

**WEST SABINE  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2008*

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

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*Introductory Section*

CERTIFICATE OF BOARD

West Sabine Independent School District  
Name of School District

Sabine  
County

202-905  
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  
Reports Filed with TEA*  
\_\_\_\_\_  
Signature of Board Secretary

*Authorized Signatures on  
Reports 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  
West Sabine Independent School District  
P.O. Box 869  
Pineland, Texas 75968-0869

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 West Sabine 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 West Sabine 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 West Sabine 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 December 15, 2008, on our consideration of West Sabine 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 West Sabine Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the 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 Signature on  
Reports Filed with TEA*

Halls, Johnson, McLemore, Redfield, & Rodrigues, LLP

December 15, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of West Sabine 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

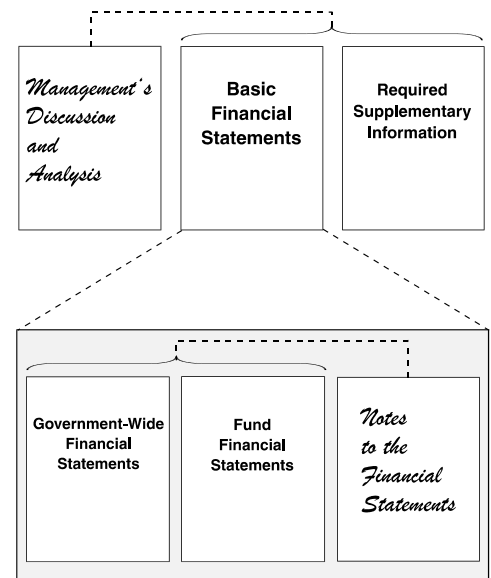
- The District's total combined net assets were \$3,069,872 at August 31, 2008.
- During the current year, the District's expenses were \$189,438 less than the \$5,913,167 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs \$5,723,729, was \$400,688 more than last year.
- The general fund reported a fund balance this year of \$953,610.

### 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 District's combined net assets at August 31, 2008 were \$3,069,872. This is a \$189,438 increase over last year's combined net assets of \$2,880,434. The following table provides a comparative summary of the District's net assets:

<b>Summary of Net Assets</b>				
	<u>8/31/2008</u>	<u>8/31/2007</u>	<u>Change</u>	<u>% Change</u>
<u>Governmental Activities:</u>				
Current and other assets	\$ 10,708,174	\$ 1,348,846	\$ 9,359,328	693.88%
Capital assets	<u>2,045,702</u>	<u>2,088,637</u>	<u>(42,935)</u>	<u>-2.06%</u>
Total assets	12,753,876	3,437,483	9,316,393	691.82%
Current liabilities	184,004	557,049	(373,045)	-66.97%
Long term liabilities	<u>9,500,000</u>	<u>-</u>	<u>9,500,000</u>	
Total liabilities	9,684,004	557,049	9,126,955	1638.45%
Net assets:				
Invested in capital assets	2,045,702	2,088,637	(42,935)	-2.06%
State & Federal Programs	-	-	-	0.00%
Unrestricted	<u>1,024,170</u>	<u>791,797</u>	<u>232,373</u>	<u>29.35%</u>
Total net assets	<u>\$ 3,069,872</u>	<u>\$ 2,880,434</u>	<u>\$ 189,438</u>	<u>6.58%</u>

Net assets of the District's governmental activities increased 6.58% to \$3,069,872 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). Unrestricted net assets increased by \$232,373, and totaled \$1,024,170 at year end.

### Governmental Activities

- The cost of all *governmental* activities this year was \$5,723,729.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$889,279.
- Some of the cost was paid by those who directly benefited from the programs (\$141,949), or by grants and contributions (\$730,993).
- Property tax rates decreased from \$1.237 in 2007 to \$0.99 in 2008 per \$100 valuation due to state mandates. Therefore, property tax revenues decreased \$203,663 from \$1,092,942 in 2007 to \$889,279 in 2008.

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>	<u>% Change</u>
Program revenues:				
Charges for services	\$ 141,949	\$ 130,825	\$ 11,124	8.50%
Operating grants/contributions	730,993	671,568	59,425	8.85%
General revenues:				
Property taxes	889,279	1,092,942	(203,663)	-18.63%
Investment earnings	62,931	60,354	2,577	100.00%
Foundation & available state funding	4,014,673	3,295,291	719,382	21.83%
Other general revenues	73,342	90,892	(17,550)	-19.31%
Total revenues/contributions	<u>5,913,167</u>	<u>5,341,872</u>	<u>571,295</u>	<u>10.69%</u>
<u>Function</u>				
Expenses:				
10's Instructional & related	3,343,038	3,131,014	212,024	6.77%
20's School leadership	371,919	326,616	45,303	13.87%
30's Student services	997,110	918,817	78,293	8.52%
40's Administrative	300,831	325,652	(24,821)	-7.62%
50's Non-student based support	612,871	557,187	55,684	9.99%
70's Debt service	-	-	-	
80's Capital outlay	-	-	-	
90's Intergovernmental	97,960	63,755	34,205	53.65%
Total expenses	<u>5,723,729</u>	<u>5,323,041</u>	<u>400,688</u>	<u>7.53%</u>
Revenues over (under) expenses	189,438	18,831	170,607	905.99%
Beginning net assets	<u>2,880,434</u>	<u>2,861,603</u>	18,831	0.66%
Ending net assets	<u>\$ 3,069,872</u>	<u>\$ 2,880,434</u>	<u>\$ 189,438</u>	<u>6.58%</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types in the general fund totaled \$5,119,997, an increase of 11.01% from the preceding year. In 2008, the collection rate for current taxes was 97.8%, increased from 2007, when the collection rate for current taxes was 95.7%.

The increase in state revenues \$720,136 is the result of *property tax relief legislation passed by the State of Texas in 2005-2006*. The increase in federal forest revenues of \$13,172 due to not receiving any payments for mineral production in the Sabine National Forest in 2007.

