

**WEST SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2009

West Sabine Independent School District
Annual Financial Report
For The Year Ended August 31, 2009

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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, 2009, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

*Authorized Signatures Available
on Reports Filed with TEA*

Signature of Board Secretary

*Authorized Signatures Available
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

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, 2009, 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, 2009, 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 10, 2009, 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 Signatures Available
on Reports Filed with TEA*

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

December 10, 2009

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, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

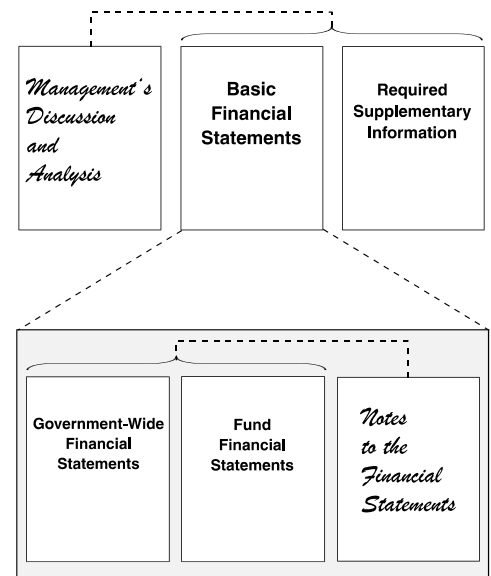
- The District's total combined net assets were \$3,307,556 at August 31, 2009.
- During the current year, the District's expenses were \$237,683 less than the \$6,493,955 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs \$6,256,272 was \$532,543 more than last year.
- The general fund reported a fund balance at the end of this year of \$1,302,848.

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, 2009, were \$3,307,656. This is a \$237,684 increase over last year's combined net assets of \$3,069,872. The following table provides a comparative summary of the District's net assets:

Summary of Net Assets				
	<u>8/31/2009</u>	<u>8/31/2008</u>	<u>Change</u>	<u>% Change</u>
<u>Governmental Activities:</u>				
Current and other assets	\$ 9,968,312	\$ 10,708,174	\$ (739,862)	-6.91%
Capital assets	<u>3,358,493</u>	<u>2,045,702</u>	<u>1,312,791</u>	<u>64.17%</u>
Total assets	<u>13,326,805</u>	<u>12,753,876</u>	<u>572,929</u>	<u>4.49%</u>
Current liabilities	204,093	184,004	20,089	10.92%
Long term liabilities	<u>9,815,156</u>	<u>9,500,000</u>	<u>315,156</u>	<u>3.32%</u>
Total liabilities	<u>10,019,249</u>	<u>9,684,004</u>	<u>335,245</u>	<u>3.46%</u>
Net assets:				
Invested in capital assets	2,061,743	2,045,702	16,041	0.78%
Unrestricted	<u>1,245,813</u>	<u>1,024,170</u>	<u>221,643</u>	<u>21.64%</u>
Total net assets	<u>\$ 3,307,556</u>	<u>\$ 3,069,872</u>	<u>\$ 237,684</u>	<u>7.74%</u>

Net assets of the District's governmental activities increased 7.74% to \$3,307,556 during the year ending August 31, 2009. 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 \$221,643 and totaled \$1,245,813 at year end.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,256,272.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,131,127.
- Some of the cost was paid by charges for services of \$131,445, or by operating grants and contributions of \$827,622.
- Property tax rates increased from \$.99 in 2008 to \$1.35 in 2009 per \$100 valuation. Therefore, property tax revenues increased \$241,848 from \$889,279 in 2008 to \$1,131,127 in 2009.

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		Amount	
		8/31/2009	8/31/2008	Of Change	% Change
Program revenues:					
	Charges for services	\$ 131,445	\$ 141,949	\$ (10,504)	-7.40%
	Operating grants/contributions	827,622	730,993	96,629	13.22%
General revenues:					
	Property taxes	1,131,127	889,279	241,848	27.20%
	Investment earnings	78,757	62,931	15,826	100.00%
	Foundation & available state funding	4,303,783	4,014,673	289,110	7.20%
	Other general revenues	21,221	73,342	(52,121)	-71.07%
	Total revenues/contributions	<u>6,493,955</u>	<u>5,913,167</u>	<u>580,788</u>	<u>9.82%</u>
<u>Function</u>					
Expenses:					
10's	Instructional & related	3,394,937	3,343,038	51,899	1.55%
20's	School leadership	352,723	371,919	(19,196)	-5.16%
30's	Student services	1,038,750	997,110	41,640	4.18%
40's	Administrative	329,653	300,831	28,822	9.58%
50's	Non-student based support	592,511	612,871	(20,360)	-3.32%
70's	Debt service	464,939	-	464,939	
80's	Capital outlay	6,500	-	6,500	
90's	Intergovernmental	76,259	97,960	(21,701)	-22.15%
	Total expenses	<u>6,256,272</u>	<u>5,723,729</u>	<u>532,543</u>	<u>9.30%</u>
	Revenues over (under) expenses	237,683	189,438	48,245	25.47%
	Beginning net assets	3,069,873	2,880,435	189,438	6.58%
	Ending net assets	<u>\$ 3,307,556</u>	<u>\$ 3,069,873</u>	<u>\$ 237,683</u>	<u>7.74%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types in the general fund totaled \$5,346,049 an increase of 4.42% from the preceding year. In 2009, the collection rate for current taxes was 97.25%, decreased from 2008, when the collection rate for current taxes was 97.8%.

The increase in state revenues of \$189,870 is the result of increased funding due to increase in local tax rates and student population changes. The increase in federal forest revenues of \$130,610 is due to the mineral production in the Sabine National Forest in 2009.

