	(2,873)	--	--	--
	--	<u>(2,873)</u>	--	--	--
	--	2,873	--	--	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	415 Kindergarten and Prekindergarten Grants	428 High School Allotment	499 Region VII Technology Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 146,359
5800 <i>State Program Revenues</i>	33,101	54,949	25,000	157,415
5900 <i>Federal Program Revenues</i>	--	--	--	328,647
5020 Total Revenues	<u>33,101</u>	<u>54,949</u>	<u>25,000</u>	<u>632,421</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	33,101	54,949	25,000	247,334
0012 <i>Instructional Resources and Media Services</i>	--	--	--	921
0013 <i>Curriculum and Staff Development</i>	--	--	--	18,837
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	62,206
0035 <i>Food Service</i>	--	--	--	293,439
0051 <i>Plant Maintenance and Operations</i>	--	--	--	14,330
0052 <i>Security and Monitoring Services</i>	--	--	--	2,873
6030 Total Expenditures	<u>33,101</u>	<u>54,949</u>	<u>25,000</u>	<u>639,940</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	(7,519)
1200 Net Change in Fund Balances	--	--	--	(7,519)
0100 Fund Balances - Beginning	--	--	--	7,838
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 319</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5020 Total Revenues	\$ --	\$ --	\$ --
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	344,281	224,026	120,255
Total Capital Outlay	344,281	224,026	120,255
6030 Total Expenditures	344,281	224,026	120,255
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(344,281)	(224,026)	120,255
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	142,000	142,000	--
7080 Total Other Financing Sources and (Uses)	142,000	142,000	--
1200 Net Change in Fund Balance	(202,281)	(82,026)	120,255
0100 Fund Balance - Beginning	187,758	187,758	--
3000 Fund Balance - Ending	\$ (14,523)	\$ 105,732	\$ 120,255

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

PRIVATE-PURPOSE TRUST FUNDS

AUGUST 31, 2008

Data Control Codes	829 Non-Endowed Trust Fund	836 Endowed Scholarships Fund	Total Private- Purpose Trust Funds (See Exhibit E-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 3,259	\$ 4,420	\$ 7,679
1120 <i>Current Investments</i>	2,784	--	2,784
1900 <i>Other Assets</i>	--	72,666	72,666
1000 Total Assets	<u>\$ 6,043</u>	<u>\$ 77,086</u>	<u>\$ 83,129</u>
LIABILITIES:			
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
NET ASSETS			
3800 <i>Held in Trust</i>	\$ 6,043	\$ 77,086	\$ 83,129
3000 Total Net Assets	<u>\$ 6,043</u>	<u>\$ 77,086</u>	<u>\$ 83,129</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2008

	829	836	Total
	Non-Endowed	Endowed	Private-Purpose
	Trust Fund	Scholarships	Trust
	Trust Fund	Fund	Funds (See
			Exhibit E-2)
Additions:			
Investment Income	\$ 618	\$ 3,180	\$ 3,798
Contributions	8,043	1,973	10,016
Total Additions	<u>8,661</u>	<u>5,153</u>	<u>13,814</u>
Deductions:			
Scholarship Awards	10,875	11,873	22,748
Administrative Expenses	--	--	--
Total Deductions	<u>10,875</u>	<u>11,873</u>	<u>22,748</u>
Change in Net Assets	(2,214)	(6,720)	(8,934)
Net Assets-Beginning of the Year	8,257	83,806	92,063
Net Assets-End of the Year	<u>\$ 6,043</u>	<u>\$ 77,086</u>	<u>\$ 83,129</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

GARRISON INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2008*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
1999 and Prior Years	\$	Various	\$	Various	\$	Various
2000		1.42		--		54,523,231
2001		1.2532		--		63,792,947
2002		1.25		.0664		71,810,590
2003		1.2662		.0595		89,842,058
2004		1.3662		.0658		97,670,799
2005		1.37		.06		122,348,719
2006		1.37		.0518		173,171,380
2007		1.2548		.0542		227,539,800
2008 (School Year Under Audit)		.9934		.062		237,414,458

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/07	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/08
\$ 26,542	\$ --	\$ 1,827	\$ --	\$ (5,773)	\$ 18,942
7,285	--	901	--	--	6,384
7,519	--	617	--	--	6,902
9,962	--	1,259	67	(1)	8,635
15,055	--	3,291	155	(16)	11,593
32,417	--	4,369	210	(351)	27,487
24,122	--	6,462	283	(702)	16,675
57,351	--	12,807	484	(1,238)	42,822
120,479	--	27,840	1,202	(56,100)	35,337
--	2,505,520	2,595,214	161,863	296,282	44,725
<u>\$ 300,732</u>	<u>\$ 2,505,520</u>	<u>\$ 2,654,587</u>	<u>\$ 164,264</u>	<u>\$ 232,101</u>	<u>\$ 219,502</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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

