

**WEST SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

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

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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, 2010, 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

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Independent Auditor's Report

Members of the Board of Trustees
West Sabine Independent School District
Pineland, Texas

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 (the District) as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the 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 opinion.

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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,

Halls, Johnson, McLezare, Redfield & Rodriguez, LLP

Nacogdoches, Texas
December 7, 2010

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, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

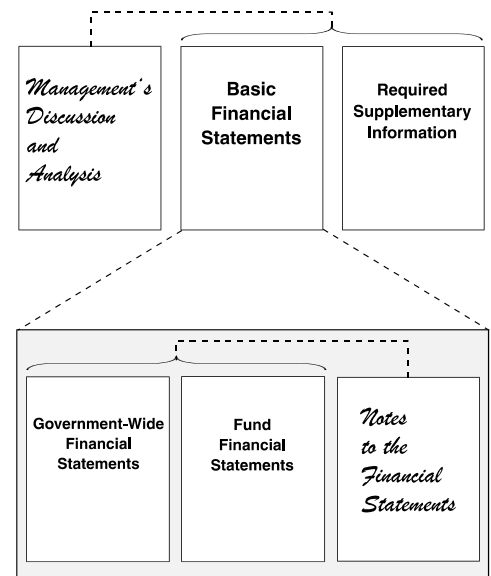
- The District's total combined net assets were \$5,290,675 at August 31, 2010.
- During the current year, the District's expenses were \$1,983,119 less than the \$8,295,275 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$6,312,156, \$55,883 more than last year.
- The general fund reported a fund balance at the end of this year of \$2,008,928.

OVERVIEW OF THE FINANCIAL STATEMENTS

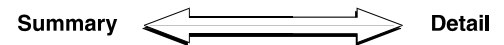
This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- 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, 2010, were \$5,290,675. This is a \$1,983,119 increase over last year's combined net assets of \$3,307,556. The following table provides a comparative summary of the District's net assets:

Summary of Net Assets				
	<u>8/31/2010</u>	<u>8/31/2009</u>	<u>Change</u>	<u>% Change</u>
<u>Governmental Activities:</u>				
Current and other assets	\$ 3,430,937	\$ 9,968,312	\$ (6,537,375)	-65.58%
Capital assets	<u>11,692,140</u>	<u>3,358,493</u>	<u>8,333,647</u>	248.14%
Total assets	<u>15,123,077</u>	<u>13,326,805</u>	<u>1,796,272</u>	13.48%
Current liabilities	194,561	204,093	(9,532)	-4.67%
Long term liabilities	<u>9,637,841</u>	<u>9,815,156</u>	<u>(177,315)</u>	-1.81%
Total liabilities	<u>9,832,402</u>	<u>10,019,249</u>	<u>(186,847)</u>	-1.86%
Net assets:				
Restricted for Capital Projects	4,112	-	4,112	n/a
Invested in capital assets	1,925,919	2,061,743	(135,824)	-6.59%
Unrestricted	<u>3,360,644</u>	<u>1,245,813</u>	<u>2,114,831</u>	169.76%
Total net assets	<u>\$ 5,290,675</u>	<u>\$ 3,307,556</u>	<u>\$ 1,979,007</u>	59.83%

Net assets of the District's governmental activities increased 59.83% to \$5,290,675 during the year ending August 31, 2010. 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 \$2,114,831 and totaled \$3,360,644 at year end.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,312,156.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,111,952.
- Some of the cost was paid by charges for services of \$113,413, or by operating grants and contributions of \$1,446,866, and capital grants of \$90,252.
- Property tax rates increased from \$1.35 in 2009 to \$1.38 in 2010 per \$100 valuation. Even with the increased tax rate, the district's taxable values dropped approximately \$1.7 million, which led to property tax revenues decreasing \$19,175 from \$1,131,127 in 2009 to \$1,111,952 in 2010.

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				
	8/31/2010	8/31/2009	Amount Of Change	% Change
Program revenues:				
Charges for services	\$ 113,413	\$ 131,445	\$ (18,032)	-13.72%
Operating grants/contributions	1,446,866	827,622	619,244	74.82%
Capital grants/contributions	90,252	0	90,252	100.00%
General revenues:				
Property taxes	1,111,952	1,131,127	(19,175)	-1.70%
Investment earnings	5,284	78,757	(73,473)	-93.29%
Foundation & available state funding	4,336,079	4,303,783	32,296	0.75%
Other general revenues	1,191,429	21,221	1,170,208	5514.39%
Total revenues/contributions	<u>8,295,275</u>	<u>6,493,955</u>	<u>1,801,320</u>	<u>27.74%</u>
<u>Function</u>				
Expenses:				
10's Instructional & related	3,385,731	3,394,937	(9,206)	-0.27%
20's School leadership	307,679	352,723	(45,044)	-12.77%
30's Student services	1,051,621	1,038,750	12,871	1.24%
40's Administrative	319,684	329,653	(9,969)	-3.02%
50's Non-student based support	673,256	592,511	80,745	13.63%
70's Debt service	465,983	464,939	1,044	0.22%
80's Capital outlay	5,282	6,500	(1,218)	-18.74%
90's Intergovernmental	102,920	76,259	26,661	34.96%
Total expenses	<u>6,312,156</u>	<u>6,256,272</u>	<u>55,884</u>	<u>0.89%</u>
Revenues over (under) expenses	1,983,119	237,683	1,745,436	734.35%
Beginning net assets	3,307,556	3,069,873	237,683	7.74%
Ending net assets	<u>\$ 5,290,675</u>	<u>\$ 3,307,556</u>	<u>\$ 1,983,119</u>	<u>59.96%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the general fund totaled \$5,390,738 an increase of 0.84% from the preceding year. In 2010, the collection rate for current taxes was 97.13%, decreased from 2009, when the collection rate for current taxes was 97.25%.

The increase in state revenues of \$85,418 is the result of increased funding due to increase in local tax rates and student population changes. The decrease in federal forest revenues of \$23,652 is due to the decline in mineral production in the Sabine National Forest in 2010.

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				
	8/31/2010	8/31/2009	Change	% Change
Property taxes	\$ 837,186	\$ 870,585	\$ (33,399)	-3.84%
Investment earnings	1,171	8,624	(7,453)	-86.42%
Athletic activities	16,054	15,875	179	1.13%
Receipts from SSA fiscal agent	-	13,639	(13,639)	-100.00%
Foundation & available state funds	4,078,529	3,993,111	85,418	2.14%
State on-behalf revenue	210,493	214,088	(3,595)	-1.68%
Federal forest	198,892	222,544	(23,652)	-10.63%
Other miscellaneous revenues	48,413	7,582	40,831	538.53%
Total General Fund	<u>\$ 5,390,738</u>	<u>\$ 5,346,048</u>	<u>\$ 44,690</u>	<u>0.84%</u>

Explanation of variances:

- The property tax rate was raised in 2010 from \$1.35 to \$1.38 per \$100 valuation. However, due to a decrease in property values, the property tax revenue decreased. As a result of the decrease in property values, state funding increased.
- Investment earnings in the general fund in 2010, \$1,171, decreased due to interest rate decline. However, the district paid more in investment fees than they realized in investment earnings in 2010.
- Foundation and available state revenues changed due to variations in the funding formulas incorporated in property tax relief legislation.