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				
	8/31/2009	8/31/2008	Change	% Change
Property taxes	\$ 870,586	\$ 890,631	\$ (20,045)	-2.25%
Investment earnings	8,624	45,410	(36,786)	100.00%
Athletic activities	15,875	20,120	(4,245)	-21.10%
Receipts from SSA fiscal agent	13,639	31,358	(17,719)	-56.51%
Foundation & available state funds	3,993,111	3,803,241	189,870	4.99%
State on-behalf revenue	214,088	214,704	(616)	-0.29%
Federal forest	222,544	91,934	130,610	142.07%
Insurance recovery	-	8,697	(8,697)	-100.00%
Other miscellaneous revenues	7,582	13,901	(6,319)	-45.46%
Total General Fund	<u>\$ 5,346,049</u>	<u>\$ 5,119,996</u>	<u>\$ 226,053</u>	<u>4.42%</u>

Explanation of variances:

- The property tax rate was raised in 2009 from \$.99 to \$1.35 per \$100 valuation. As a result, state funding was increased for the increase in local support.
- Investment earnings decreased to \$8,624 in 2009 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, however none were received in 2009.

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

	8/31/2009	8/31/2008	Change	% Change
11 Instruction	\$ 2,879,890	\$ 2,814,939	\$ 64,951	2.31%
12 Instructional resources and media	80,703	70,374	10,329	14.68%
13 Curriculum and staff development	2,732	3,426	(694)	-20.26%
21 Instructional leadership	8,945	7,540	1,405	18.63%
23 School leadership	327,536	330,462	(2,926)	-0.89%
31 Guidance and counseling	112,710	79,566	33,144	41.66%
33 Health services	71,082	66,745	4,337	6.50%
34 Student transportation	182,182	230,369	(48,187)	-20.92%
36 Extracurricular activities	315,595	307,616	7,979	2.59%
41 General administration	329,359	305,277	24,082	7.89%
51 Plant maintenance and operations	512,731	526,567	(13,836)	-2.63%
53 Data processing services	90,587	84,109	6,478	7.70%
81 Capital outlay	6,500	-	6,500	n/a
93 Payments for SSA	76,259	66,531	9,728	14.62%
99 Other intergovernmental charges	-	31,429	(31,429)	-100.00%
Total General Fund	<u>\$ 4,996,811</u>	<u>\$ 4,924,950</u>	<u>\$ 71,861</u>	<u>1.46%</u>

Explanation of variances:

- Function 11, Instruction, showed a 2.31% increase due to pay step changes along with increased expenditures for supplies related to new curriculum.
- Function 31, Guidance and Counseling, increased by \$33,144, or 41.66%, due to personnel changes and salary increases.
- Function 34, Student transportation decreased by \$48,187 due to difference in the purchase of a bus in 2008 and the purchase of a car and Suburban in 2009, along with a reduction in fuel and maintenance costs.
- Function 41, General administration, increased by \$24,082, or 7.89%, due to reclassification of tax appraisal/collection fees that were shown in function 99 in 2008.
- Function 51, Plant Maintenance and operations decreased \$13,836, or 2.63%, due to a slight reduction in utility and supply costs.
- Function 53, Data processing services, increased slightly due to salary increases.

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

	<u>8/31/2009</u>	<u>8/31/2008</u>	<u>Change</u>	<u>% Change</u>
<i><u>Food Service Fund:</u></i>				
Food service charges	\$ 115,570	\$ 121,829	\$ (6,259)	-5.14%
National school lunch & breakfast	238,458	219,504	18,954	8.63%
Value of USDA commodities	18,124	19,463	(1,339)	-6.88%
State support	18,644	10,378	8,266	79.65%
	<u>390,796</u>	<u>371,174</u>	<u>19,622</u>	<u>5.29%</u>
<i><u>Other Funds:</u></i>				
Debt service fund	336,110	-	336,110	
State high school allotment program	49,094	43,214	5,880	13.61%
State technology allotment	17,466	15,699	1,767	11.26%
Student Success Initiative	23,142	38,399	(15,257)	-39.73%
Other state programs	-	536	(536)	-100.00%
ESEA Title I - Basic Program	159,276	187,222	(27,946)	-14.93%
ESEA Title II, Teacher & Principal Training & Recruiting	41,590	42,536	(946)	-2.22%
ESEA Title VI - Rural Schools	11,981	18,711	(6,730)	-35.97%
Title II, Part D, Education Through Technology Program	-	1,760	(1,760)	-100.00%
GEAR UP Program Through SFASU	32,939	35,000	(2,061)	-5.89%
Career & Technology	6,507	-	6,507	
Other federal programs	4,098	2,751	1,347	48.96%
Investment earnings	-	17,521	(17,521)	-100.00%
Other local programs	2,264	20,000	(17,736)	-88.68%
Total Other Funds	<u>684,467</u>	<u>423,349</u>	<u>261,118</u>	<u>61.68%</u>
Total Revenues of Other Governmental Funds	<u>\$ 1,075,263</u>	<u>\$ 794,523</u>	<u>\$ 280,740</u>	<u>35.33%</u>

Explanation of significant variances:

- Food service revenues are up in 2009, \$19,622 or 5.29% because of increases in federal lunch and breakfast program reimbursements.
- Title programs show overall decreases totaling \$37,382 in 2009, which include a decrease to Title I, \$27,946, a decrease of \$946 in Title II, Teacher & Principal Training, a decrease in Title II, Part d of \$1,760, and a decrease of \$6,730 to Title VI, Rural schools due to personnel changes and reduction in payroll costs.
- Debt service revenues were not recorded in 2008 because no payments were required until 2009.