Comparative data for the District's revenues of its General Fund are presented in the following table to assist analysis:

### Summary of Revenues General Fund

	8/31/2008	8/31/2007	Change	% Change
Property taxes	\$ 890,631	\$ 1,096,015	\$ (205,384)	-18.74%
Investment earnings	45,410	60,354	(14,944)	100.00%
Athletic activities	20,120	19,759	361	1.83%
Receipts from SSA fiscal agent	31,358	15,039	16,319	108.51%
Foundation & available state funds	3,803,241	3,083,105	720,136	23.36%
State on-behalf revenue	214,704	183,179	31,525	17.21%
Federal Forest	91,934	78,762	13,172	16.72%
Gain on WADA sale	-	61,913	(61,913)	100.00%
Insurance recovery	8,697	-	8,697	
Other miscellaneous revenues	13,901	13,941	(40)	-0.29%
Total General Fund	<u>\$ 5,119,996</u>	<u>\$ 4,612,067</u>	<u>\$ 507,929</u>	<u>11.01%</u>

#### Explanation of variances:

- The property tax rate was lowered in 2008, as mandated by the Texas legislature. As a result, state funding was increased to makeup for the decrease in property tax rates.
- Investment earnings decreased to \$45,410 in 2008 due to lower interest rates being offered by the bank.
- Foundation and available state revenues changed significantly because of variations in the funding formulas incorporated in property tax relief legislation.
- Insurance recovery proceeds of \$8,697 were received in 2008 due to storm damages.

Comparative data for the District's expenditures of its General Fund are presented in the following table to assist analysis:

**Summary of Expenditures**  
General Fund

	8/31/2008	8/31/2007	Change	% Change
11 Instruction	\$ 2,814,939	\$ 2,592,600	\$ 222,339	8.58%
12 Instructional resources and media	70,374	64,583	5,791	8.97%
13 Curriculum and staff development	3,426	1,612	1,814	112.53%
21 Instructional Leadership	7,540	6,501	1,039	15.98%
23 School leadership	330,462	291,207	39,255	13.48%
31 Guidance and counseling	79,566	59,439	20,127	33.86%
33 Health services	66,745	64,182	2,563	3.99%
34 Student transportation	230,369	199,044	31,325	15.74%
36 Extracurricular activities	307,616	298,369	9,247	3.10%
41 General administration	305,277	323,053	(17,776)	-5.50%
51 Plant maintenance and operations	526,567	459,998	66,569	14.47%
53 Data processing services	84,109	94,995	(10,886)	-11.46%
72 Interest	-	-	-	n/a
81 Capital outlay	-	-	-	n/a
93 Payments for SSA	66,531	63,755	2,776	4.35%
95 Payments to JJAEP	-	-	-	n/a
99 Other intergovernmental charges	31,429	-	31,429	n/a
Total General Fund	<u>\$ 4,924,950</u>	<u>\$ 4,519,338</u>	<u>\$ 405,612</u>	<u>8.98%</u>

Explanation of variances:

- Function 11, Instruction, showed an 8.58% increase due to salary increases.
- Function 23, School leadership, showed an increase of \$39,255, or 13.48%, due to salary increases.
- Function 34, Student Transportation, showed an increase of \$31,325, or 15.74%, due to increased fuel cost and maintenance costs.
- Function 31, Guidance and Counseling, increased by \$20,127 (25.98%) because the district filled an open position and salary increases.
- Function 41, General administration, decreased by \$17,776, or 5.50%, due to costs associated with interim superintendent.
- Function 51, Plant Maintenance and operations increased \$66,569, or 14.47%, due to rising utility and supply costs.
- Function 53, Data processing services, decreased \$10,886, or 11.46%, due to a reduction in staff.

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

**Summary of Revenues**  
Other Governmental Funds

	8/31/2008	8/31/2007	Change	% Change
<i>Food Service Fund:</i>				
Food service charges	\$ 121,829	\$ 111,066	\$ 10,763	9.69%
National school lunch & breakfast	219,504	186,707	32,797	17.57%
Value of USDA commodities	19,463	27,830	(8,367)	-30.06%
State support	10,378	9,634	744	7.72%
	<u>371,174</u>	<u>335,237</u>	<u>35,937</u>	<u>10.72%</u>
<i>Other Funds:</i>				
State high school allotment program	43,214	50,132	(6,918)	-13.80%
State technology allotment	15,699	15,462	237	1.53%
Student Success Initiative	38,399	42,270	(3,871)	-9.16%
Other state programs	536	7,783	(7,247)	-93.11%
ESEA Title I - Basic Program	187,222	178,329	8,893	4.99%
ESEA Title II, Teacher & Principal Training & Recruiting	42,536	44,617	(2,081)	-4.66%
ESEA Title VI - Rural Schools	18,711	9,939	8,772	88.26%
Title II, Part D, Education Through Technology Program	1,760	1,808	(48)	-2.65%
GEAR UP Program Through SFASU	35,000	36,389	(1,389)	-3.82%
Vocational Education - Federal		8,560	(8,560)	-100.00%
Other federal programs	2,751	2,353	398	16.91%
Investment earnings	17,521	-	17,521	
Other local programs	20,000	-	20,000	
Total Other Funds	<u>423,349</u>	<u>397,642</u>	<u>(11,814)</u>	<u>-2.97%</u>
Total Revenues of Other Govt Funds	<u>\$ 794,523</u>	<u>\$ 732,879</u>	<u>\$ 24,123</u>	<u>3.29%</u>

Explanation of significant variances:

- Food service revenues are up in 2008, \$35,937 or 10.72% because of increases in federal lunch and breakfast program reimbursements and an increase in local student revenues.
- Title programs show overall increases totaling \$15,536 in 2008, with an increase to Title I, \$8,893, due to carryforward entitlements from 2007, a decrease of \$2,081, in Title II, Teacher & Principal Training and an increase of \$8,772 to Title VI, Rural schools due to a change in funding allocation.



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

**Summary of Expenditures**  
Other Governmental Funds

	8/31/2008	8/31/2007	Change	% Change
<i>Food Service Fund:</i>				
35 Food service	\$ 369,763	\$ 343,523	\$ 26,240	7.64%
	<u>369,763</u>	<u>343,523</u>	<u>26,240</u>	<u>7.64%</u>
<i>Other Governmental Funds:</i>				
11 Instruction	330,539	346,668	(16,129)	-4.65%
12 Instructional resources and media	966	2,303	(1,337)	-58.05%
13 Curriculum and staff development	18,360	17,018	1,342	7.89%
21 Instructional Leadership	33,917	28,908	5,009	17.33%
23 School leadership	-	-	-	n/a
31 Guidance and counseling	-	-	-	n/a
32 Social work services	1,000	670	330	49.25%
33 Health services	-	-	-	n/a
34 Student transportation	-	-	-	n/a
35 Food service	-	-	-	n/a
36 Extracurricular activities	-	-	-	n/a
41 General administration	1,300	1,300	-	0.00%
51 Plant maintenance and operations	-	-	-	n/a
53 Data processing services	-	-	-	n/a
73 Bond issuance costs and fees	171,394	-	171,394	n/a
Total Expenditures	<u>557,476</u>	<u>396,867</u>	<u>160,609</u>	<u>40.47%</u>
Total Expenditures of Other Governmental Funds	<u>\$ 927,239</u>	<u>\$ 740,390</u>	<u>\$ 186,849</u>	<u>25.24%</u>

Explanation of significant variances:

- Food service expenditures increased due to increased food costs and salaries.
- Federal program expenditures were budgeted according to campus needs and federal program guidelines, with minimal changes from prior years.