EXHIBIT J-2

FUNCTION 41 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 120,175	\$ 97,432	\$ --	\$ --	\$ 217,607
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	13,690	4,055	--	--	--	17,745
6212	Audit Services	--	--	--	7,875	--	--	7,875
6213	Tax Appraisal and Collection	--	68,935	--	--	--	--	68,935
621X	Other Prof. Services	--	--	--	104	--	--	104
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	420	--	--	420
6240	Contr. Maint. and Repair	--	--	--	--	100	--	100
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	--	--	--
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	1,218	--	2,070	8,702	--	--	11,990
6410	Travel, Subsistence, Stipends	1,739	--	4,260	4,026	--	--	10,025
6420	Ins. and Bonding Costs	1,000	--	--	--	--	--	1,000
6430	Election Costs	5,963	--	--	--	--	--	5,963
6490	Miscellaneous Operating	4,676	--	1,748	4,510	--	--	10,934
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 14,596 \$ 82,625 \$ 132,308 \$ 123,069 \$ 100 \$ -- \$ 352,698

Total expenditures for General and Special Revenue Funds (9) \$ 5,979,906

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 32,233
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 497,049
Food (Function 35, 6341 and 6499)	(13)	\$ 103,898
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 123,069</u>

Subtotal 756,249

Net Allowed Direct Cost \$ 5,223,657

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 11,170,049
Historical Cost of Buildings over 50 years old	(16)	--
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	942,904
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - No Function 53 expenditures are included in this report on administrative costs.

GARRISON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2008

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2008 (Exhibit C-1 object 3000 for the General Fund only)	\$ 4,702,608
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	--
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	2,317,052
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	1,653,144
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	551,048
6	Estimate of delayed payments from state sources (58XX) including August payment delays	520,850
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	5,042,094
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (339,486)

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive

Undesignated Unreserved General Fund Fund Balance:

GARRISON INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 165,000	\$ 146,359	\$ (18,641)
5800 <i>State Program Revenues</i>	3,000	1,871	(1,129)
5900 <i>Federal Program Revenues</i>	212,000	154,893	(57,107)
5020 Total Revenues	<u>380,000</u>	<u>303,123</u>	<u>(76,877)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	359,194	293,439	65,755
Total Support Services - Student (Pupil)	<u>359,194</u>	<u>293,439</u>	<u>65,755</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	20,806	14,330	6,476
Total Support Services - Nonstudent Based	<u>20,806</u>	<u>14,330</u>	<u>6,476</u>
6030 Total Expenditures	<u>380,000</u>	<u>307,769</u>	<u>72,231</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(4,646)	(4,646)
1200 Net Change in Fund Balance	--	(4,646)	(4,646)
0100 Fund Balance - Beginning	4,965	4,965	--
3000 Fund Balance - Ending	<u>\$ 4,965</u>	<u>\$ 319</u>	<u>\$ (4,646)</u>

GARRISON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 149,589	\$ 165,944	\$ 16,355
5020 Total Revenues	<u>149,589</u>	<u>165,944</u>	<u>16,355</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	45,000	45,000	--
0072 <i>Interest on Long-Term Debt</i>	104,589	104,589	--
Total Debt Service	<u>149,589</u>	<u>149,589</u>	<u>--</u>
6030 Total Expenditures	<u>149,589</u>	<u>149,589</u>	<u>--</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	16,355	16,355
1200 Net Change in Fund Balance	--	16,355	16,355
0100 Fund Balance - Beginning	59,943	59,943	--
3000 Fund Balance - Ending	<u>\$ 59,943</u>	<u>\$ 76,298</u>	<u>\$ 16,355</u>

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP
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Nacogdoches, TX 75961
(936) 564-8186

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Garrison Independent School District
459 Hwy 59 North
Garrison, Texas 75946

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garrison Independent School District as of and for the year ended August 31, 2008, which collectively comprise the Garrison Independent School District's basic financial statements and have issued our report thereon dated January 13, 2009. 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 Garrison Independent School 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 Garrison Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Garrison Independent School District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Garrison Independent School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Garrison Independent School District's financial statements that is more than inconsequential will not be prevented by the Garrison Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garrison Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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

Respectfully submitted,

*Authorized Signatures on
Reports Filed with TEA*

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP

January 13, 2009

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

The District is not required to undergo a Single Audit.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NO PRIOR FINDINGS		

GARRISON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2008

NOT APPLICABLE - NO CURRENT FINDINGS

GARRISON INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2008*

<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?	\$ --