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

	<u>8/31/2009</u>	<u>8/31/2008</u>	<u>Change</u>	<u>% Change</u>
<i>Food Service Fund:</i>				
35 Food service	\$ 371,679	\$ 369,763	\$ 1,916	0.52%
	<u>371,679</u>	<u>369,763</u>	<u>1,916</u>	<u>0.52%</u>
<i>Other Governmental Funds:</i>				
11 Instruction	319,372	330,539	(11,167)	-3.38%
12 Instructional resources and media	-	966	(966)	-100.00%
13 Curriculum and staff development	25,375	18,360	7,015	38.21%
21 Instructional Leadership	16,242	33,917	(17,675)	-52.11%
32 Social work services	3,384	1,000	2,384	238.40%
41 General administration	2,095	1,300	795	61.15%
73 Bond issuance costs and fees	473,672	171,394	302,278	176.36%
Total Expenditures	<u>840,140</u>	<u>557,476</u>	<u>282,664</u>	<u>50.70%</u>
 Total Expenditures of Other Governmental Funds	 <u>\$ 1,211,819</u>	 <u>\$ 927,239</u>	 <u>\$ 284,580</u>	 <u>30.69%</u>

Explanation of significant variances:

- Function 21- Instructional leadership decreased by \$17,675 due to reduction in program expenditures for recruiting supplies and stipends for GEAR UP program.
- Function 11 – Instruction decreased due to a change in personnel in the Title I program which reduced program salary expenditures and overall funding for Title I.
- Function 13- Curriculum and staff development increased due to the implementation of new curriculum and additional staff development related to the change.
- Other program expenditures were budgeted according to campus needs and program guidelines, with minimal changes from prior years.
- Function 73- Bond issuance costs and fees were \$302,278 more in 2009 because the interest expense and amortization of bond costs were for the entire year, whereas the 2008 year only incurred a portion of interest costs because bonds were issued in August 2008.

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	
	8/31/2009	8/31/2008	of Change	% Change
General Fund	\$ 1,302,848	\$ 953,610	\$ 349,238	36.62%
Capital Projects Fund	8,203,310	9,502,342	(1,299,032)	-13.67%
Debt Service Fund	39,369	176,931	(137,562)	-77.75%
Food Service Fund	32,080	12,963	19,117	147.47%
Other Special Revenue Funds	3,225	21,336	(18,111)	-84.88%
Total - Governmental	<u>\$ 9,580,832</u>	<u>\$ 10,667,182</u>	<u>\$ (1,086,350)</u>	<u>-10.18%</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 \$328,477 below final budget amounts. There were no significant unfavorable variances noted. The most significant positive variances resulted from budgeting \$34,875 more than expenditures in student transportation services and \$16,761 more than expenditures in plant maintenance and operations. Overall, the expended amounts followed the budget very closely.

Resources available were \$20,761 above the final budgeted amount. State revenues were slightly higher than expected and federal revenues were less than expected because of decreased funding on the Title programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2009, the District had invested \$9,195,016 in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$1,312,790 increase is due to construction in progress of the new high school facility, as shown in the following table:

Summary of the District's Capital Assets

	Governmental Activities		Amount	
	8/31/2009	8/31/2008	of Change	% Change
Land	\$ 263,626	\$ 263,626	\$ -	0.00%
Construction in progress	1,375,665	-	\$ 1,375,665	100.00%
Buildings and improvements	6,567,400	6,839,366	(271,966)	-3.98%
Equipment	265,722	139,321	126,401	90.73%
Vehicles	722,603	672,936	49,667	7.38%
Subtotal	9,195,016	7,915,249	1,279,767	16.17%
Less accumulated depreciation	(5,836,524)	(5,869,547)	33,023	-0.56%
Net capital assets	<u>\$ 3,358,492</u>	<u>\$ 2,045,702</u>	<u>\$ 1,312,790</u>	<u>64.17%</u>

Debt

At August 31, 2009, the District had \$9,500,000 in bonds payable, borrowed to provide funding for the construction of a new high school, which was classified as construction in progress at 8/31/09. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates. The unamortized premium on the general obligation bonds was \$315,156 at August 31, 2009 and \$17,988 was amortized during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2010 budget preparation are projected to be \$82.4 million, which is a 3.6% decrease over the taxable values of \$85.5 million for the 2009 values. These value decreases are mostly due to changes in general property valuations.
- General operating fund spending per student is expected to increase from \$8,370 actual expenditures per student in 2009 to \$8,533 budgeted per student for 2010. The average amount paid by the state for each student is expected to increase from \$6,731 in 2009 to \$6,966 in 2010.
- The District's 2010 refined ADA is expected to be 597, which remains the same as 2009.

These indicators were taken into account when adopting the general fund budget for 2010. Amounts available for appropriation in the general fund budget are \$5.1 million, only a slight increase of \$400,000 when compared to the original 2009 budget of \$4.7 million., however when compared to the 2009 actual revenue of \$5.3 million, a slight decrease is expected.

If these estimates are realized, the District's general fund balance is expected to remain the same by the close of fiscal 2010.