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**

	Governmental Funds		Amount of Change	% Change
	8/31/2008	8/31/2007		
General Fund	\$ 953,610	\$ 768,563	\$ 185,047	24.08%
Capital Projects Fund	\$ 9,502,342	\$ -	9,502,342	
Debt Service Fund	\$ 176,931	\$ -	176,931	
Food Service Fund	12,963	1,553	11,410	734.71%
Other Special Revenue Funds	21,336	1,590	19,746	1241.89%
Total - Governmental	<u>\$ 10,667,182</u>	<u>\$ 771,706</u>	<u>\$ 9,895,476</u>	<u>1282.29%</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 \$29,431 below final budget amounts. The only significant unfavorable variance noted was \$44,406 overspent in instructional expenditures. The most significant positive variances resulted from budgeting \$30,272 more than expenditures in non-student based support services and \$31,080 more than expenditures in student support services. Also, administrative support services expenditures were \$37,123 under the budgeted amount of \$342,400. Overall, the expended amounts followed the budget very closely.

Resources available were \$85,129 above the final budgeted amount. State revenues were slightly higher than expected and federal revenues were more than expected because of increased funding on Title and federal forest programs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At August 31, 2008, the District had invested \$7.9 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount is approximately the same as last year, as shown in the following table:

**Summary of the District's Capital Assets**

	Governmental Activities		Amount of Change	% Change
	8/31/2008	8/31/2007		
Land	\$ 263,626	\$ 263,626	\$ -	0.00%
Buildings and improvements	6,839,366	6,839,366	-	0.00%
Equipment	139,321	126,207	13,114	10.39%
Vehicles	672,936	591,091	81,845	13.85%
Subtotal	7,915,249	7,820,290	94,959	1.21%
Less accumulated depreciation	(5,869,547)	(5,731,653)	(137,894)	2.41%
Net capital assets	<u>2,045,702</u>	<u>2,088,637</u>	<u>\$ (42,935)</u>	<u>-2.06%</u>

During the year ended August 31, 2008, the District acquired a bus and some equipment.

## **Debt**

At August 31, 2008, the District had \$9,500,000 in bonds payable. During the year, the voters approved a bond issue for \$9.5 million for the construction of a new high school facility. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Appraised values used for the 2009 budget preparation are projected to be \$181.16 million, which is a 6.01% increase over the appraised values of \$170.89 million for the 2008 values. These value increases are mostly due to changes in general property valuations.
- General operating fund spending per student is expected to increase from \$8,321 actual expenditures per student in 2008 to \$8,352 budgeted per student for 2009. The average amount paid by the state for each student is expected to increase from \$6,533 in 2008 to \$6,629 in 2009.
- The District's 2009 refined ADA is expected to be 584, which is slightly higher than 2008, which had refined ADA of 565 students.

These indicators were taken into account when adopting the general fund budget for 2009. Amounts available for appropriation in the general fund budget are \$4.875 million, only a slight decrease of \$15,000 when compared to the original 2008 budget of \$4.89 million. Property taxes are likely to increase due to increased property values. State revenue is expected to increase slightly.

If these estimates are realized, the District's general fund balance is expected to increase slightly by the close of fiscal 2009.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

*Basic Financial Statements*

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

AUGUST 31, 2008

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 227,856
1120	<i>Current Investments</i>	10,071,304
1225	<i>Property Taxes Receivable (Net)</i>	18,738
1240	<i>Due from Other Governments</i>	551,236
1290	<i>Other Receivables (Net)</i>	790
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	171,394
1430	<i>Premium and Discount on Issuance of Bonds</i>	(333,144)
Capital Assets:		
1510	<i>Land</i>	263,626
1520	<i>Buildings and Improvements, Net</i>	1,606,053
1530	<i>Furniture and Equipment, Net</i>	176,023
1000	Total Assets	<u>12,753,876</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	11,565
2165	<i>Accrued Liabilities</i>	172,439
Noncurrent Liabilities:		
2502	<i>Due in More Than One Year</i>	9,500,000
2000	Total Liabilities	<u>9,684,004</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets	2,045,702
3900	Unrestricted	1,024,170
3000	Total Net Assets	<u>\$ 3,069,872</u>

The accompanying notes are an integral part of this statement.

## WEST SABINE 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	<i>Instruction</i>	\$ 3,249,912	\$ --		\$ 362,556	\$ (2,887,356)
12	<i>Instructional Resources and Media Services</i>	71,340	--		4,094	(67,246)
13	<i>Curriculum and Staff Development</i>	21,786	--		18,512	(3,274)
21	<i>Instructional Leadership</i>	41,457	--		8,229	(33,228)
23	<i>School Leadership</i>	330,462	--		14,690	(315,772)
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	79,566	--		3,537	(76,029)
32	<i>Social Work Services</i>	1,000	--		1,000	--
33	<i>Health Services</i>	66,745	--		2,967	(63,778)
34	<i>Student Transportation</i>	168,707	--		6,602	(162,105)
35	<i>Food Service</i>	370,746	121,829		249,345	428
36	<i>Cocurricular/Extracurricular Activities</i>	310,346	20,120		13,402	(276,824)
41	<i>General Administration</i>	300,831	--		14,559	(286,272)
51	<i>Plant Maintenance and Operations</i>	528,762	--		23,407	(505,355)
53	<i>Data Processing Services</i>	84,109	--		3,739	(80,370)
93	<i>Payments Related to Shared Services Arrangements</i>	66,531	--		2,957	(63,574)
99	<i>Other Intergovernmental Charges</i>	31,429	--		1,397	(30,032)
TG	Total Governmental Activities	<u>5,723,729</u>	<u>141,949</u>		<u>730,993</u>	<u>(4,850,787)</u>
TP	Total Primary Government	<u>\$ 5,723,729</u>	<u>\$ 141,949</u>		<u>\$ 730,993</u>	<u>(4,850,787)</u>
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>					889,279
IE	<i>Investment Earnings</i>					62,931
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>					4,014,673
MI	<i>Miscellaneous</i>					73,342
TR	Total General Revenues					<u>5,040,225</u>
CN	Change in Net Assets					189,438
NB	Net Assets - Beginning					2,880,434
NE	Net Assets - Ending					<u>\$ 3,069,872</u>