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

General Fund				
	8/31/2010	8/31/2009	Change	% Change
11 Instruction	\$ 2,907,318	\$ 2,879,890	\$ 27,428	0.95%
12 Instructional resources and media	651	80,703	(80,052)	-99.19%
13 Curriculum and staff development	1,366	2,732	(1,366)	-50.00%
21 Instructional leadership	9,952	8,945	1,007	11.26%
23 School leadership	275,305	327,536	(52,231)	-15.95%
31 Guidance and counseling	28,259	112,710	(84,451)	-74.93%
33 Health services	1,954	71,082	(69,128)	-97.25%
34 Student transportation	158,512	182,182	(23,670)	-12.99%
36 Extracurricular activities	351,088	315,595	35,493	11.25%
41 General administration	318,168	329,359	(11,191)	-3.40%
51 Plant maintenance and operations	493,720	512,731	(19,011)	-3.71%
53 Data processing services	104,944	90,587	14,357	15.85%
81 Capital outlay	164,574	6,500	158,074	>400.00%
93 Payments for SSA	-	76,259	(76,259)	-100.00%
99 Other intergovernmental charges	33,957	-	33,957	n/a
Total General Fund	<u>\$ 4,849,768</u>	<u>\$ 4,996,811</u>	<u>\$ (147,043)</u>	<u>-2.94%</u>

Explanation of variances:

- Function 11, Instruction, showed a 0.95% increase due to pay step changes along with increased expenditures for supplies related to new curriculum.
- Function 12, Instruction resources and media, decreased by \$80,052, or 99.19%, due to change in funding codes.
- Function 31, Guidance and counseling, decreased by \$84,451, or 74.93%, due to change in funding codes.
- Function 33, Health services, decreased by \$69,128, or 97.25%, due to change in funding codes.
- Function 34, Student transportation decreased by \$23,670, or 12.99%, due to not purchasing school vehicle.
- Function 81, Capital outlay, increased by \$158,074, or >400.00%, due to the District purchasing technology equipment for the new high school campus.
- Function 93, Payments to Shared Service Arrangements, showed a decrease of \$76,259, or 100.00%, due to SSA payments being coded in a different fund in 2010.
- Function 99, Other intergovernmental charges, increased \$33,957 due to new coding requirements implemented by TEA in 2010.

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>8/31/2010</u>	<u>8/31/2009</u>	<u>Change</u>	<u>% Change</u>
<i><u>Food Service Fund:</u></i>				
Food service charges	\$ 97,359	\$ 115,570	\$ (18,211)	-15.76%
National school lunch & breakfast	279,032	238,458	40,574	17.02%
Value of USDA commodities	16,997	18,124	(1,127)	-6.22%
State support	19,434	18,644	790	4.24%
	<u>412,822</u>	<u>390,796</u>	<u>22,026</u>	<u>5.64%</u>
<i><u>Other Funds:</u></i>				
Debt service fund	610,657	336,110	274,547	81.68%
State high school allotment program	-	49,094	(49,094)	-100.00%
State technology allotment	18,442	17,466	976	5.59%
Student Success Initiative	13,938	23,142	(9,204)	-39.77%
Other state programs	25,013	-	25,013	n/a
ESEA Title I - Basic Program	172,668	159,276	13,392	8.41%
ESEA Title II, Teacher & Principal Training & Recruiting	41,381	41,590	(209)	-0.50%
ESEA Title VI - Rural Schools	15,507	11,981	3,526	29.43%
Title II, Part D, Education Through Technology Program	1,557	-	1,557	n/a
GEAR UP Program Through SFASU	28,668	32,939	(4,271)	-12.97%
Career & Technology	8,198	6,507	1,691	25.99%
Other federal programs	314,151	4,098	310,053	7565.96%
Other local programs	93,887	2,264	91,623	4046.95%
Total Other Funds	<u>1,344,067</u>	<u>684,467</u>	<u>659,600</u>	<u>96.37%</u>
Total Revenues of Other Governmental Funds	<u>\$ 1,756,889</u>	<u>\$ 1,075,263</u>	<u>\$ 681,626</u>	<u>63.39%</u>

Explanation of significant variances:

- Food service revenues are up in 2010, \$22,026 or 5.64% because of increases in federal lunch and breakfast program reimbursements.
- Title programs showed an overall increase totaling \$18,266 in 2010, which includes an increase to Title I, \$13,392, a decrease of \$209 in Title II, Teacher & Principal Training, an increase in Title II, Part D of \$1,557, and an increase of \$3,526 to Title VI, Rural schools due to change in maximum entitlements.
- Significant increases were also realized due to stimulus monies, \$310,053, received in 2010. Other federal programs is made up of programs that were enacted as part of the 2009 American Recovery and Reinvestment Act (ARRA). These funds were made available to local districts for a two year period and will be available through the 2011 fiscal year.
- Debt service revenues increased in 2010 to enable the District to make required debt payments from the bonds issued in 2008.

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>8/31/2010</u>	<u>8/31/2009</u>	<u>Change</u>	<u>% Change</u>
<i><u>Food Service Fund:</u></i>				
35 Food service	\$ 364,340	\$ 371,679	\$ (7,339)	-1.97%
	<u>364,340</u>	<u>371,679</u>	<u>(7,339)</u>	<u>-1.97%</u>
<i><u>Other Governmental Funds:</u></i>				
11 Instruction	261,990	319,372	(57,382)	-17.97%
12 Instructional resources and media	55,549	-	55,549	n/a
13 Curriculum and staff development	61,748	25,375	36,373	143.34%
21 Instructional leadership	22,422	16,242	6,180	38.05%
31 Guidance and counseling	33,390	-	33,390	n/a
32 Social work services	2,701	3,384	(683)	-20.18%
33 Health services	63,531	-	63,531	n/a
34 Student transportation	90,252	-	90,252	n/a
41 General administration	1,463	2,095	(632)	-30.17%
51 Plant maintenance and operations	72,440	-	72,440	n/a
71 Principal on long-term debt	160,000	-	160,000	n/a
72 Interest on long-term debt	455,388	-	455,388	n/a
73 Bond issuance costs and fees	500	473,672	(473,172)	-99.89%
93 Payments to SSAs	68,963	-	68,963	n/a
Total Expenditures	<u>1,350,337</u>	<u>840,140</u>	<u>510,197</u>	<u>60.73%</u>
 Total Expenditures of Other Governmental Funds	 <u>\$ 1,714,677</u>	 <u>\$ 1,211,819</u>	 <u>\$ 502,858</u>	 <u>41.50%</u>

Explanation of significant variances:

- Function 11- Instruction, decreased by \$57,382 due to reduction in program expenditures for recruiting supplies and stipends for GEAR UP program.
- Function 12 – Instructional resources and media, increased 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.
- Function 31, Guidance and counseling, increased due to change in fund codes due to stimulus monies.
- Functions 71, 72, and 73- Costs associated with the payment of long-term debt increased overall because principal and interest payments on the 2008 bond issue became due during the 2010 fiscal year.