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, 2009

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 73,116
1120	<i>Current Investments</i>	9,578,437
1225	<i>Property Taxes Receivable (Net)</i>	21,248
1240	<i>Due from Other Governments</i>	131,500
1290	<i>Other Receivables (Net)</i>	1,872
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	162,139
Capital Assets:		
1510	<i>Land</i>	263,626
1520	<i>Buildings and Improvements, Net</i>	1,407,595
1530	<i>Furniture and Equipment, Net</i>	311,607
1580	<i>Construction in Progress</i>	1,375,665
1000	Total Assets	<u>13,326,805</u>
LIABILITIES:		
2165	<i>Accrued Liabilities</i>	188,358
2180	<i>Due to Other Governments</i>	15,735
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	160,000
2502	<i>Due in More Than One Year</i>	9,655,156
2000	Total Liabilities	<u>10,019,249</u>
NET ASSETS		
3200	Invested in Capital Assets	2,061,743
3900	Unrestricted	1,245,813
3000	Total Net Assets	<u>\$ 3,307,556</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, 2009

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 3,291,209	\$ --	\$ 425,815	\$ (2,865,394)	
12	<i>Instructional Resources and Media Services</i>	75,621	--	3,286	(72,335)	
13	<i>Curriculum and Staff Development</i>	28,107	--	23,733	(4,374)	
21	<i>Instructional Leadership</i>	25,187	--	16,632	(8,555)	
23	<i>School Leadership</i>	327,536	--	14,294	(313,242)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	112,710	--	4,919	(107,791)	
32	<i>Social Work Services</i>	3,384	--	3,384	--	
33	<i>Health Services</i>	71,082	--	3,102	(67,980)	
34	<i>Student Transportation</i>	161,416	--	5,783	(155,633)	
35	<i>Food Service</i>	372,662	115,570	267,501	10,409	
36	<i>Cocurricular/Extracurricular Activities</i>	317,496	15,875	13,453	(288,168)	
41	<i>General Administration</i>	329,653	--	16,359	(313,294)	
51	<i>Plant Maintenance and Operations</i>	501,924	--	21,796	(480,128)	
53	<i>Data Processing Services</i>	90,587	--	3,953	(86,634)	
72	<i>Interest on Long-term Debt</i>	455,109	--	--	(455,109)	
73	<i>Bond Issuance Costs and Fees</i>	9,830	--	--	(9,830)	
81	<i>Capital Outlay</i>	6,500	--	284	(6,216)	
93	<i>Payments Related to Shared Services Arrangements</i>	76,259	--	3,328	(72,931)	
TG	Total Governmental Activities	<u>6,256,272</u>	<u>131,445</u>	<u>827,622</u>	<u>(5,297,205)</u>	
TP	Total Primary Government	<u>\$ 6,256,272</u>	<u>\$ 131,445</u>	<u>\$ 827,622</u>	<u>(5,297,205)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				871,604	
DT	<i>Property Taxes, Levied for Debt Service</i>				259,523	
IE	<i>Investment Earnings</i>				78,757	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				4,303,783	
MI	<i>Miscellaneous</i>				21,221	
TR	Total General Revenues				<u>5,534,888</u>	
CN	Change in Net Assets				237,683	
NB	Net Assets - Beginning				3,069,873	
NE	Net Assets - Ending				<u>\$ 3,307,556</u>	

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2009

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 8,910	\$ 60	\$ 64,146	\$ 73,116
1120	Current Investments	1,375,187	8,203,250	--	9,578,437
1225	Taxes Receivable, Net	19,756	--	1,492	21,248
1240	Due from Other Governments	114,900	--	16,600	131,500
1290	Other Receivables	1,872	--	--	1,872
1000	Total Assets	<u>\$ 1,520,625</u>	<u>\$ 8,203,310</u>	<u>\$ 82,238</u>	<u>\$ 9,806,173</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 151,153	\$ --	\$ 6,072	\$ 157,225
2180	Due to Other Governments	15,735	--	--	15,735
2200	Accrued Expenditures	31,133	--	--	31,133
2300	Unearned Revenue	19,756	--	1,492	21,248
2000	Total Liabilities	<u>217,777</u>	<u>--</u>	<u>7,564</u>	<u>225,341</u>
FUND BALANCES:					
Reserved Fund Balances:					
3420	Debt Service	--	--	39,369	39,369
3450	Reserve for Food Service	--	--	32,080	32,080
3490	Other Reserves of Fund Balance	--	8,203,310	3,225	8,206,535
3600	Unreserved	1,302,848	--	--	1,302,848
3000	Total Fund Balances	<u>1,302,848</u>	<u>8,203,310</u>	<u>74,674</u>	<u>9,580,832</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,520,625</u>	<u>\$ 8,203,310</u>	<u>\$ 82,238</u>	<u>\$ 9,806,173</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, 2009

Total fund balances - governmental funds balance sheet	\$ 9,580,832
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.	3,358,492
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	21,248
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.	(153,017)
Rounding difference	1
	<hr/>
Net assets of governmental activities - statement of net assets	<u>\$ 3,307,556</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, 2009

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 916,306	\$ 70,133	\$ 373,601	\$ 1,360,040
5800 State Program Revenues	4,207,199	--	186,485	4,393,684
5900 Federal Program Revenues	222,544	--	515,177	737,721
5020 Total Revenues	<u>5,346,049</u>	<u>70,133</u>	<u>1,075,263</u>	<u>6,491,445</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,879,890	--	319,372	3,199,262
0012 Instructional Resources and Media Services	80,703	--	--	80,703
0013 Curriculum and Staff Development	2,732	--	25,375	28,107
0021 Instructional Leadership	8,945	--	16,242	25,187
0023 School Leadership	327,536	--	--	327,536
0031 Guidance, Counseling, & Evaluation Services	112,710	--	--	112,710
0032 Social Work Services	--	--	3,384	3,384
0033 Health Services	71,082	--	--	71,082
0034 Student Transportation	182,182	--	--	182,182
0035 Food Service	--	--	371,679	371,679
0036 Cocurricular/Extracurricular Activities	315,595	--	--	315,595
0041 General Administration	329,359	--	2,095	331,454
0051 Plant Maintenance and Operations	512,731	--	--	512,731
0053 Data Processing Services	90,587	--	--	90,587
0072 Interest on Long-term Debt	--	--	473,097	473,097
0073 Bond Issuance Costs and Fees	--	--	575	575
0081 Capital Outlay	6,500	1,369,165	--	1,375,665
0093 Payments to Shared Service Arrangements	76,259	--	--	76,259
6030 Total Expenditures	<u>4,996,811</u>	<u>1,369,165</u>	<u>1,211,819</u>	<u>7,577,795</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	349,238	(1,299,032)	(136,556)	(1,086,350)
1200 Net Change in Fund Balances	<u>349,238</u>	<u>(1,299,032)</u>	<u>(136,556)</u>	<u>(1,086,350)</u>
0100 Fund Balances - Beginning	953,610	9,502,342	211,230	10,667,182
Fund Balances - Beginning, as Restated	953,610	9,502,342	211,230	10,667,182
3000 Fund Balances - Ending	<u>\$ 1,302,848</u>	<u>\$ 8,203,310</u>	<u>\$ 74,674</u>	<u>\$ 9,580,832</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, 2009*