The accompanying notes are an integral part of this statement.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2008

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 22,821	\$ 1	\$ 205,034	\$ 227,856
1120	Current Investments	568,963	9,502,341	--	10,071,304
1225	Taxes Receivable, Net	18,738	--	--	18,738
1240	Due from Other Governments	539,904	--	11,332	551,236
1290	Other Receivables	--	--	790	790
1000	Total Assets	<u>\$ 1,150,426</u>	<u>\$ 9,502,342</u>	<u>\$ 217,156</u>	<u>\$ 10,869,924</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 11,565	\$ --	\$ --	\$ 11,565
2160	Accrued Wages Payable	143,823	--	5,910	149,733
2200	Accrued Expenditures	22,690	--	16	22,706
2300	Unearned Revenue	18,738	--	--	18,738
2000	Total Liabilities	<u>196,816</u>	<u>--</u>	<u>5,926</u>	<u>202,742</u>
<b>FUND BALANCES:</b>					
Reserved Fund Balances:					
3420	Debt Service	--	--	176,931	176,931
3450	Reserve for Food Service	--	--	12,963	12,963
3490	Other Reserves of Fund Balance	--	9,502,342	21,336	9,523,678
3600	Unreserved	953,610	--	--	953,610
3000	Total Fund Balances	<u>953,610</u>	<u>9,502,342</u>	<u>211,230</u>	<u>10,667,182</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,150,426</u>	<u>\$ 9,502,342</u>	<u>\$ 217,156</u>	<u>\$ 10,869,924</u>

The accompanying notes are an integral part of this statement.

**WEST SABINE 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	\$ 10,667,182
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.	2,045,702
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	18,738
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,500,000)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	<u>(161,750)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 3,069,872</u>

The accompanying notes are an integral part of this statement.



**WEST SABINE 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	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 1,009,504	\$ 2,341	\$ 157,009	\$ 1,168,854
5800 State Program Revenues	4,018,559	--	108,226	4,126,785
5900 Federal Program Revenues	91,934	--	526,947	618,881
5020 Total Revenues	<u>5,119,997</u>	<u>2,341</u>	<u>792,182</u>	<u>5,914,520</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,814,939	--	330,539	3,145,478
0012 Instructional Resources and Media Services	70,374	--	966	71,340
0013 Curriculum and Staff Development	3,426	--	18,360	21,786
0021 Instructional Leadership	7,540	--	33,917	41,457
0023 School Leadership	330,462	--	--	330,462
0031 Guidance, Counseling, & Evaluation Services	79,566	--	--	79,566
0032 Social Work Services	--	--	1,000	1,000
0033 Health Services	66,745	--	--	66,745
0034 Student Transportation	230,369	--	--	230,369
0035 Food Service	--	--	369,763	369,763
0036 Cocurricular/Extracurricular Activities	307,616	--	--	307,616
0041 General Administration	305,277	--	1,300	306,577
0051 Plant Maintenance and Operations	526,567	--	--	526,567
0053 Data Processing Services	84,109	--	--	84,109
0073 Bond Issuance Costs and Fees	--	--	171,394	171,394
0093 Payments to Shared Service Arrangements	66,531	--	--	66,531
0099 Other Intergovernmental Charges	31,429	--	--	31,429
6030 Total Expenditures	<u>4,924,950</u>	<u>--</u>	<u>927,239</u>	<u>5,852,189</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>195,047</u>	<u>2,341</u>	<u>(135,057)</u>	<u>62,331</u>
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	9,500,001	--	9,500,001
7915 Transfers In	--	--	10,000	10,000
7916 Premium or Discount on Issuance of Bonds	--	--	333,145	333,145
8911 Transfers Out	(10,000)	--	--	(10,000)
7080 Total Other Financing Sources and (Uses)	<u>(10,000)</u>	<u>9,500,001</u>	<u>343,145</u>	<u>9,833,146</u>
1200 Net Change in Fund Balances	<u>185,047</u>	<u>9,502,342</u>	<u>208,088</u>	<u>9,895,477</u>
0100 Fund Balances - Beginning	768,563	--	3,142	771,705
3000 Fund Balances - Ending	<u>\$ 953,610</u>	<u>\$ 9,502,342</u>	<u>\$ 211,230</u>	<u>\$ 10,667,182</u>

The accompanying notes are an integral part of this statement.

**WEST SABINE 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	\$ 9,895,477
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	94,959
The depreciation of capital assets used in governmental activities is not reported in the funds.	(137,894)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,353)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	171,394
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(9,500,001)
Bond premiums are reported in the funds but not in the SOA.	(333,145)
Rounding difference	<u>1</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 189,438</u>

The accompanying notes are an integral part of this statement.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2008

Data Control Codes		Agency Fund
		Student Activity
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 88,440
1000	Total Assets	<u>\$ 88,440</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 88,440
2000	Total Liabilities	<u>88,440</u>
	<b>NET ASSETS</b>	
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

# WEST SABINE 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 West Sabine 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.

**Capital Projects Fund:** This fund is used by the District to keep track of capital improvement projects. Funding was obtained through a bond issue completed at the end of the fiscal year. The District plans on using the proceeds from the bond issue to construct a new high school and related facilities.

In addition, the District reports the following fund types:

# WEST SABINE 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

# WEST SABINE 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	30
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

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.

# WEST SABINE 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 \$10,299,160 and the bank balance was \$10,433,260. 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.

#### 3. Analysis of Specific Deposit and Investment Risks

## **WEST SABINE INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2008*

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.

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.