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

Summary of the District's Fund Balances

	Governmental Funds		Amount	
	8/31/2010	8/31/2009	of Change	% Change
General Fund	\$ 2,008,928	\$ 1,302,848	\$ 706,080	54.20%
Capital Projects Fund	954,602	8,203,310	(7,248,708)	-88.36%
Debt Service Fund	34,138	39,369	(5,231)	-13.29%
Food Service Fund	80,562	32,080	48,482	151.13%
Other Special Revenue Funds	1,650	3,225	(1,575)	-48.84%
Total - Governmental	<u>\$ 3,079,880</u>	<u>\$ 9,580,832</u>	<u>\$ (6,500,952)</u>	<u>-67.85%</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 \$250,996 below final budget amounts. The most significant unfavorable variances were capital outlays and other intergovernmental charges. Significant positive variances resulted from budgeting \$207,361 more than expenditures in instruction, \$80,046 more than expenditures in student transportation, and \$63,953 more than expenditures in plant maintenance and operation. Overall, the expended amounts followed the budget very closely.

Resources available were \$289,974 above the final budgeted amount. State revenues were slightly higher than expected and federal revenues were also higher than expected because of federal forest funds received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2010, the District had invested \$17.68 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$8,488,395 increase is mainly 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	
	8/31/2010	8/31/2009	of Change	% Change
Land	\$ 263,626	\$ 263,626	\$ -	0.00%
Construction in progress	9,766,221	1,375,665	8,390,556	100.00%
Buildings and improvements	6,567,400	6,567,400	-	0.00%
Equipment	278,561	265,722	12,839	4.83%
Vehicles	807,603	722,603	85,000	11.76%
Subtotal	17,683,411	9,195,016	8,488,395	92.32%
Less accumulated depreciation	(5,991,269)	(5,836,525)	(154,744)	2.65%
Net capital assets	<u>\$ 11,692,142</u>	<u>\$ 3,358,491</u>	<u>\$ 8,333,651</u>	<u>248.14%</u>

Debt

At August 31, 2010, the District had \$9,340,000 in bonds payable, borrowed to provide funding for the construction of a new high school, which was classified as construction in progress at 8/31/10. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates. The unamortized discount on the general obligation bonds was \$153,231 at August 31, 2010 and \$8,908 was amortized during the year.

Summary of the District's Debt

	<u>8/31/2010</u>	<u>8/31/2009</u>
Balance of debt, beginning of yr	\$ 9,500,000	\$ 9,500,000
Proceeds from new bonds	-	-
Principal payments on bonds	(160,000)	-
Balance of debt, end of year	<u>\$ 9,340,000</u>	<u>\$ 9,500,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2011 budget preparation are projected to be \$83.5 million, which is a 0.36% decrease from the taxable values of \$83.8 million for the 2010 values. These value decreases are mostly due to changes in general property valuations.
- General operating fund spending is expected to increase from \$4,849,768 actual expenditures in 2010 to \$5,057,338 budgeted for 2011. There are no new initiatives or programs in the 2011 general fund budget.
- The District's 2011 refined ADA is expected to be 596, which remains the same as 2010.

These indicators were taken into account when adopting the general fund budget for 2011. Amounts available for appropriation in the general fund budget are \$5.06 million, a slight decrease of approximately \$37,000 when compared to the original 2010 budget of \$5.09 million.

If these estimates are realized, the District's general fund balance is expected to remain the same by the close of fiscal 2011.

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, 2010

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,961,066
1225	<i>Property Taxes Receivable (Net)</i>	21,767
1240	<i>Due from Other Governments</i>	260,489
1290	<i>Other Receivables (Net)</i>	35,124
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	153,231
Capital Assets:		
1510	<i>Land</i>	263,626
1520	<i>Buildings and Improvements, Net</i>	1,301,292
1530	<i>Furniture and Equipment, Net</i>	361,001
1580	<i>Construction in Progress</i>	9,766,221
1000	Total Assets	<u>15,123,817</u>
LIABILITIES:		
2140	<i>Interest Payable</i>	18,502
2165	<i>Accrued Liabilities</i>	176,799
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	170,000
2502	<i>Due in More Than One Year</i>	9,467,841
2000	Total Liabilities	<u>9,833,142</u>
NET ASSETS		
3200	Invested in Capital Assets	1,925,919
Restricted For:		
3860	Capital Projects	4,112
3900	Unrestricted	3,360,644
3000	Total Net Assets	<u>\$ 5,290,675</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, 2010

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		5 Capital Grants and Contributions
				Operating Grants and Contributions		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 3,264,392	\$ --	\$ 528,726	\$ --	
12	<i>Instructional Resources and Media Services</i>	58,225	--	64,930	--	
13	<i>Curriculum and Staff Development</i>	63,114	--	124,860	--	
21	<i>Instructional Leadership</i>	32,374	--	21,125	--	
23	<i>School Leadership</i>	275,305	--	12,345	--	
31	<i>Guidance, Counseling, & Evaluation Services</i>	61,649	--	32,810	--	
32	<i>Social Work Services</i>	2,701	--	2,701	--	
33	<i>Health Services</i>	65,485	--	60,105	--	
34	<i>Student Transportation</i>	196,611	--	6,946	90,252	
35	<i>Food Service</i>	364,765	97,359	315,463	--	
36	<i>Cocurricular/Extracurricular Activities</i>	360,410	16,054	15,743	--	
41	<i>General Administration</i>	319,684	--	15,628	--	
51	<i>Plant Maintenance and Operations</i>	568,312	--	94,579	--	
53	<i>Data Processing Services</i>	104,944	--	4,706	--	
72	<i>Interest on Long-term Debt</i>	456,575	--	--	--	
73	<i>Bond Issuance Costs and Fees</i>	9,408	--	--	--	
81	<i>Capital Outlay</i>	5,282	--	--	--	
93	<i>Payments Related to Shared Services Arrangement</i>	68,963	--	65,148	--	
99	<i>Other Intergovernmental Charges</i>	33,957	--	1,523	--	
TG	Total Governmental Activities	6,312,156	113,413	1,367,338	90,252	
TP	Total Primary Government	\$ 6,312,156	\$ 113,413	\$ 1,367,338	\$ 90,252	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>					
DT	<i>Property Taxes, Levied for Debt Service</i>					
IE	<i>Investment Earnings</i>					
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>					
MI	<i>Miscellaneous</i>					
TR	Total General Revenues					
CN	Change in Net Assets					
NB	Net Assets - Beginning					
NE	Net Assets - Ending					