Net change in fund balances - total governmental funds	\$ (1,086,350)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,460,313
The depreciation of capital assets used in governmental activities is not reported in the funds.	(147,523)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,510
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(9,255)
Bond premiums are reported in the funds but not in the SOA.	<u>17,988</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 237,683</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, 2009

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 93,889	
1000	Total Assets	\$ 93,889	
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 93,889	
2000	Total Liabilities	93,889	
	NET ASSETS		
3000	Total Net Assets	\$ --	

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, 2009

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 is the District's fund that is used to account for financial resources to be used for the acquisition or construction of capital facilities.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

In addition, the District reports the following fund types:

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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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, 2009

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.

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 and Improvements	15-30
Vehicles	8-10
Equipment	5-25

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, 2009

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, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,745,442 and the bank balance was \$9,751,518. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009, 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, 2009

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, 2009

D. Capital Assets

Capital asset activity for the year ended August 31, 2009, 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	--	1,375,665	--	1,375,665
Total capital assets not being depreciated	<u>263,626</u>	<u>1,375,665</u>	<u>--</u>	<u>1,639,291</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,839,366	--	271,966	6,567,400
Equipment	139,320	126,402	--	265,722
Vehicles	672,936	49,667	--	722,603
Total capital assets being depreciated	<u>7,651,622</u>	<u>176,069</u>	<u>271,966</u>	<u>7,555,725</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,233,313)	(107,038)	(180,546)	(5,159,805)
Equipment	(109,051)	(11,584)	--	(120,635)
Vehicles	(527,182)	(28,901)	--	(556,083)
Total accumulated depreciation	<u>(5,869,546)</u>	<u>(147,523)</u>	<u>(180,546)</u>	<u>(5,836,523)</u>
Total capital assets being depreciated, net	<u>1,782,076</u>	<u>28,546</u>	<u>91,420</u>	<u>1,719,202</u>
Governmental activities capital assets, net	<u>\$ 2,045,702</u>	<u>\$ 1,404,211</u>	<u>\$ 91,420</u>	<u>\$ 3,358,493</u>

Depreciation was charged to functions as follows:

Instruction	\$ 104,908
Instructional Resources and Media Services	318
Student Transportation	28,901
Food Services	983
Extracurricular Activities	9,221
General Administration	699
Plant Maintenance and Operations	2,493
	<u>\$ 147,523</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2009, 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, 2009, consisted of the following:

Transfers From	Transfers To	Amount	Reason
None			

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

F. Long-Term Obligations

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, 2009, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,500,000	\$ --	\$ --	\$ 9,500,000	\$ 160,000
Premium on Bonds	\$ 333,144		17,988	315,156	--
Total governmental activities	<u>\$ 9,833,144</u>	<u>\$ --</u>	<u>\$ 17,988</u>	<u>\$ 9,815,156</u>	<u>\$ 160,000</u>
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					<u>\$ 9,500,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2009, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
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	195,000	427,588	622,588
2015-2019	1,120,000	2,013,540	3,133,540
2020-2024	1,420,000	1,706,865	3,126,865
2025-2029	1,750,000	1,281,440	3,031,440
2030-2034	2,170,000	816,921	2,986,921
2035-2039	2,150,000	260,477	2,410,477
Totals	<u>\$ 9,500,000</u>	<u>\$ 8,288,583</u>	<u>\$ 17,788,583</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, 2009, as follows:

<u>Year Ending August 31,</u>	
2010	\$ 22,908
2011	20,542
2012	20,542
2013	20,542
2014	10,271
Total Minimum Rentals	<u>\$ 94,805</u>
Rental Expenditures in 2009	<u>\$ 24,598</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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 2009, 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 \$31,641 for the year ended August 31, 2009. 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, 2007	40,136	3,580	14,264	29,452
Year ended Aug 31, 2008	29,452	(2,728)	4,852	21,872
Year ended Aug 31, 2009	21,872	16,987	7,725	31,134

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, 2009

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, 2009, 2008 and 2007 were \$212,025, \$207,204 and \$194,993, 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, 2009, 2008 and 2007 were \$28,076, \$25,167 and \$19,005, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$222,793 for the year ended August 31, 2009.

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, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. 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, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$33,129, \$32,376, and \$30,469, respectively, the active member contributions were \$21,535, \$21,045, and \$19,805, respectively, and the District's contributions were \$20,130, \$19,471, and \$18,422, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the District were \$8,063, \$7,992, and \$6,449, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2009, the District's employees were covered under a health insurance plan (the Plan). The District paid premiums of \$376 per month per employee. Employees, at the option, could authorize a payroll deduction for dependent coverage.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2009

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, 2009.

3. Construction Commitments

During fiscal year 2009, the District entered into a construction contract for the purpose of constructing a secondary education campus. This contract was entered into with J.E. Kingham Construction Company, Inc as the general contractor. The total contract price is \$12,823,626 and at August 31, 2009, the remaining commitment on this contract is \$12,234,865 with completion of the facility scheduled to occur during October 2010.