#### 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.



**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 263,626	\$ --	\$ --	\$ 263,626
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>263,626</u>	<u>--</u>	<u>--</u>	<u>263,626</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,839,366	--	--	6,839,366
Equipment	126,207	13,114	--	139,321
Vehicles	591,091	81,845	--	672,936
Total capital assets being depreciated	<u>7,556,664</u>	<u>94,959</u>	<u>--</u>	<u>7,651,623</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,122,786)	(110,527)	--	(5,233,313)
Equipment	(101,869)	(7,183)	--	(109,052)
Vehicles	(506,999)	(20,183)	--	(527,182)
Total accumulated depreciation	<u>(5,731,654)</u>	<u>(137,893)</u>	<u>--</u>	<u>(5,869,547)</u>
Total capital assets being depreciated, net	<u>1,825,010</u>	<u>(42,934)</u>	<u>--</u>	<u>1,782,076</u>
Governmental activities capital assets, net	<u>\$ 2,088,636</u>	<u>\$ (42,934)</u>	<u>\$ --</u>	<u>\$ 2,045,702</u>

Depreciation was charged to functions as follows:

Instruction	\$ 104,435
Student Transportation	20,183
Food Services	983
Extracurricular Activities	8,849
General Administration	1,249
Plant Maintenance and Operations	2,194
	<u>\$ 137,893</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
None			

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	National School Breakfast / Lunch Program	\$ 10,000	Supplement operations
	Total	<u>\$ 10,000</u>	

F. Long-Term Obligations

# WEST SABINE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

### 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
<u>Governmental activities:</u>					
General obligation bonds	\$ --	\$ 9,500,000	\$ --	\$ 9,500,000	\$ --
Total governmental activities	\$ --	\$ 9,500,000	\$ --	\$ 9,500,000	\$ --

#### Bonds Payable:

Series 2008 Unlimited Tax School Building Bonds, due in semi-annual payments, beginning in 2009, interest rate of 4.00%

\$ 9,500,000

Total bonds payable

\$ 9,500,000

### 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	\$ --	\$ 473,097	\$ 473,097
2010	160,000	455,388	615,388
2011	170,000	448,988	618,988
2012	175,000	442,188	617,188
2013	190,000	435,188	625,188
2014-2018	1,065,000	2,056,140	3,121,140
2019-2023	1,360,000	1,781,665	3,141,665
2024-2028	1,680,000	1,373,840	3,053,840
2029-2033	2,075,000	911,009	2,986,009
2034-2038	2,625,000	384,177	3,009,177
Totals	\$ <u>9,500,000</u>	\$ <u>8,761,680</u>	\$ <u>18,261,680</u>

### G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2008, as follows:

<u>Year Ending August 31,</u>	
2009	\$ 2,410
2010	2,410
2011	2,410
2012	2,209
Total Minimum Rentals	\$ <u>9,439</u>
Rental Expenditures in 2008	\$ <u>28,234</u>

# WEST SABINE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

### H. 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.

#### Unemployment Insurance:

The District participates in the Texas Association of School Boards Unemployment Compensation Group. The District is not responsible for its own paid claims; consequently, risks associated with unemployment compensation are passed to the pool.

#### Workers' Compensation Insurance:

The District participates in a risk pool arrangement called the East Texas Educational Insurance Association. Under the terms of this plan, the District pays its share of administrative fees plus its actual claims, up to a predetermined maximum loss figure. Member districts share in claim costs for individual districts with claims that exceed their individual maximum loss amount, but total payments for any district will not exceed their individual maximum loss amount. The maximum loss per individual claim for the pool is \$250,000, of which this District's share is \$32,763 for the year ended August 31, 2008. The risk pool does maintain catastrophic insurance coverage for individual claims that exceed \$250,000 up to \$5,000,000 in total coverage. The risk pool estimates each District's aggregate liability each year based on the number of claims, types of claims, and other relevant information. The District accounts for the workers' compensation activity in the general fund. Liabilities include an estimated undiscounted amount for claims that have been incurred but not reported. Changes in the balances of claims liability were as follows:

	Balance Beginning of Year	Incurred Claims IBNR	Claims Paid	Balance End of Year
Year ended Aug 31, 2006	34,933	37,495	32,292	40,136
Year ended Aug 31, 2007	40,136	3,580	14,264	29,452
Year ended Aug 31, 2008	29,452	(2,728)	4,852	21,872

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### I. 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.

## **WEST SABINE INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2008*

#### 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 \$207,204, \$194,993 and \$186,163, 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 \$25,167, \$19,005 and \$17,536, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$222,996 for the year ended August 31, 2008.

#### J. 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](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

##### 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 \$32,376, \$30,469, and \$29,088, respectively, the active member contributions were \$21,045, \$19,805, and \$18,908, respectively, and the District's contributions were \$19,471, \$18,422, and \$17,696, respectively, which equaled the required contributions each year.

#### K. Employee Health Care Coverage

During the year ended August 31, 2008, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$376 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

# WEST SABINE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

### L. 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.

### M. Shared Services Arrangements

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Special Education, Vocational Education, and the IDEA B Preschool program with the following school districts:

#### Member Districts

Hemphill ISD

Broaddus ISD

Brookeland ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hemphill ISD 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.

The District participates in a shared services arrangement ("SSA") for the Title IV, Part A program with several other districts. The fiscal agent is the Region VII Education Service Center. The District's maximum entitlement of Title IV, Part A funds was \$5,893.

### N. Other Disclosures

The District had investment interest income of \$62,931 during the year ended August 31, 2008.

The allowance for uncollectable taxes was \$74,954 at August 31, 2008.

The District has other reserves of fund balance at August 31, 2008. The funds were reserved for the following purposes:

Advanced Placement Incentives	\$	1,590
AP Teachers		536
Region VII Consortium		19,210
Capital Projects Fund		9,502,342
Total	\$	<u>9,523,678</u>