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Assets

Governmental
Activities

\$	(2,735,666)
	6,705
	61,746
	(11,249)
	(262,960)
	(28,839)
	--
	(5,380)
	(99,413)
	48,057
	(328,613)
	(304,056)
	(473,733)
	(100,238)
	(456,575)
	(9,408)
	(5,282)
	(3,815)
	(32,434)
	<u>(4,741,153)</u>
	<u>(4,741,153)</u>

	837,706
	274,246
	5,284
	4,415,607
	1,191,429
	<u>6,724,272</u>
	1,983,119
	3,307,556
\$	<u><u>5,290,675</u></u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 2,006,571	\$ 954,602	\$ (107)	\$ 2,961,066
1225	Taxes Receivable, Net	19,356	--	2,411	21,767
1240	Due from Other Governments	173,562	--	86,927	260,489
1290	Other Receivables	1,046	--	34,078	35,124
1000	Total Assets	<u>\$ 2,200,535</u>	<u>\$ 954,602</u>	<u>\$ 123,309</u>	<u>\$ 3,278,446</u>
LIABILITIES:					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 740	\$ --	\$ --	\$ 740
2160	Accrued Wages Payable	139,534	--	4,544	144,078
2200	Accrued Expenditures	31,977	--	4	31,981
2300	Unearned Revenue	19,356	--	2,411	21,767
2000	Total Liabilities	<u>191,607</u>	<u>--</u>	<u>6,959</u>	<u>198,566</u>
FUND BALANCES:					
Reserved Fund Balances:					
3420	Debt Service	--	--	34,138	34,138
3450	Reserve for Food Service	--	--	80,562	80,562
3490	Other Reserves of Fund Balance	536	954,602	1,650	956,788
Designated Fund Balance:					
3510	Construction	650,000	--	--	650,000
3530	Capital Expenditures for Equipment	350,000	--	--	350,000
3600	Unreserved	1,008,392	--	--	1,008,392
3000	Total Fund Balances	<u>2,008,928</u>	<u>954,602</u>	<u>116,350</u>	<u>3,079,880</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,200,535</u>	<u>\$ 954,602</u>	<u>\$ 123,309</u>	<u>\$ 3,278,446</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, 2010

Total fund balances - governmental funds balance sheet	\$ 3,079,880
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.	11,692,140
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	21,767
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,340,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(18,502)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>(144,610)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 5,290,675</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, 2010

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 902,825	\$ 1,147,129	\$ 465,492	\$ 2,515,446
5800 State Program Revenues	4,289,021	--	413,239	4,702,260
5900 Federal Program Revenues	198,892	--	878,158	1,077,050
5020 Total Revenues	<u>5,390,738</u>	<u>1,147,129</u>	<u>1,756,889</u>	<u>8,294,756</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,907,318	--	261,990	3,169,308
0012 Instructional Resources and Media Services	651	--	55,549	56,200
0013 Curriculum and Staff Development	1,366	--	61,748	63,114
0021 Instructional Leadership	9,952	--	22,422	32,374
0023 School Leadership	275,305	--	--	275,305
0031 Guidance, Counseling, & Evaluation Services	28,259	--	33,390	61,649
0032 Social Work Services	--	--	2,701	2,701
0033 Health Services	1,954	--	63,531	65,485
0034 Student Transportation	158,512	--	90,252	248,764
0035 Food Service	--	--	364,340	364,340
0036 Cocurricular/Extracurricular Activities	351,088	--	--	351,088
0041 General Administration	318,168	--	1,463	319,631
0051 Plant Maintenance and Operations	493,720	--	72,440	566,160
0053 Data Processing Services	104,944	--	--	104,944
0071 Principal on Long-term Debt	--	--	160,000	160,000
0072 Interest on Long-term Debt	--	--	455,388	455,388
0073 Bond Issuance Costs and Fees	--	--	500	500
0081 Capital Outlay	164,574	8,231,264	--	8,395,838
0093 Payments to Shared Service Arrangements	--	--	68,963	68,963
0099 Other Intergovernmental Charges	33,957	--	--	33,957
6030 Total Expenditures	<u>4,849,768</u>	<u>8,231,264</u>	<u>1,714,677</u>	<u>14,795,709</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>540,970</u>	<u>(7,084,135)</u>	<u>42,212</u>	<u>(6,500,953)</u>
Other Financing Sources and (Uses):				
7915 Transfers In	164,574	--	--	164,574
8911 Transfers Out	--	(164,574)	--	(164,574)
7080 Total Other Financing Sources and (Uses)	<u>164,574</u>	<u>(164,574)</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>705,544</u>	<u>(7,248,709)</u>	<u>42,212</u>	<u>(6,500,953)</u>
0100 Fund Balances - Beginning	1,303,384	8,203,311	74,138	9,580,833
3000 Fund Balances - Ending	<u>\$ 2,008,928</u>	<u>\$ 954,602</u>	<u>\$ 116,350</u>	<u>\$ 3,079,880</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, 2010*

Net change in fund balances - total governmental funds	\$ (6,500,953)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	8,488,394
The depreciation of capital assets used in governmental activities is not reported in the funds.	(154,746)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	519
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	160,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	8,407
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>(18,502)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 1,983,119</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, 2010

Data Control Codes		Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 65,342
1120	<i>Current Investments</i>	40,428
1000	Total Assets	<u>\$ 105,770</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 105,770
2000	Total Liabilities	<u>105,770</u>
	NET ASSETS	
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

A. Summary of Significant Accounting Policies

The accounting policies of West Sabine Independent School District ("District") have been developed to be in conformity with accounting principles generally accepted in the United States of America ("GAAP") for 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. The most significant accounting and reporting policies of the District are described in the following notes to the financial statements.

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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund accounts for resources segregated for construction and maintenance of school buildings and equipment.

In addition, the District reports the following fund types:

Special Revenue Fund: The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a special revenue fund. Sometimes any unused balances must be returned to the grantor at the close of the specified project periods.