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.

N. Other Disclosures

The District had investment interest income of \$62,931 during the year ended August 31, 2009.

The allowance for uncollectable taxes was \$74,954 at August 31, 2009.

The Temple Foundation has pledged \$5 million to be given to the District, over a two year period, starting in 2010.

The District has other reserves of fund balance at August 31, 2009. The funds were reserved for the following purposes:

Advanced Placement Incentives	\$	1,650
AP Teachers		536
Region VII Consortium		1,039
Capital Projects Fund		8,203,310
Total	\$	<u>8,206,535</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

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 1,005,744	\$ 909,799	\$ 916,306	\$ 6,507		
5800	State Program Revenues	3,869,256	4,192,945	4,207,199	14,254		
5900	Federal Program Revenues	--	222,544	222,544	--		
5020	Total Revenues	<u>4,875,000</u>	<u>5,325,288</u>	<u>5,346,049</u>	<u>20,761</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,696,976	3,115,021	2,879,890	235,131		
0012	Instructional Resources and Media Services	62,912	91,997	80,703	11,294		
0013	Curriculum and Staff Development	2,000	2,800	2,732	68		
	Total Instruction & Instr. Related Services	<u>2,761,888</u>	<u>3,209,818</u>	<u>2,963,325</u>	<u>246,493</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	9,034	9,034	8,945	89		
0023	School Leadership	265,111	336,159	327,536	8,623		
	Total Instructional & School Leadership	<u>274,145</u>	<u>345,193</u>	<u>336,481</u>	<u>8,712</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	108,739	118,522	112,710	5,812		
0033	Health Services	66,436	70,523	71,082	(559)		
0034	Student (Pupil) Transportation	179,803	217,057	182,182	34,875		
0036	Cocurricular/Extracurricular Activities	287,949	323,317	315,595	7,722		
	Total Support Services - Student (Pupil)	<u>642,927</u>	<u>729,419</u>	<u>681,569</u>	<u>47,850</u>		
Administrative Support Services:							
0041	General Administration	312,982	344,212	329,359	14,853		
	Total Administrative Support Services	<u>312,982</u>	<u>344,212</u>	<u>329,359</u>	<u>14,853</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	553,895	529,492	512,731	16,761		
0053	Data Processing Services	85,128	90,895	90,587	308		
	Total Support Services - Nonstudent Based	<u>639,023</u>	<u>620,387</u>	<u>603,318</u>	<u>17,069</u>		
Capital Outlay:							
0081	Capital Outlay	--	--	6,500	(6,500)		
	Total Capital Outlay	<u>--</u>	<u>--</u>	<u>6,500</u>	<u>(6,500)</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	76,259	76,259	76,259	--		
	Total Intergovernmental Charges	<u>76,259</u>	<u>76,259</u>	<u>76,259</u>	<u>--</u>		
6030	Total Expenditures	<u>4,707,224</u>	<u>5,325,288</u>	<u>4,996,811</u>	<u>328,477</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	<u>167,776</u>	<u>--</u>	<u>349,238</u>	<u>349,238</u>		
Other Financing Sources (Uses):							
8911	Transfers Out	(50,000)	(50,000)	--	50,000		
7080	Total Other Financing Sources and (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>--</u>	<u>50,000</u>		
1200	Net Change in Fund Balance	<u>117,776</u>	<u>(50,000)</u>	<u>349,238</u>	<u>399,238</u>		
0100	Fund Balance - Beginning	953,610	953,610	953,610	--		
3000	Fund Balance - Ending	<u>\$ 1,071,386</u>	<u>\$ 903,610</u>	<u>\$ 1,302,848</u>	<u>\$ 399,238</u>		

*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, 2009

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 25,800	\$ 38,346	\$ 64,146
1225	Taxes Receivable, Net	--	1,492	1,492
1240	Due from Other Governments	15,577	1,023	16,600
1000	Total Assets	<u>\$ 41,377</u>	<u>\$ 40,861</u>	<u>\$ 82,238</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 6,072	\$ --	\$ 6,072
2300	Unearned Revenue	--	1,492	1,492
2000	Total Liabilities	<u>6,072</u>	<u>1,492</u>	<u>7,564</u>
FUND BALANCES:				
Reserved Fund Balances:				
3420	Debt Service	--	39,369	39,369
3450	Reserve for Food Service	32,080	--	32,080
3490	Other Reserves of Fund Balance	3,225	--	3,225
3000	Total Fund Balances	<u>35,305</u>	<u>39,369</u>	<u>74,674</u>
4000	Total Liabilities and Fund Balances	<u>\$ 41,377</u>	<u>\$ 40,861</u>	<u>\$ 82,238</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, 2009

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 115,570	\$ 258,031	\$ 373,601
5800 <i>State Program Revenues</i>	108,406	78,079	186,485
5900 <i>Federal Program Revenues</i>	515,177	--	515,177
5020 Total Revenues	<u>739,153</u>	<u>336,110</u>	<u>1,075,263</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	319,372	--	319,372
0013 <i>Curriculum and Staff Development</i>	25,375	--	25,375
0021 <i>Instructional Leadership</i>	16,242	--	16,242
0032 <i>Social Work Services</i>	3,384	--	3,384
0035 <i>Food Service</i>	371,679	--	371,679
0041 <i>General Administration</i>	2,095	--	2,095
0072 <i>Interest on Long-term Debt</i>	--	473,097	473,097
0073 <i>Bond Issuance Costs and Fees</i>	--	575	575
6030 Total Expenditures	<u>738,147</u>	<u>473,672</u>	<u>1,211,819</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	1,006	(137,562)	(136,556)
1200 Net Change in Fund Balances	<u>1,006</u>	<u>(137,562)</u>	<u>(136,556)</u>
0100 Fund Balances - Beginning	34,299	176,931	211,230
3000 Fund Balances - Ending	<u>\$ 35,305</u>	<u>\$ 39,369</u>	<u>\$ 74,674</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2009