## *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.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 1,023,688	\$ 1,002,860	\$ 1,009,504	\$ 6,644
5800	State Program Revenues	3,691,288	3,953,408	4,018,559	65,151
5900	Federal Program Revenues	175,000	78,600	91,934	13,334
5020	Total Revenues	4,889,976	5,034,868	5,119,997	85,129
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	2,774,454	2,770,533	2,814,939	(44,406)
0012	Instructional Resources and Media Services	65,139	69,100	70,374	(1,274)
0013	Curriculum and Staff Development	2,000	4,200	3,426	774
	Total Instruction & Instr. Related Services	2,841,593	2,843,833	2,888,739	(44,906)
Instructional and School Leadership:					
0021	Instructional Leadership	8,537	8,324	7,540	784
0023	School Leadership	296,642	336,500	330,462	6,038
	Total Instructional & School Leadership	305,179	344,824	338,002	6,822
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	74,263	81,500	79,566	1,934
0033	Health Services	64,853	66,400	66,745	(345)
0034	Student (Pupil) Transportation	206,794	243,500	230,369	13,131
0036	Cocurricular/Extracurricular Activities	303,728	323,976	307,616	16,360
	Total Support Services - Student (Pupil)	649,638	715,376	684,296	31,080
Administrative Support Services:					
0041	General Administration	336,851	342,400	305,277	37,123
	Total Administrative Support Services	336,851	342,400	305,277	37,123
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	548,982	553,000	526,567	26,433
0053	Data Processing Services	88,348	87,948	84,109	3,839
	Total Support Services - Nonstudent Based	637,330	640,948	610,676	30,272
Capital Outlay:					
0081	Capital Outlay	15,000	--	--	--
	Total Capital Outlay	15,000	--	--	--
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	66,000	67,000	66,531	469
0099	Other Intergovernmental Charges	--	--	31,429	(31,429)
	Total Intergovernmental Charges	66,000	67,000	97,960	(30,960)
6030	Total Expenditures	4,851,591	4,954,381	4,924,950	29,431
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	38,385	80,487	195,047	114,560

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
Other Financing Sources (Uses):					
8911	Transfers Out	--	--	(10,000)	(10,000)
7080	Total Other Financing Sources and (Uses)	--	--	(10,000)	(10,000)
1200	Net Change in Fund Balance	38,385	80,487	185,047	104,560
0100	Fund Balance - Beginning	--	768,563	768,563	--
3000	Fund Balance - Ending	\$ 38,385	\$ 849,050	\$ 953,610	\$ 104,560



*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.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2008

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 28,103	\$ 176,931	\$ 205,034
1240	Due from Other Governments	11,332	--	11,332
1290	Other Receivables	790	--	790
1000	Total Assets	<u>\$ 40,225</u>	<u>\$ 176,931</u>	<u>\$ 217,156</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 5,910	\$ --	\$ 5,910
2200	Accrued Expenditures	16	--	16
2000	Total Liabilities	<u>5,926</u>	<u>--</u>	<u>5,926</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3420	Debt Service	--	176,931	176,931
3450	Reserve for Food Service	12,963	--	12,963
3490	Other Reserves of Fund Balance	21,336	--	21,336
3000	Total Fund Balances	<u>34,299</u>	<u>176,931</u>	<u>211,230</u>
4000	Total Liabilities and Fund Balances	<u>\$ 40,225</u>	<u>\$ 176,931</u>	<u>\$ 217,156</u>

**WEST SABINE 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	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 141,829	\$ 15,180	\$ 157,009
5800 <i>State Program Revenues</i>	108,226	--	108,226
5900 <i>Federal Program Revenues</i>	526,947	--	526,947
5020 <b>Total Revenues</b>	<u>777,002</u>	<u>15,180</u>	<u>792,182</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	330,539	--	330,539
0012 <i>Instructional Resources and Media Services</i>	966	--	966
0013 <i>Curriculum and Staff Development</i>	18,360	--	18,360
0021 <i>Instructional Leadership</i>	33,917	--	33,917
0032 <i>Social Work Services</i>	1,000	--	1,000
0035 <i>Food Service</i>	369,763	--	369,763
0041 <i>General Administration</i>	1,300	--	1,300
0073 <i>Bond Issuance Costs and Fees</i>	--	171,394	171,394
6030 <b>Total Expenditures</b>	<u>755,845</u>	<u>171,394</u>	<u>927,239</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>21,157</u>	<u>(156,214)</u>	<u>(135,057)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	10,000	--	10,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	333,145	333,145
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>10,000</u>	<u>333,145</u>	<u>343,145</u>
1200 <b>Net Change in Fund Balances</b>	<u>31,157</u>	<u>176,931</u>	<u>208,088</u>
0100 <b>Fund Balances - Beginning</b>	<u>3,142</u>	<u>--</u>	<u>3,142</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 34,299</u>	<u>\$ 176,931</u>	<u>\$ 211,230</u>

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

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 through Technology	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ 10,318	\$ --	\$ --
1240	Due from Other Governments	--	6,088	--	--
1290	Other Receivables	--	--	--	--
1000	Total Assets	<u>\$ --</u>	<u>\$ 16,406</u>	<u>\$ --</u>	<u>\$ --</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2160	Accrued Wages Payable	\$ --	\$ 3,427	\$ --	\$ --
2200	Accrued Expenditures	--	16	--	--
2000	Total Liabilities	<u>--</u>	<u>3,443</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCES:</b>					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	12,963	--	--
3490	Other Reserves of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>12,963</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 16,406</u>	<u>\$ --</u>	<u>\$ --</u>

jh	269 Title V, Part A Innovative Programs	270 ESEA, Title VI Part B, Subpart 2 Rural School	280 GEAR UP	397 Advanced Placement Incentives	404 Student Success Initiative
	\$ --	\$ --	\$ (790)	\$ 1,590	\$ (3,509)
	--	--	--	--	3,509
	--	--	790	--	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,590</u>	<u>\$ --</u>
	\$ --	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	1,590	--
	--	--	--	1,590	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,590</u>	<u>\$ --</u>

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2008

Data Control Codes	411 <u>Technology Allotment</u>	428 <u>High School Allotment</u>
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 2,483
1240 <i>Due from Other Governments</i>	--	--
1290 <i>Other Receivables</i>	--	--
1000 Total Assets	<u>\$ --</u>	<u>\$ 2,483</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2160 <i>Accrued Wages Payable</i>	\$ --	\$ 2,483
2200 <i>Accrued Expenditures</i>	--	--
2000 Total Liabilities	<u>--</u>	<u>2,483</u>
<b>FUND BALANCES:</b>		
Reserved Fund Balances:		
3450 <i>Reserve for Food Service</i>	--	--
3490 <i>Other Reserves of Fund Balance</i>	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 2,483</u>

429 AP Teachers	480 Angelina Technology Grant	499 Region VII Consortium Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 536	\$ (1,735)	\$ 19,210	\$ 28,103
--	1,735	--	11,332
--	--	--	790
<u>\$ 536</u>	<u>\$ --</u>	<u>\$ 19,210</u>	<u>\$ 40,225</u>
\$ --	\$ --	\$ --	\$ 5,910
--	--	--	16
<u>--</u>	<u>--</u>	<u>--</u>	<u>5,926</u>
--	--	--	12,963
536	--	19,210	21,336
<u>536</u>	<u>--</u>	<u>19,210</u>	<u>34,299</u>
<u>\$ 536</u>	<u>\$ --</u>	<u>\$ 19,210</u>	<u>\$ 40,225</u>