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.

b. Measurement Focus, Basis of Accounting

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

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

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-30
Transportation equipment	8-10
Furniture, fixtures, and equipment	5-20

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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

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.

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	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	None	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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,066,836 and the bank balance was \$3,185,322. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, 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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, acceptable risk levels, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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 general purpose 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, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District's investments at August 31, 2010 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	03/30/11	\$ 40,428
Total Investments		<u>\$ 40,428</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

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.

The District was not exposed to custodial credit risk as its deposits were covered by depository insurance or by pledged collateral during the entire fiscal year.

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.

4. 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.

5. Public Funds Investment Pools

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

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2010, was as follows:

	Beginning Balance	Additions	Retirements / Adjustments	Ending Balances
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 263,626	\$ -	\$ -	\$ 263,626
Construction in progress	1,375,664	8,390,556	-	9,766,220
Total capital assets not being depreciated	<u>1,639,290</u>	<u>8,390,556</u>	<u>-</u>	<u>10,029,846</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,567,400	-	-	6,567,400
Equipment	265,723	12,838	-	278,561
Vehicles	722,603	85,000	-	807,603
Total capital assets being depreciated	<u>7,555,726</u>	<u>97,838</u>	<u>-</u>	<u>7,653,564</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(5,159,805)	(106,302)	-	(5,266,107)
Equipment	(120,635)	(14,985)	-	(135,620)
Vehicles	(556,083)	(33,459)	-	(589,542)
Total accumulated depreciation	<u>(5,836,523)</u>	<u>(154,746)</u>	<u>-</u>	<u>(5,991,269)</u>
Total capital assets being depreciated, net	<u>1,719,203</u>	<u>(56,908)</u>	<u>-</u>	<u>1,662,295</u>
Governmental activities capital assets, net	<u>\$ 3,358,493</u>	<u>\$ 8,333,648</u>	<u>\$ -</u>	<u>\$ 11,692,141</u>

Depreciation was charged to functions as follows:

Instruction	\$ 107,169
Instructional Resources	2,025
Student Transportation	32,847
Food Services	425
Cocurricular / Extracurricular	9,322
General Administration	806
Plant Maintenance and Operations	2,152
Total depreciation expense	<u>\$ 154,746</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances due to and due from other funds at August 31, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
None			

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

2. Transfers To and From Other Funds

The summary of the District's transfers for the year ended August 31, 2010 is as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Capital Projects Fund	General Fund	\$ 164,574	To purchase technology equipment for high school
	Total	<u>\$ 164,574</u>	

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2010, are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 9,500,000	\$ -	\$ (160,000)	\$ 9,340,000	\$ 170,000
Premium on CIBs	315,156	-	(17,315)	297,841	-
Total governmental activities	<u>\$ 9,815,156</u>	<u>\$ -</u>	<u>\$ (177,315)</u>	<u>\$ 9,637,841</u>	<u>\$ 170,000</u>
Bonds Payable:					
Series 2008 Unlimited Tax School Building Bonds, due in semi-annual payments, beginning in 2009, interest rate of 4.00%				\$ 9,340,000	
Total bonds payable				<u>\$ 9,340,000</u>	

2. Debt Service Requirements

Debt Service requirements on long term debt at August 31, 2010 are as follows:

<u>Year ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	205,000	419,718	624,718
2016-2020	1,175,000	1,964,990	3,139,990
2021-2025	1,480,000	1,628,765	3,108,765
2026-2030	1,825,000	1,189,180	3,014,180
2031-2035	2,275,000	717,656	2,992,656
2035-2040	1,650,000	158,864	1,808,864
Totals	<u>\$ 9,340,000</u>	<u>\$ 7,833,125</u>	<u>\$ 17,173,125</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

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, 2010, as follows:

<u>Year Ending August 31,</u>	
2011	\$ 20,537
2012	20,537
2013	20,537
2014	<u>10,269</u>
Total Minimum Rentals	<u>\$ 71,880</u>
Rental Expenditures in 2010	<u>\$ 30,574</u>

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 2010, 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 compensations are passed to the pool.

Worker's 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 claims 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 \$36,393 for the year ended August 31, 2010. 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 worker's 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 August 31, 2008	\$ 29,452	\$ (2,728)	\$ 4,852	\$ 21,872
Year ended August 31, 2009	21,872	16,987	7,725	31,134
Year ended August 31, 2010	31,134	13,439	12,305	32,268

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

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.

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 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009, and 2008 were \$215,782, \$212,025, and \$207,204, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009, and 2008 were \$27,662, \$28,076, and \$25,167, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$227,453 for the year ended August 31, 2010.

J. Retiree Health Insurance Coverage

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 post-employment 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 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$33,656, \$33,129, and \$32,376, respectively, the active member contributions were \$21,915, \$21,535, and \$21,045, respectively, and the District's contributions were \$20,318, \$20,130, and \$19,471, respectively, which equaled the required contributions each year.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$8,830, \$7,938, and \$7,992, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan) through TRS – Active Care Program administered by the Texas Teacher Retirement System. The District contributed \$392 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

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 collectability 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, 2010.

3. Construction Commitment

With the proceeds from the 2009 bond issue, the District entered into a construction contract for a high school facility. The total value of the contract at August 31, 2010 is \$12,823,626, of which \$8,065,110 has been completed to date, leaving a remaining commitment of \$4,758,516.

M. Shared Services Arrangements

Shared Services Arrangement - Member

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 - Fiscal Agent

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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

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

N. Subsequent Events

There are no other significant subsequent events that would require disclosure in these financial statements as of December 7, 2010, the date of this report.

O. Other Disclosures

Investment income was \$5,284 for the year ended August 31, 2010, however investment fees totaling \$6,801 exceeded the income by \$1,517.

Allowance for uncollectible taxes receivable was \$87,068 at August 31, 2010.