Data Control Codes	240 National School Breakfast/Lunch Program	274 GEAR UP	397 Advanced Placement Incentives	404 Student Success Initiative	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 28,074	\$ (6,188)	\$ 1,650	\$ (427)
1240	Due from Other Governments	8,262	6,188	--	427
1000	Total Assets	<u>\$ 36,336</u>	<u>\$ --</u>	<u>\$ 1,650</u>	<u>\$ --</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 4,256	\$ --	\$ --	\$ --
2000	Total Liabilities	<u>4,256</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	32,080	--	--	--
3490	Other Reserves of Fund Balance	--	--	1,650	--
3000	Total Fund Balances	<u>32,080</u>	<u>--</u>	<u>1,650</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 36,336</u>	<u>\$ --</u>	<u>\$ 1,650</u>	<u>\$ --</u>

428 High School Allotment	429 AP Teacher Incentive Fund	480 Angelina Technology Grant	499 Region VII Consortium Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 1,816	\$ 536	\$ (700)	\$ 1,039	\$ 25,800
--	--	700	--	15,577
<u>\$ 1,816</u>	<u>\$ 536</u>	<u>\$ --</u>	<u>\$ 1,039</u>	<u>\$ 41,377</u>
<u>\$ 1,816</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,072</u>
<u>1,816</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,072</u>
--	--	--	--	32,080
--	536	--	1,039	3,225
<u>--</u>	<u>536</u>	<u>--</u>	<u>1,039</u>	<u>35,305</u>
<u>\$ 1,816</u>	<u>\$ 536</u>	<u>\$ --</u>	<u>\$ 1,039</u>	<u>\$ 41,377</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, 2009

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ 115,570	\$ --
5800 State Program Revenues	--	--	18,644	--
5900 Federal Program Revenues	2,438	159,276	256,582	6,507
5020 Total Revenues	<u>2,438</u>	<u>159,276</u>	<u>390,796</u>	<u>6,507</u>
EXPENDITURES:				
Current:				
0011 Instruction	--	139,178	--	6,507
0013 Curriculum and Staff Development	--	13,474	--	--
0021 Instructional Leadership	49	3,534	--	--
0032 Social Work Services	2,389	995	--	--
0035 Food Service	--	--	371,679	--
0041 General Administration	--	2,095	--	--
6030 Total Expenditures	<u>2,438</u>	<u>159,276</u>	<u>371,679</u>	<u>6,507</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	19,117	--
1200 Net Change in Fund Balances	--	--	19,117	--
0100 Fund Balances - Beginning	--	--	12,963	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 32,080</u>	<u>\$ --</u>

	255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	270 ESEA, Title VI Part B, Subpart 2 Rural School	274 GEAR UP	397 Advanced Placement Incentives
\$	--	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	60
	41,590	1,600	11,981	32,939	--
	<u>41,590</u>	<u>1,600</u>	<u>11,981</u>	<u>32,939</u>	<u>60</u>
	37,508	194	11,981	17,738	--
	3,250	1,358	--	3,422	--
	832	48	--	11,779	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	<u>41,590</u>	<u>1,600</u>	<u>11,981</u>	<u>32,939</u>	<u>--</u>
	--	--	--	--	60
	--	--	--	--	60
	--	--	--	--	1,590
\$	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,650</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, 2009

Data Control Codes	404 Student Success Initiative	409 Texas High School Project	411 Technology Allotment
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	23,142	4,500	17,466
5900 <i>Federal Program Revenues</i>	--	--	--
5020 Total Revenues	<u>23,142</u>	<u>4,500</u>	<u>17,466</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	21,032	4,500	17,466
0013 <i>Curriculum and Staff Development</i>	2,110	--	--
0021 <i>Instructional Leadership</i>	--	--	--
0032 <i>Social Work Services</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
6030 Total Expenditures	<u>23,142</u>	<u>4,500</u>	<u>17,466</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

428 High School Allotment	429 AP Teacher Incentive Fund	480 Angelina Technology Grant	499 Region VII Consortium Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ --	\$ 115,570
44,594	--	--	--	108,406
--	--	2,264	--	515,177
<u>44,594</u>	<u>--</u>	<u>2,264</u>	<u>--</u>	<u>739,153</u>
44,594	--	2,264	16,410	319,372
--	--	--	1,761	25,375
--	--	--	--	16,242
--	--	--	--	3,384
--	--	--	--	371,679
--	--	--	--	2,095
<u>44,594</u>	<u>--</u>	<u>2,264</u>	<u>18,171</u>	<u>738,147</u>
--	--	--	(18,171)	1,006
--	--	--	(18,171)	1,006
--	536	--	19,210	34,299
<u>\$ --</u>	<u>\$ 536</u>	<u>\$ --</u>	<u>\$ 1,039</u>	<u>\$ 35,305</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 70,000	\$ 70,133	\$ 133
5020 Total Revenues	<u>70,000</u>	<u>70,133</u>	<u>133</u>
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	9,447,000	1,369,165	8,077,835
Total Capital Outlay	<u>9,447,000</u>	<u>1,369,165</u>	<u>8,077,835</u>
6030 Total Expenditures	<u>9,447,000</u>	<u>1,369,165</u>	<u>8,077,835</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(9,377,000)</u>	<u>(1,299,032)</u>	<u>8,077,968</u>
Other Financing Sources (Uses):			
8911 <i>Transfers Out</i>	(175,000)	--	175,000
7080 Total Other Financing Sources and (Uses)	<u>(175,000)</u>	<u>--</u>	<u>175,000</u>
1200 Net Change in Fund Balance	<u>(9,552,000)</u>	<u>(1,299,032)</u>	<u>8,252,968</u>
0100 Fund Balance - Beginning	9,502,342	9,502,342	--
3000 Fund Balance - Ending	<u>\$ (49,658)</u>	<u>\$ 8,203,310</u>	<u>\$ 8,252,968</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, 2009*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2000 and Prior Years	\$ Various	\$ Various	\$ Various
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	.99	--	89,635,355
2009 (School Year Under Audit)	1.036	.314	85,507,842