**WEST SABINE 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 through Technology
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ --	\$ 121,829	\$ --	\$ --
5800 State Program Revenues	--	10,378	--	--
5900 Federal Program Revenues	187,222	238,967	42,536	1,760
5020 Total Revenues	<u>187,222</u>	<u>371,174</u>	<u>42,536</u>	<u>1,760</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	168,344	--	37,741	54
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	12,810	--	3,944	1,606
0021 Instructional Leadership	3,768	--	851	100
0032 Social Work Services	1,000	--	--	--
0035 Food Service	--	369,763	--	--
0041 General Administration	1,300	--	--	--
6030 Total Expenditures	<u>187,222</u>	<u>369,763</u>	<u>42,536</u>	<u>1,760</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	1,411	--	--
Other Financing Sources and (Uses):				
7915 Transfers In	--	10,000	--	--
7080 Total Other Financing Sources and (Uses)	--	10,000	--	--
1200 Net Change in Fund Balances	--	11,411	--	--
0100 Fund Balances - Beginning	--	1,552	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 12,963</u>	<u>\$ --</u>	<u>\$ --</u>



jh	269 Title V, Part A Innovative Programs	270 ESEA, Title VI Part B, Subpart 2 Rural School	280 GEAR UP	397 Advanced Placement Incentives	404 Student Success Initiative
\$	--	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	38,399
	1,016	18,711	35,000	--	--
	<u>1,016</u>	<u>18,711</u>	<u>35,000</u>	<u>--</u>	<u>38,399</u>
	--	15,586	8,977	--	38,399
	966	--	--	--	--
	--	--	--	--	--
	50	3,125	26,023	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	<u>1,016</u>	<u>18,711</u>	<u>35,000</u>	<u>--</u>	<u>38,399</u>
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	1,590	--
\$	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,590</u>	<u>--</u>
	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,590</u>	<u>--</u>

**WEST SABINE 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	411  Technology Allotment	428  High School Allotment
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	15,699	43,214
5900 <i>Federal Program Revenues</i>	--	--
5020 <b>Total Revenues</b>	<u>15,699</u>	<u>43,214</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	15,699	43,214
0012 <i>Instructional Resources and Media Services</i>	--	--
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0032 <i>Social Work Services</i>	--	--
0035 <i>Food Service</i>	--	--
0041 <i>General Administration</i>	--	--
6030 <b>Total Expenditures</b>	<u>15,699</u>	<u>43,214</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>		
1100 <b>Expenditures</b>	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	--	--
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	--	--
0100 <b>Fund Balances - Beginning</b>	--	--
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>

429 AP Teachers	480 Angelina Technology Grant	499 Region VII Consortium Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ 20,000	\$ 141,829
536	--	--	108,226
--	1,735	--	526,947
<u>536</u>	<u>1,735</u>	<u>20,000</u>	<u>777,002</u>
--	1,735	790	330,539
--	--	--	966
--	--	--	18,360
--	--	--	33,917
--	--	--	1,000
--	--	--	369,763
--	--	--	1,300
<u>--</u>	<u>1,735</u>	<u>790</u>	<u>755,845</u>
536	--	19,210	21,157
--	--	--	10,000
<u>--</u>	<u>--</u>	<u>--</u>	<u>10,000</u>
536	--	19,210	31,157
--	--	--	3,142
<u>\$ 536</u>	<u>\$ --</u>	<u>\$ 19,210</u>	<u>\$ 34,299</u>

**WEST SABINE 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)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 2,341	\$ 2,341
5020 Total Revenues	<u>    --</u>	<u>    2,341</u>	<u>    2,341</u>
<b>EXPENDITURES:</b>			
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>    --</u>	<u>    2,341</u>	<u>    2,341</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	<u>    --</u>	<u>  9,500,001</u>	<u>  9,500,001</u>
7080 Total Other Financing Sources and (Uses)	<u>    --</u>	<u>  9,500,001</u>	<u>  9,500,001</u>
1200 Net Change in Fund Balance	<u>    --</u>	<u>  9,502,342</u>	<u>  9,502,342</u>
0100 Fund Balance - Beginning	<u>    --</u>	<u>    --</u>	<u>    --</u>
3000 Fund Balance - Ending	<u>\$    --</u>	<u>\$  9,502,342</u>	<u>\$  9,502,342</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.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

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

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
1999 and Prior Years	\$ Various	\$ Various	\$ Various
2000	1.2495	--	69,057,737
2001	1.2495	--	69,661,250
2002	1.2495	--	68,383,958
2003	1.2495	--	81,250,247
2004	1.35	--	84,148,782
2005	1.35	--	85,279,950
2006	1.35	--	88,237,347
2007	1.237	--	88,285,402
2008 (School Year Under Audit)	.99	--	89,635,355

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
\$ 18,107	\$ --	\$ 668	\$ --	\$ (1,643)	\$ 15,796
3,836	--	351	--	(80)	3,405
4,576	--	541	--	(80)	3,955
4,715	--	989	--	(161)	3,565
4,695	--	818	--	(171)	3,706
8,742	--	1,388	--	(185)	7,169
14,056	--	3,347	--	(182)	10,527
17,274	--	5,245	--	(373)	11,656
24,454	--	9,952	--	(288)	14,214
--	892,768	855,733	--	(17,336)	19,699
<u>\$ 100,455</u>	<u>\$ 892,768</u>	<u>\$ 879,032</u>	<u>\$ --</u>	<u>\$ (20,499)</u>	<u>\$ 93,692</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

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

**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	\$ --	\$ --	\$ 149,628	\$ 78,405	\$ --	\$ --	\$ 228,033
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	--	--	3,200	--	--	--	3,200
6212	Audit Services	--	--	--	8,900	--	--	8,900
6213	Tax Appraisal and Collection	--	6,000	--	--	--	--	6,000
621X	Other Prof. Services	--	--	--	--	--	--	--
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	5,086	--	1,300	6,386
6240	Contr. Maint. and Repair	--	--	--	--	7,584	--	7,584
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,410	--	--	--	2,410
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	11,508	10,887	--	--	22,395
6410	Travel, Subsistence, Stipends	1,233	--	5,842	452	--	--	7,527
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	2,656	--	--	--	--	--	2,656
6490	Miscellaneous Operating	--	--	11,130	356	--	--	11,486
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 3,889 \$ 6,000 \$ 183,718 \$ 104,086 \$ 7,584 \$ 1,300 \$ 306,577

Total expenditures for General and Special Revenue Funds (9) \$ 5,680,795

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 97,362
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 526,567
Food (Function 35, 6341 and 6499)	(13)	\$ 149,375
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 104,086</u>

Subtotal 877,390

Net Allowed Direct Cost \$ 4,803,405

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,839,366
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)	126,207
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.