Other reserves of fund balance at August 31, 2010 were made up of the following items:

Advanced Placement Incentives	\$ 1,650
High School Allotment	536
Capital Projects Fund	<u>954,602</u>
Total	<u>\$ 956,788</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, 2010

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 935,381	\$ 935,381	\$ 902,825	\$ (32,556)		
5800	State Program Revenues	4,158,776	4,165,383	4,289,021	123,638		
5900	Federal Program Revenues	--	--	198,892	198,892		
5020	Total Revenues	<u>5,094,157</u>	<u>5,100,764</u>	<u>5,390,738</u>	<u>289,974</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,952,582	3,114,678	2,907,318	207,360		
0012	Instructional Resources and Media Services	55,886	9,000	651	8,349		
0013	Curriculum and Staff Development	2,000	2,000	1,366	634		
	Total Instruction & Instr. Related Services	<u>3,010,468</u>	<u>3,125,678</u>	<u>2,909,335</u>	<u>216,343</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	9,035	10,796	9,952	844		
0023	School Leadership	274,341	281,091	275,305	5,786		
	Total Instructional & School Leadership	<u>283,376</u>	<u>291,887</u>	<u>285,257</u>	<u>6,630</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	62,195	29,837	28,259	1,578		
0033	Health Services	62,937	2,200	1,954	246		
0034	Student (Pupil) Transportation	234,968	238,558	158,512	80,046		
0036	Cocurricular/Extracurricular Activities	357,244	365,219	351,088	14,131		
	Total Support Services - Student (Pupil)	<u>717,344</u>	<u>635,814</u>	<u>539,813</u>	<u>96,001</u>		
Administrative Support Services:							
0041	General Administration	367,940	380,340	318,168	62,172		
	Total Administrative Support Services	<u>367,940</u>	<u>380,340</u>	<u>318,168</u>	<u>62,172</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	543,428	557,673	493,720	63,953		
0053	Data Processing Services	102,637	109,372	104,944	4,428		
	Total Support Services - Nonstudent Based	<u>646,065</u>	<u>667,045</u>	<u>598,664</u>	<u>68,381</u>		
Capital Outlay:							
0081	Capital Outlay	--	--	164,574	(164,574)		
	Total Capital Outlay	<u>--</u>	<u>--</u>	<u>164,574</u>	<u>(164,574)</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	68,964	--	--	--		
0099	Other Intergovernmental Charges	--	--	33,957	(33,957)		
	Total Intergovernmental Charges	<u>68,964</u>	<u>--</u>	<u>33,957</u>	<u>(33,957)</u>		
6030	Total Expenditures	<u>5,094,157</u>	<u>5,100,764</u>	<u>4,849,768</u>	<u>250,996</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	<u>--</u>	<u>--</u>	<u>540,970</u>	<u>540,970</u>		
Other Financing Sources (Uses):							
7915	Transfers In	--	--	164,574	164,574		
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>164,574</u>	<u>164,574</u>		
1200	Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>705,544</u>	<u>705,544</u>		
0100	Fund Balance - Beginning	1,303,384	1,303,384	1,303,384	--		
3000	Fund Balance - Ending	<u>\$ 1,303,384</u>	<u>\$ 1,303,384</u>	<u>\$ 2,008,928</u>	<u>\$ 705,544</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, 2010

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ (33,204)	\$ 33,097	\$ (107)
1225	Taxes Receivable, Net	--	2,411	2,411
1240	Due from Other Governments	85,886	1,041	86,927
1290	Other Receivables	34,078	--	34,078
1000	Total Assets	<u>\$ 86,760</u>	<u>\$ 36,549</u>	<u>\$ 123,309</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 4,544	\$ --	\$ 4,544
2200	Accrued Expenditures	4	--	4
2300	Unearned Revenue	--	2,411	2,411
2000	Total Liabilities	<u>4,548</u>	<u>2,411</u>	<u>6,959</u>
FUND BALANCES:				
Reserved Fund Balances:				
3420	Debt Service	--	34,138	34,138
3450	Reserve for Food Service	80,562	--	80,562
3490	Other Reserves of Fund Balance	1,650	--	1,650
3000	Total Fund Balances	<u>82,212</u>	<u>34,138</u>	<u>116,350</u>
4000	Total Liabilities and Fund Balances	<u>\$ 86,760</u>	<u>\$ 36,549</u>	<u>\$ 123,309</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, 2010

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>	\$ 191,246	\$ 274,246	\$ 465,492
5800 <i>State Program Revenues</i>	76,828	336,411	413,239
5900 <i>Federal Program Revenues</i>	878,158	--	878,158
5020 Total Revenues	<u>1,146,232</u>	<u>610,657</u>	<u>1,756,889</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	261,990	--	261,990
0012 <i>Instructional Resources and Media Services</i>	55,549	--	55,549
0013 <i>Curriculum and Staff Development</i>	61,748	--	61,748
0021 <i>Instructional Leadership</i>	22,422	--	22,422
0031 <i>Guidance, Counseling, & Evaluation Services</i>	33,390	--	33,390
0032 <i>Social Work Services</i>	2,701	--	2,701
0033 <i>Health Services</i>	63,531	--	63,531
0034 <i>Student Transportation</i>	90,252	--	90,252
0035 <i>Food Service</i>	364,340	--	364,340
0041 <i>General Administration</i>	1,463	--	1,463
0051 <i>Plant Maintenance and Operations</i>	72,440	--	72,440
0071 <i>Principal on Long-term Debt</i>	--	160,000	160,000
0072 <i>Interest on Long-term Debt</i>	--	455,388	455,388
0073 <i>Bond Issuance Costs and Fees</i>	--	500	500
0093 <i>Payments to Shared Service Arrangements</i>	68,963	--	68,963
6030 Total Expenditures	<u>1,098,789</u>	<u>615,888</u>	<u>1,714,677</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>47,443</u>	<u>(5,231)</u>	<u>42,212</u>
1200 Net Change in Fund Balances	<u>47,443</u>	<u>(5,231)</u>	<u>42,212</u>
0100 Fund Balances - Beginning	<u>34,769</u>	<u>39,369</u>	<u>74,138</u>
3000 Fund Balances - Ending	<u>\$ 82,212</u>	<u>\$ 34,138</u>	<u>\$ 116,350</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	266 ARRA of 2009 Title XIV State Fiscal Stabilizati	
ASSETS:					
1110	Cash and Cash Equivalents	\$ (53,338)	\$ 74,356	\$ (3,174)	\$ (12,071)
1240	Due from Other Governments	53,338	10,754	3,174	12,071
1290	Other Receivables	--	--	--	--
1000	Total Assets	<u>\$ --</u>	<u>\$ 85,110</u>	<u>\$ --</u>	<u>\$ --</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ --	\$ 4,544	\$ --	\$ --
2200	Accrued Expenditures	--	4	--	--
2000	Total Liabilities	<u>--</u>	<u>4,548</u>	<u>--</u>	<u>--</u>
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	80,562	--	--
3490	Other Reserves of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>80,562</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 85,110</u>	<u>\$ --</u>	<u>\$ --</u>

on	274 GEAR UP	397 Advanced Placement Incentives	404 Student Success Initiative	409 Texas High School Project	429 State Funded Special Revenue Fund
	\$ (3,580)	\$ 1,650	\$ (2,116)	\$ (1,924)	\$ (150)
	--	--	2,116	1,924	150
	3,580	--	--	--	--
	<u>\$ --</u>	<u>\$ 1,650</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
	\$ --	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--
	--	--	--	--	--
	--	1,650	--	--	--
	--	1,650	--	--	--
	<u>\$ --</u>	<u>\$ 1,650</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	480 Angelina Technology Grant	487 DETCOG Summer Work Program	Total Nonmajor Special Revenue Funds (See Exhibit H-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ (2,359)	\$ (30,498)	\$ (33,204)
1240	Due from Other Governments	2,359	--	85,886
1290	Other Receivables	--	30,498	34,078
1000	Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 86,760</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ --	\$ --	\$ 4,544
2200	Accrued Expenditures	--	--	4
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>4,548</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	--	--	80,562
3490	Other Reserves of Fund Balance	--	--	1,650
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>82,212</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 86,760</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, 2010