1000 Totals

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

10 Beginning Balance 9/1/08	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/09
\$ 19,201	\$ --	\$ 255	\$ --	\$ (787)	\$ 18,159
3,955	--	59	--	26	3,922
3,565	--	330	--	67	3,302
3,706	--	830	--	338	3,214
7,169	--	1,233	--	349	6,285
10,527	--	3,258	--	221	7,490
11,656	--	1,790	--	221	10,087
14,214	--	3,964	--	64	10,314
19,699	--	7,747	--	(313)	11,639
--	1,157,767	854,857	262,618	(8,465)	31,827
<u>\$ 93,692</u>	<u>\$ 1,157,767</u>	<u>\$ 874,323</u>	<u>\$ 262,618</u>	<u>\$ (8,279)</u>	<u>\$ 106,239</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WEST SABINE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF AUGUST 31, 2009

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,302,848
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)	487,329
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 5/31/10)	509,416
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)	996,745
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 306,103

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

District plans to use resources for furniture and equipment related to ongoing construction projects.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 111,373	\$ 115,570	\$ 4,197
5800 <i>State Program Revenues</i>	18,644	18,644	--
5900 <i>Federal Program Revenues</i>	254,484	256,582	2,098
5020 Total Revenues	<u>384,501</u>	<u>390,796</u>	<u>6,295</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	384,501	371,679	12,822
Total Support Services - Student (Pupil)	<u>384,501</u>	<u>371,679</u>	<u>12,822</u>
6030 Total Expenditures	<u>384,501</u>	<u>371,679</u>	<u>12,822</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	19,117	19,117
1200 Net Change in Fund Balance	--	19,117	19,117
0100 Fund Balance - Beginning	12,963	12,963	--
3000 Fund Balance - Ending	<u>\$ 12,963</u>	<u>\$ 32,080</u>	<u>\$ 19,117</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 257,007	\$ 258,031	\$ 1,024
5800 State Program Revenues	78,079	78,079	--
5020 Total Revenues	<u>335,086</u>	<u>336,110</u>	<u>1,024</u>
EXPENDITURES:			
Debt Service:			
0072 Interest on Long-Term Debt	527,696	473,097	54,599
0073 Bond Issuance Costs and Fees	32,390	575	31,815
Total Debt Service	<u>560,086</u>	<u>473,672</u>	<u>86,414</u>
6030 Total Expenditures	<u>560,086</u>	<u>473,672</u>	<u>86,414</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(225,000)</u>	<u>(137,562)</u>	<u>87,438</u>
Other Financing Sources (Uses):			
7915 Transfers In	225,000	--	(225,000)
7080 Total Other Financing Sources and (Uses)	<u>225,000</u>	<u>--</u>	<u>(225,000)</u>
1200 Net Change in Fund Balance	--	(137,562)	(137,562)
0100 Fund Balance - Beginning	176,931	176,931	--
3000 Fund Balance - Ending	<u>\$ 176,931</u>	<u>\$ 39,369</u>	<u>\$ (137,562)</u>

HALLS, JOHNSON, MCLEMORE, REDFIELD & RODRIGUES, LLP

1329 N University Drive, Suite A3
Nacogdoches, TX 75961

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, 2009, which collectively comprise the West Sabine Independent School District's basic financial statements and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, 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 Signatures Available
on Reports Filed with TEA*

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

December 10, 2009

HALLS, JOHNSON, MCLEMORE, REDFIELD & RODRIGUES, LLP

1329 N University Drive, Suite A3
Nacogdoches, TX 75961

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, 2009. 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, 2009.

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 Signatures Available
on Reports Filed with TEA*

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

December 10, 2009

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

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>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.666	Schools and Roads - Grant to Counties

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

NONE

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, 2009*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Finding 2007-1: Improve budget compliance	Corrected	

WEST SABINE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2009

Not Applicable

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U. S. DEPARTMENT OF EDUCATION			
	Passed Through State Department of Education:			
211	ESEA Title I Part A - Improving Basic Programs	84.010a	0961010120290	\$ 159,276
244	Career and Technical - Basic Grant	84.048	202-905	6,507
204	ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186a	09691001202905	2,438
262	Title II Part D Enhancing Education Through Technology	84.318x	09630001202905	1,600
401	GEAR UP	84.334s	202-905	32,939
270	9 ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	202-905	11,981
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	09694501202905	41,590
	Total Passed Through State Department of Education			<u>256,331</u>
	Total U. S. Department of Education			<u>256,331</u>
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
559	School Breakfast Program *	10.553	202-905	71,074
240	National School Lunch Program *	10.555	202-905	165,210
558	Commodity Supplemental Food Program (Non-cash)	10.565	202-905	18,124
	Total Passed Through State Department of Education			<u>254,408</u>
	Passed Through Sabine County:			
305	Federal Forest *	10.666	202-905	222,544
	Total U. S. Department of Agriculture			<u>476,952</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 733,283</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, 2009

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, 2009*

<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?	\$ --