**WEST SABINE 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)	\$ 953,610
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)	--
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	473,535
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08 - 5/31/09)	487,500
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
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)	961,035
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (7,425)

If Item 11 is a Positive Number

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

Undesignated Unreserved General Fund Fund Balance:

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-4**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 113,403	\$ 121,829	\$ 8,426
5800 <i>State Program Revenues</i>	2,360	10,378	8,018
5900 <i>Federal Program Revenues</i>	211,000	238,967	27,967
5020 <b>Total Revenues</b>	<u>326,763</u>	<u>371,174</u>	<u>44,411</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	326,763	369,763	(43,000)
<b>Total Support Services - Student (Pupil)</b>	<u>326,763</u>	<u>369,763</u>	<u>(43,000)</u>
6030 <b>Total Expenditures</b>	<u>326,763</u>	<u>369,763</u>	<u>(43,000)</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>--</u>	<u>1,411</u>	<u>1,411</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	<u>--</u>	<u>10,000</u>	<u>10,000</u>
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>10,000</u>	<u>10,000</u>
1200 <b>Net Change in Fund Balance</b>	<u>--</u>	<u>11,411</u>	<u>11,411</u>
0100 <b>Fund Balance - Beginning</b>	<u>--</u>	<u>1,552</u>	<u>1,552</u>
3000 <b>Fund Balance - Ending</b>	<u>\$ --</u>	<u>\$ 12,963</u>	<u>\$ 12,963</u>

**WEST SABINE 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)
<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ --	\$ 15,180	\$ 15,180
5020	Total Revenues	<u>--</u>	<u>15,180</u>	<u>15,180</u>
<b>EXPENDITURES:</b>				
Debt Service:				
0073	<i>Bond Issuance Costs and Fees</i>	--	171,394	(171,394)
	Total Debt Service	<u>--</u>	<u>171,394</u>	<u>(171,394)</u>
6030	Total Expenditures	<u>--</u>	<u>171,394</u>	<u>(171,394)</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>--</u>	<u>(156,214)</u>	<u>(156,214)</u>
Other Financing Sources (Uses):				
7916	<i>Premium or Discount on Issuance of Bonds</i>	--	333,145	333,145
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>333,145</u>	<u>333,145</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>176,931</u>	<u>176,931</u>
0100	Fund Balance - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ --</u>	<u>\$ 176,931</u>	<u>\$ 176,931</u>

**Halls, Johnson, McLemore, Redfield & Rodrigues, LLP**  
1329 N University Drive Suite A3  
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  
West Sabine Independent School District  
P.O. Box 869  
Pineland, Texas 75968-0869

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 West Sabine Independent School District as of and for the year ended August 31, 2008, which collectively comprise the West Sabine Independent School District's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Sabine 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 West Sabine Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Sabine 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 West Sabine 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 West Sabine Independent School District's financial statements that is more than inconsequential will not be prevented by the West Sabine 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 West Sabine 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 West Sabine 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2008-1. We also noted certain immaterial instances of noncompliance that we have reported to management of West Sabine Independent School District in a separate letter dated December 15, 2008.

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

Respectfully submitted,

*Authorized Signature on  
Reports Filed with TEA*

Halls, Johnson, McLemore, Redfield, & Rodrigues, LLP

December 15, 2008

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

**Independent Auditor's Report**

Report on Compliance with Requirements Applicable  
To each Major Program and on Internal Control over Compliance  
In Accordance With OMB Circular A-133

Board of Trustees  
West Sabine Independent School District  
P.O. Box 869  
Pineland, Texas 75968-0869

Members of the Board of Trustees:

Compliance

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

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

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

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Respectfully submitted,

*Authorized Signature on  
Reports Filed with TEA*

Halls, Johnson, McLemore, Redfield, & Rodrigues, LLP

December 15, 2008

**WEST SABINE 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  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.666	Grants to Counties - Federal Forest
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings

2008-1: The food service fund expenditures exceeded the the budget by \$43,000.

C. Federal Award Findings and Questioned Costs

NONE



**WEST SABINE 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>
Finding 2007-1: Improve budget compliance	Unresolved	

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

*CORRECTIVE ACTION PLAN*

*FOR THE YEAR ENDED AUGUST 31, 2008*

The District will more closely monitor the food service budget and amend it before year end, if actual expenditures are expected to exceed the original budget.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2008

Data Control Codes	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
	<b>U. S. DEPARTMENT OF EDUCATION</b>			
	Passed Through State Department of Education:			
211	ESEA Title I Part A - Improving Basic Programs	84.010A	0861010120290	\$ 187,222
269	Title V, Part A - Innovative Programs	84.298	08685001202905	1,016
262	Title II Part D Enhancing Education Through Technology	84.318	202-905	1,760
401	GEAR UP Fund 280	84.334	202-905	35,000
270	ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358B	08696001202905	18,711
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	202-905	42,536
	Total Passed Through State Department of Education			<u>286,245</u>
	Passed Through Hemphill ISD:			
244	Vocational Education - Basic Grant	84.048	202-905	5,893
	Passed Through Angelina College:			
243	Technology Prep Grant	84.243	202-905	1,735
	Total U. S. Department of Education			<u>293,873</u>
	<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
	Passed Through State Department of Education:			
240	School Breakfast Program *	10.553	202-905	68,305
240	National School Lunch Program *	10.555	202-905	151,199
241	Commodity Supplemental Food Program	10.565	202-905	19,463
	Total Passed Through State Department of Education			<u>238,967</u>
	Passed Through Sabine County:			
305	Federal Forest *	10.666	202-905	78,601
	Total U. S. Department of Agriculture			<u>317,568</u>
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 611,441</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2008*

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of West Sabine Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**WEST SABINE 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?	\$    --