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	\$ --	\$ --	\$ 97,359	\$ --
5800 State Program Revenues	--	--	19,434	--
5900 Federal Program Revenues	2,538	172,668	296,029	8,198
5020 Total Revenues	<u>2,538</u>	<u>172,668</u>	<u>412,822</u>	<u>8,198</u>
EXPENDITURES:				
Current:				
0011 Instruction	--	115,942	--	8,198
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	--	52,691	--	--
0021 Instructional Leadership	44	3,828	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--	--
0032 Social Work Services	2,494	207	--	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	364,340	--
0041 General Administration	--	--	--	--
0051 Plant Maintenance and Operations	--	--	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	<u>2,538</u>	<u>172,668</u>	<u>364,340</u>	<u>8,198</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	48,482	--
1200 Net Change in Fund Balances	--	--	48,482	--
0100 Fund Balances - Beginning	--	--	32,080	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 80,562</u>	<u>\$ --</u>

	255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	274 GEAR UP
\$	--	\$ --	\$ --	\$ --	\$ --
	--	--	7,261	--	--
	41,381	1,557	210,985	15,507	28,668
	<u>41,381</u>	<u>1,557</u>	<u>218,246</u>	<u>15,507</u>	<u>28,668</u>
	37,716	1,112	--	--	16,119
	--	--	49,194	6,355	--
	2,837	400	--	--	--
	828	45	3,168	--	12,549
	--	--	33,390	--	--
	--	--	--	--	--
	--	--	63,531	--	--
	--	--	--	9,152	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	68,963	--	--
	<u>41,381</u>	<u>1,557</u>	<u>218,246</u>	<u>15,507</u>	<u>28,668</u>
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
\$	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	279 Enhancing Education through Technology-ARRA	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	365 IDEA - Part B Preschool - ARF
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	222	--
5900 <i>Federal Program Revenues</i>	1,977	81,100	14,057	3,493
5020 Total Revenues	<u>1,977</u>	<u>81,100</u>	<u>14,279</u>	<u>3,493</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,877	--	12,419	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	3,493
0021 <i>Instructional Leadership</i>	100	--	1,860	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0032 <i>Social Work Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	81,100	--	--
0035 <i>Food Service</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 Total Expenditures	<u>1,977</u>	<u>81,100</u>	<u>14,279</u>	<u>3,493</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>	<u>\$ --</u>

397 Advanced Placement Incentives	404 Student Success Initiative	409 Texas High School Project	411 Technology Allotment	429 State Funded Special Revenue Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	13,938	10,397	18,442	7,134
--	--	--	--	--
<u>--</u>	<u>13,938</u>	<u>10,397</u>	<u>18,442</u>	<u>7,134</u>
--	13,938	8,909	18,442	7,134
--	--	--	--	--
--	--	1,488	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>13,938</u>	<u>10,397</u>	<u>18,442</u>	<u>7,134</u>
--	--	--	--	--
--	--	--	--	--
1,650	--	--	--	--
<u>\$ 1,650</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	480 Angelina Technology Grant	487 DETCOG Summer Work Program	499 Region VII Consortium Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)	
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,359	\$ 79,528	\$ 12,000	\$ 191,246
5800	State Program Revenues	--	--	--	76,828
5900	Federal Program Revenues	--	--	--	878,158
5020	Total Revenues	<u>2,359</u>	<u>79,528</u>	<u>12,000</u>	<u>1,146,232</u>
EXPENDITURES:					
Current:					
0011	Instruction	2,359	5,625	12,200	261,990
0012	Instructional Resources and Media Services	--	--	--	55,549
0013	Curriculum and Staff Development	--	--	839	61,748
0021	Instructional Leadership	--	--	--	22,422
0031	Guidance, Counseling, & Evaluation Services	--	--	--	33,390
0032	Social Work Services	--	--	--	2,701
0033	Health Services	--	--	--	63,531
0034	Student Transportation	--	--	--	90,252
0035	Food Service	--	--	--	364,340
0041	General Administration	--	1,463	--	1,463
0051	Plant Maintenance and Operations	--	72,440	--	72,440
0093	Payments to Shared Service Arrangements	--	--	--	68,963
6030	Total Expenditures	<u>2,359</u>	<u>79,528</u>	<u>13,039</u>	<u>1,098,789</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	(1,039)	47,443
1200	Net Change in Fund Balances	--	--	(1,039)	47,443
0100	Fund Balances - Beginning	--	--	1,039	34,769
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82,212</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 65,000	\$ 1,147,129	\$ 1,082,129
5020 <i>Total Revenues</i>	<u>65,000</u>	<u>1,147,129</u>	<u>1,082,129</u>
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	8,268,000	8,231,264	36,736
<i>Total Capital Outlay</i>	<u>8,268,000</u>	<u>8,231,264</u>	<u>36,736</u>
6030 <i>Total Expenditures</i>	<u>8,268,000</u>	<u>8,231,264</u>	<u>36,736</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(8,203,000)</u>	<u>(7,084,135)</u>	<u>1,118,865</u>
Other Financing Sources (Uses):			
8911 <i>Transfers Out</i>	--	(164,574)	(164,574)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>(164,574)</u>	<u>(164,574)</u>
1200 <i>Net Change in Fund Balance</i>	<u>(8,203,000)</u>	<u>(7,248,709)</u>	<u>954,291</u>
0100 <i>Fund Balance - Beginning</i>	--	8,203,311	8,203,311
3000 <i>Fund Balance - Ending</i>	<u>\$ (8,203,000)</u>	<u>\$ 954,602</u>	<u>\$ 9,157,602</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, 2010*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2001 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.036	.314	85,507,842
2010 (School Year Under Audit)	1.04	.34	83,829,831

1000 Totals

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

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 22,081	\$ --	\$ 409	\$ --	\$ (2,388)	\$ 19,284
3,302	--	144	--	(716)	2,442
3,214	--	244	--	(749)	2,221
6,285	--	392	--	(1,299)	4,594
7,490	--	1,277	--	(1,016)	5,197
10,087	--	1,205	--	(840)	8,042
10,314	--	1,333	--	(301)	8,680
11,639	--	2,831	--	(175)	8,633
31,827	--	10,729	3,303	(629)	17,166
--	1,134,981	824,338	274,565	(3,502)	32,576
<u>\$ 106,239</u>	<u>\$ 1,134,981</u>	<u>\$ 842,902</u>	<u>\$ 277,868</u>	<u>\$ (11,615)</u>	<u>\$ 108,835</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WEST SABINE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010*

FUNCTION 41 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 132,767	\$ 83,443	\$ --	\$ --	\$ 216,210
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	24,159	--	--	--	24,159
6212	Audit Services	--	--	--	13,550	--	--	13,550
6213	Tax Appraisal and Collection	--	39,957	--	--	--	--	39,957
621X	Other Prof. Services	--	--	8,507	1,150	--	--	9,657
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	4,983	--	--	4,983
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,410	--	--	--	2,410
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	13,015	6,391	--	--	19,406
6410	Travel, Subsistence, Stipends	1,265	--	4,682	490	--	--	6,437
6420	Ins. and Bonding Costs	1,520	--	--	506	--	--	2,026
6430	Election Costs	2,837	--	--	--	--	--	2,837
6490	Miscellaneous Operating	--	--	11,891	65	--	--	11,956
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 5,622 \$ 39,957 \$ 197,431 \$ 110,578 \$ -- \$ -- \$ 353,588

Total Expenditures for General and Special Revenue Funds (9) \$ 5,948,557

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 258,726
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 566,160
Food (Function 35, 6341 and 6499)	(13)	\$ 138,449
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 110,578</u>

Subtotal 1,073,913

Net Allowed Direct Cost \$ 4,874,644

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 6,567,400
Historical Cost of Buildings over 50 years old	(16)	2,420,726
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,086,163
Historical Cost of Furniture & Equipment over 16 years old	(19)	293,871
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - No Function 53 expenditures and \$33,957 in Function 99 expenditures are included in this report on administrative costs.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF AUGUST 31, 2010

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 2,008,928
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	536
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	1,000,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	530,566
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	505,734
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)	2,036,836
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (27,908)

If Item 11 is a Positive Number

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 94,750	\$ 97,359	\$ 2,609
5800 <i>State Program Revenues</i>	19,000	19,434	434
5900 <i>Federal Program Revenues</i>	244,500	296,029	51,529
5020 Total Revenues	<u>358,250</u>	<u>412,822</u>	<u>54,572</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	358,250	364,340	(6,090)
Total Support Services - Student (Pupil)	<u>358,250</u>	<u>364,340</u>	<u>(6,090)</u>
6030 Total Expenditures	<u>358,250</u>	<u>364,340</u>	<u>(6,090)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	48,482	48,482
1200 Net Change in Fund Balance	--	48,482	48,482
0100 Fund Balance - Beginning	32,080	32,080	--
3000 Fund Balance - Ending	<u>\$ 32,080</u>	<u>\$ 80,562</u>	<u>\$ 48,482</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 276,687	\$ 274,246	\$ (2,441)
5800 <i>State Program Revenues</i>	359,701	336,411	(23,290)
5020 <i>Total Revenues</i>	<u>636,388</u>	<u>610,657</u>	<u>(25,731)</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	180,000	160,000	20,000
0072 <i>Interest on Long-Term Debt</i>	455,388	455,388	--
0073 <i>Bond Issuance Costs and Fees</i>	1,000	500	500
<i>Total Debt Service</i>	<u>636,388</u>	<u>615,888</u>	<u>20,500</u>
6030 <i>Total Expenditures</i>	<u>636,388</u>	<u>615,888</u>	<u>20,500</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	(5,231)	(5,231)
1200 <i>Net Change in Fund Balance</i>	--	(5,231)	(5,231)
0100 <i>Fund Balance - Beginning</i>	39,369	39,369	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 39,369</u>	<u>\$ 34,138</u>	<u>\$ (5,231)</u>

HALLS, JOHNSON, MCLEMORE, REDFIELD & RODRIGUES, LLP

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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*

Members of the Board of Trustees
West Sabine Independent School District
Pineland, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Sabine Independent School District (the District) as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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,

Halls, Johnson, McLeMora, Redfield & Rodriguez, LLP

Nacogdoches, Texas
December 7, 2010

HALLS, JOHNSON, MCLEMORE, REDFIELD & RODRIGUES, LLP

**CERTIFIED PUBLIC ACCOUNTANTS
A REGISTERED LIMITED LIABILITY PARTNERSHIP**
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Independent Auditor's Report

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

Members of the Board of Trustees
West Sabine Independent School District
Pineland, Texas

Compliance

We have audited the compliance of West Sabine Independent School District (the 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, 2010. The 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 the District's management. Our responsibility is to express an opinion on the 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 the 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 the District's compliance with those requirements.

In our opinion, the 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, 2010.

Internal Control over Compliance

Management of the 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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,

Halls, Johnson, McLemons, Redfield & Rodriguez, LLP

Nacogdoches, Texas
December 7, 2010

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.666	Schools and Roads - Grants to Counties
84.394	State Fiscal Stabilization - ARRA

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, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year audit findings.		

WEST SABINE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010

Not applicable- There were no current year audit findings.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010*

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through Stephen F Austin State University: <i>GEAR UP</i>	84.334s	202-905	\$ 28,668
Passed Through State Department of Education: <i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	10610101202905	172,668
<i>Career and Technical - Basic Grant</i>	84.048	202-905	8,198
<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186a	10691001202905	2,538
<i>Title II Part D Enhancing Education Through Technology *</i>	84.318x	10630001202905	1,557
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	S358A091681	15,507
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	10694501202905	41,381
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Tech</i>	84.386	10553001202905	1,977
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001202905	14,056
<i>ARRA - IDEA-Part B Formula *</i>	84.391	202-905	81,100
<i>ARRA - SSA IDEA Part B, Preschool *</i>	84.392	202-905	3,493
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	10557001202905	210,986
Total Passed Through State Department of Education			<u>553,461</u>
Total U. S. Department of Education			<u>582,129</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education: School Breakfast Program *	10.553	202-905	80,498
National School Lunch Program *	10.555	202-905	198,534
Commodity Supplemental Food Program (Non-cash)	10.565	202-905	16,997
Total Passed Through State Department of Education			<u>296,029</u>
Passed Through Sabine County: Schools and Roads - Grants to Counties *	10.666	202-905	198,892
Total U. S. Department of Agriculture			<u>494,921</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,077,050</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, 2010

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, 2010*

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4 Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9 Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10 What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --