

**WEST SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

West Sabine Independent School District
Annual Financial Report
For The Year Ended August 31, 2011

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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, 2011, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

*Authorized Signatures Available
on Reports Filed with TEA*

Signature of Board Secretary

*Authorized Signatures Available
on Reports Filed with TEA*

Signature of Board President

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

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Financial Section

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

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Sabine Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Sabine Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Sabine Independent School District as of August 31, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of West Sabine Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 West Sabine Independent School District's financial statements as a whole. The 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information 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.

Respectfully submitted,

*Authorized Signatures Available
on Reports Filed with TEA*

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

January 13, 2012

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, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

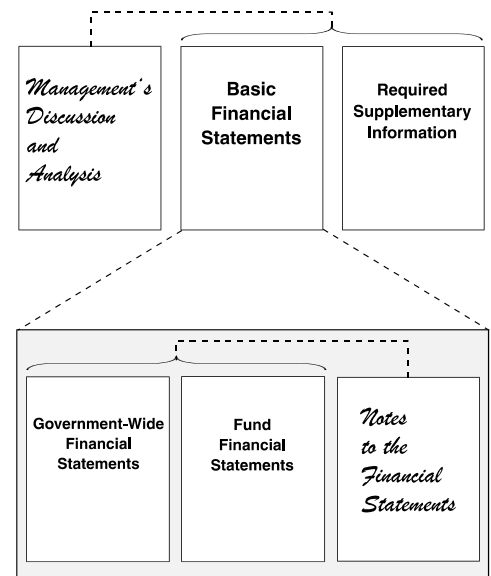
- The District's total combined net assets were \$11,183,046 at August 31, 2011.
- During the current year, the District's expenses were \$5,850,582 less than the \$12,658,411 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$6,807,829, \$495,673 more than last year.
- The general fund reported a fund balance at the end of this year of \$3,156,689.

OVERVIEW OF THE FINANCIAL STATEMENTS

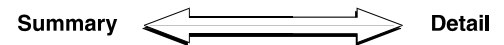
This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- 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, 2011, were \$11,183,046. This is a \$5,892,371 increase over last year's combined net assets of \$5,290,675. The following table provides a comparative summary of the District's net assets:

Summary of Net Assets				
	<u>8/31/2011</u>	<u>8/31/2010</u>	<u>Change</u>	<u>% Change</u>
Governmental Activities:				
Current and other assets	\$ 4,091,697	\$ 3,430,937	\$ 660,760	19.26%
Capital assets	<u>16,784,974</u>	<u>11,692,140</u>	<u>5,092,834</u>	<u>43.56%</u>
Total assets	20,876,671	15,123,077	5,753,594	38.05%
Current liabilities	184,094	194,561	(10,467)	-5.38%
Long term liabilities	<u>9,509,531</u>	<u>9,637,841</u>	<u>(128,310)</u>	<u>-1.33%</u>
Total liabilities	9,693,625	9,832,402	(138,777)	-1.41%
Net assets:				
Invested in capital assets	7,419,891	1,925,919	5,493,972	285.26%
Restricted	570,685	4,112	566,573	13778.53%
Unrestricted	<u>3,192,470</u>	<u>3,360,644</u>	<u>(168,174)</u>	<u>-5.00%</u>
Total net assets	<u>\$ 11,183,046</u>	<u>\$ 5,290,675</u>	<u>\$ 5,892,371</u>	<u>111.37%</u>

Net assets of the District's governmental activities increased 111.37% to \$11,183,046 during the year ending August 31, 2011. 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 decreased by \$168,174 and totaled \$3,192,470 at year end.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,807,829.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,106,459.
- Some of the cost was paid by charges for services of \$115,013, or by operating grants and contributions of \$1,147,633, and capital grants of \$5,000,000.
- Property tax rate was \$1.38 per \$100 valuation in 2011 and in 2010. The District's taxable values dropped approximately \$1.36 million, which led to property tax revenues decreasing \$5,493 from \$1,111,952 in 2010 to \$1,106,459 in 2011.

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				
	8/31/2011	8/31/2010	Amount Of Change	% Change
Program revenues:				
Charges for services	\$ 115,013	\$ 113,413	\$ 1,600	1.41%
Operating grants/contributions	1,147,633	1,446,866	(299,233)	-20.68%
Capital grants/contributions	5,000,000	90,252	4,909,748	100.00%
General revenues:				
Property taxes	1,106,459	1,111,952	(5,493)	-0.49%
Investment earnings	777	5,284	(4,507)	-85.30%
Foundation & available state funding	5,223,587	4,336,079	887,508	20.47%
Other general revenues	64,942	1,191,429	(1,126,487)	-94.55%
Total revenues/contributions	<u>12,658,411</u>	<u>8,295,275</u>	<u>4,363,136</u>	<u>52.60%</u>
<u>Function</u>				
Expenses:				
10's Instructional & related	3,959,866	3,385,731	574,135	16.96%
20's School leadership	289,549	307,679	(18,130)	-5.89%
30's Student services	1,019,349	1,051,621	(32,272)	-3.07%
40's Administrative	328,252	319,684	8,568	2.68%
50's Non-student based support	657,782	673,256	(15,474)	-2.30%
70's Debt service	442,529	465,983	(23,454)	-5.03%
80's Capital outlay	-	5,282	(5,282)	-100.00%
90's Intergovernmental	110,502	102,920	7,582	7.37%
Total expenses	<u>6,807,829</u>	<u>6,312,156</u>	<u>495,673</u>	<u>7.85%</u>
Revenues over (under) expenses	5,850,582	1,983,119	3,867,463	195.02%
Beginning net assets	5,290,674	3,307,556	1,983,118	59.96%
Prior period adjustment	41,790	-	41,790	
Ending net assets	<u>\$ 11,183,046</u>	<u>\$ 5,290,675</u>	<u>\$ 5,892,371</u>	<u>111.37%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the general fund totaled \$5,972,781 an increase of 10.80% from the preceding year. In 2011, the collection rate for current taxes was 95.96%, decreased from 2010, when the collection rate for current taxes was 97.13 %.

The increase in state revenues of \$40,456 is the result of increased funding due to increase in local tax rates and student population changes. The increase in federal forest revenues of \$530,962 is due to the increase in mineral production in the Sabine National Forest in 2011.

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

	8/31/2011	8/31/2010	Change	% Change
Property taxes	\$ 830,389	\$ 837,186	\$ (6,797)	-0.81%
Investment earnings	580	1,171	(591)	-50.47%
Athletic activities	17,538	16,054	1,484	9.24%
Foundation & available state funds	4,135,570	4,078,529	57,041	1.40%
State on-behalf revenue	193,908	210,493	(16,585)	-7.88%
Federal forest	729,854	198,892	530,962	266.96%
Other miscellaneous revenues	64,942	48,413	16,529	34.14%
Total General Fund	<u>\$ 5,972,781</u>	<u>\$ 5,390,738</u>	<u>\$ 582,043</u>	<u>10.80%</u>

Explanation of variances:

- The property tax rate was 2011 was \$1.38 per \$100 valuation, the same as in 2010. 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 2011 decreased \$591, or 50.47%, due to declining interest rates.
- 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:

Summary of Expenditures
General Fund

	8/31/2011	8/31/2010	Change	% Change
11 Instruction	\$ 2,967,348	\$ 2,907,318	\$ 60,030	2.06%
12 Instructional resources and media	7,252	651	6,601	>400.00%
13 Curriculum and staff development	2,454	1,366	1,088	79.65%
21 Instructional leadership	9,125	9,952	(827)	-8.31%
23 School leadership	236,188	275,305	(39,117)	-14.21%
31 Guidance and counseling	5,534	28,259	(22,725)	-80.42%
33 Health services	6,421	1,954	4,467	228.61%
34 Student transportation	282,156	158,512	123,644	78.00%
36 Extracurricular activities	278,140	351,088	(72,948)	-20.78%
41 General administration	323,475	318,168	5,307	1.67%
51 Plant maintenance and operations	546,498	493,720	52,778	10.69%
53 Data processing services	108,688	104,944	3,744	3.57%
71 Principal on long-term debt	80,000	-	80,000	n/a
81 Capital outlay	-	164,574	(164,574)	-100.00%
93 Payments for SSA	75,707	-	75,707	n/a
99 Other intergovernmental charges	34,795	33,957	838	2.47%
Total General Fund	<u>\$ 4,963,781</u>	<u>\$ 4,849,768</u>	<u>\$ 114,013</u>	<u>2.35%</u>

Explanation of variances:

- Function 11, Instruction, showed a 2.06% increase due to pay step changes for employees.
- Function 12, Instruction resources and media, increased by \$6,601, or greater than 400.00%, due to increased spending on books and media resources for the libraries.
- Function 31, Guidance and counseling, decreased by \$22,725, or 80.42%, due to a change in funding codes.
- Function 33, Health services, increased by \$4,467, or 228.61%, due to a change in funding codes.
- Function 34, Student transportation increased by \$123,644, or 78.00%, due to the purchase of two school vehicles.
- Function 81, Capital outlay, decreased by \$164,574, or 100.00%, due to the District purchasing technology equipment for the new high school campus in the prior year.
- Function 93, Payments to Shared Service Arrangements, showed an increase of \$75,707, or 100.00%, due to SSA payments being coded in a different fund 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

	8/31/2011	8/31/2010	Change	% Change
<i><u>Food Service Fund:</u></i>				
Food service charges	\$ 97,475	\$ 97,359	\$ 116	0.12%
National school lunch & breakfast	298,148	279,032	19,116	6.85%
Value of USDA commodities	23,067	16,997	6,070	35.71%
State support	18,801	19,434	(633)	-3.26%
	<u>437,491</u>	<u>412,822</u>	<u>24,669</u>	<u>5.98%</u>
<i><u>Other Funds:</u></i>				
Debt service fund	630,890	610,657	20,233	3.31%
State technology allotment	17,247	18,442	(1,195)	-6.48%
Student Success Initiative	11,001	13,938	(2,937)	-21.07%
Other state programs	48,099	25,013	23,086	92.30%
ESEA Title I - Basic Program	165,701	172,668	(6,967)	-4.03%
ESEA Title II, Teacher & Principal Training & Recruiting	39,153	41,381	(2,228)	-5.38%
ESEA Title VI - Rural Schools	12,885	15,507	(2,622)	-16.91%
Title II, Part D, Education Through Technology Program	1,024	1,557	(533)	-34.23%
GEAR UP Program Through SFASU	35,000	28,668	6,332	22.09%
Career & Technology	6,231	8,198	(1,967)	-23.99%
Other federal programs	278,053	314,151	(36,098)	-11.49%
Other local programs	-	93,887	(93,887)	-100.00%
Total Other Funds	<u>1,245,284</u>	<u>1,344,067</u>	<u>(98,783)</u>	<u>-7.35%</u>
Total Revenues of Other Governmental Funds	<u>\$ 1,682,775</u>	<u>\$ 1,756,889</u>	<u>\$ (74,114)</u>	<u>-4.22%</u>

Explanation of significant variances:

- Food service revenues are up in 2011, \$24,669 or 5.98% because of increases in federal lunch and breakfast program reimbursements.
- Title programs showed an overall decrease totaling \$12,350 in 2011, which includes a decrease to Title I, \$6,967, a decrease of \$2,228 in Title II, Teacher & Principal Training, a decrease in Title II, Part D of \$533, and a decrease of \$2,622 to Title VI, Rural schools due to change in maximum entitlements.
- Significant decreases were also realized due to stimulus monies, \$278,053, received in 2011 as the stimulus programs started ending. 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 2011 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

	8/31/2011	8/31/2010	Change	% Change
<i>Food Service Fund:</i>				
35 Food service	\$ 402,793	\$ 364,340	\$ 38,453	10.55%
	<u>402,793</u>	<u>364,340</u>	<u>38,453</u>	<u>10.55%</u>
<i>Other Governmental Funds:</i>				
11 Instruction	265,639	261,990	3,649	1.39%
12 Instructional resources and media	56,481	55,549	932	1.68%
13 Curriculum and staff development	113,185	61,748	51,437	83.30%
21 Instructional leadership	7,426	22,422	(14,996)	-66.88%
23 School leadership	61,666	-	61,666	n/a
31 Guidance and counseling	36,810	33,390	3,420	10.24%
32 Social work services	230	2,701	(2,471)	-91.48%
33 Health services	61,167	63,531	(2,364)	-3.72%
34 Student transportation	-	90,252	(90,252)	-100.00%
41 General administration	349	1,463	(1,114)	-76.14%
51 Plant maintenance and operations	-	72,440	(72,440)	-100.00%
71 Principal on long-term debt	170,000	160,000	10,000	6.25%
72 Interest on long-term debt	448,988	455,388	(6,400)	-1.41%
73 Bond issuance costs and fees	500	500	-	0.00%
93 Payments to SSAs	-	68,963	(68,963)	-100.00%
Total Expenditures	<u>1,222,441</u>	<u>1,350,337</u>	<u>(127,896)</u>	<u>-9.47%</u>
 Total Expenditures of Other Governmental Funds	 <u>\$ 1,625,234</u>	 <u>\$ 1,714,677</u>	 <u>\$ (89,443)</u>	 <u>-5.22%</u>

Explanation of significant variances:

- Function 13- Curriculum and staff development increased \$51,437, or 83.30%, due to the implementation of new curriculum and additional staff development related to the change.
- Function 23, School leadership, increased \$61,666, or 100.00%, Function 34, Student transportation, decreased \$90,252, or 100.00%, Function 51, Plant maintenance and operations, decreased \$72,440, or 100.00%, and Function 93, Payments to SSAs decreased \$68,963, or 100.00%, due to coding changes associated with the stimulus funds.
- Functions 71, 72, and 73- Costs associated with the payment of long-term debt increased overall because larger principal and interest payments on the 2008 bond issue became due during the 2011 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	
	8/31/2011	8/31/2010	of Change	% Change
General Fund	\$ 3,156,689	\$ 2,008,928	\$ 1,147,761	57.13%
Capital Projects Fund	427,982	954,602	(526,620)	-55.17%
Debt Service Fund	45,540	34,138	11,402	33.40%
Food Service Fund	115,260	80,562	34,698	43.07%
Other Special Revenue Funds	13,091	1,650	11,441	693.39%
Total - Governmental	<u>\$ 3,758,562</u>	<u>\$ 3,079,880</u>	<u>\$ 678,682</u>	<u>22.04%</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 \$621,630 below final budget amounts. The most significant unfavorable variances were student transportation and debt service. Significant positive variances resulted from budgeting \$570,694 more than expenditures in administration, \$67,973 more than expenditures in instruction, and \$51,253 more than expenditures in cocurricular/extracurricular activities. Overall, the expended amounts followed the budget very closely.

Resources available were \$7,630 below the final budgeted amount. Local revenues were slightly lower than expected because actual tax collections were below projections for the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2011, the District had invested \$21.09 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$3,407,857 increase is mainly due to construction of the new high school facility, as shown in the following table:

Summary of the District's Capital Assets

	Governmental Activities		Amount	
	8/31/2011	8/31/2010	of Change	% Change
Land	\$ 263,626	\$ 263,626	\$ -	0.00%
Construction in progress	-	9,766,221	(9,766,221)	100.00%
Buildings and improvements	19,412,021	6,567,400	12,844,621	195.58%
Equipment	548,619	278,561	270,058	96.95%
Vehicles	867,002	807,603	59,399	7.35%
Subtotal	21,091,268	17,683,411	3,407,857	19.27%
Less accumulated depreciation	(4,306,294)	(5,991,269)	1,684,975	-28.12%
Net capital assets	<u>\$ 16,784,974</u>	<u>\$ 11,692,142</u>	<u>\$ 5,092,832</u>	<u>43.56%</u>

Debt

At August 31, 2011, the District had \$9,170,000 in bonds payable, borrowed to provide funding for the construction of a new high school, which was classified as completed during the 2011 fiscal year. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates. The unamortized premium on the general obligation bonds was \$280,769 at August 31, 2011 and \$17,072 was amortized during the year.

Summary of the District's Debt

	<u>8/31/2011</u>	<u>8/31/2010</u>
Balance of debt, beginning of yr	\$ 9,340,000	\$ 9,500,000
Proceeds from new bonds	-	-
Principal payments on bonds	<u>(170,000)</u>	<u>(160,000)</u>
Balance of debt, end of year	<u>\$ 9,170,000</u>	<u>\$ 9,340,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2012 budget preparation are projected to be \$82.3 million, which is a 1.44% decrease from the taxable values of \$83.5 million for the 2011 values. These value decreases are mostly due to changes in general property valuations.
- General operating fund spending is expected to decrease from \$5,585,411 actual expenditures in 2011 to \$5,091,262 budgeted for 2012. There are no new initiatives or programs in the 2012 general fund budget.
- The District's 2012 refined ADA is expected to be 579, which remains the same as 2011.

These indicators were taken into account when adopting the general fund budget for 2012. Amounts available for appropriation in the general fund budget are \$5.09 million, a slight increase of approximately \$37,000 when compared to the original 2011 budget of \$5.06 million.

If these estimates are realized, the District's general fund balance is expected to remain the same by the close of fiscal 2012.

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, 2011

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,593,474
1225	<i>Property Taxes Receivable (Net)</i>	24,425
1240	<i>Due from Other Governments</i>	316,795
1290	<i>Other Receivables (Net)</i>	12,555
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	144,448
Capital Assets:		
1510	<i>Land</i>	263,626
1520	<i>Buildings and Improvements, Net</i>	15,821,613
1530	<i>Furniture and Equipment, Net</i>	699,735
1000	Total Assets	<u>20,876,671</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	506
2140	<i>Interest Payable</i>	19,832
2165	<i>Accrued Liabilities</i>	163,756
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	233,762
2502	<i>Due in More Than One Year</i>	9,275,769
2000	Total Liabilities	<u>9,693,625</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt Restricted For:	7,419,891
3820	State and Federal Programs	93,653
3850	Debt Service	49,051
3860	Capital Projects	427,981
3900	Unrestricted	3,192,470
3000	Total Net Assets	<u>\$ 11,183,046</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, 2011

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>	\$ 3,778,470	\$ --	\$ 430,957	\$ --	
12	<i>Instructional Resources and Media Services</i>	65,757	--	56,446	--	
13	<i>Curriculum and Staff Development</i>	115,639	--	106,135	--	
21	<i>Instructional Leadership</i>	16,551	--	6,475	--	
23	<i>School Leadership</i>	272,998	--	41,008	--	
31	<i>Guidance, Counseling, & Evaluation Services</i>	67,200	--	61,818	--	
32	<i>Social Work Services</i>	230	--	230	--	
33	<i>Health Services</i>	67,588	--	61,261	--	
34	<i>Student Transportation</i>	196,008	--	3,807	--	
35	<i>Food Service</i>	407,004	97,475	340,016	--	
36	<i>Cocurricular/Extracurricular Activities</i>	281,319	17,538	8,356	--	
41	<i>General Administration</i>	328,252	--	11,914	--	
51	<i>Plant Maintenance and Operations</i>	549,094	--	12,287	--	
53	<i>Data Processing Services</i>	108,688	--	6,923	--	
72	<i>Interest on Long-term Debt</i>	433,246	--	--	--	
73	<i>Bond Issuance Costs and Fees</i>	9,283	--	--	--	
81	<i>Capital Outlay</i>	--	--	--	--	5,000,000
93	<i>Payments Related to Shared Services Arrangement</i>	75,707	--	--	--	--
99	<i>Other Intergovernmental Charges</i>	34,795	--	--	--	--
TG	Total Governmental Activities	<u>6,807,829</u>	<u>115,013</u>	<u>1,147,633</u>		<u>5,000,000</u>
TP	Total Primary Government	<u>\$ 6,807,829</u>	<u>\$ 115,013</u>	<u>\$ 1,147,633</u>		<u>\$ 5,000,000</u>
	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					
PA	Prior Period Adjustment					
	Net Assets - Beginning, as Restated					
NE	Net Assets - Ending					

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
<u>Governmental Activities</u>	
\$	(3,347,513)
	(9,311)
	(9,504)
	(10,076)
	(231,990)
	(5,382)
	--
	(6,327)
	(192,201)
	30,487
	(255,425)
	(316,338)
	(536,807)
	(101,765)
	(433,246)
	(9,283)
	5,000,000
	(75,707)
	(34,795)
	<u>(545,183)</u>
	<u>(545,183)</u>
	831,947
	274,512
	777
	5,223,587
	64,942
	<u>6,395,765</u>
	5,850,582
	5,290,674
	41,790
	5,332,464
\$	<u><u>11,183,046</u></u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT*BALANCE SHEET - GOVERNMENTAL FUNDS*

AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 3,131,745	\$ 427,982	\$ 33,747	\$ 3,593,474
1225	Taxes Receivable, Net	20,914	--	3,511	24,425
1240	Due from Other Governments	172,065	--	144,730	316,795
1290	Other Receivables	11,477	--	1,078	12,555
1000	Total Assets	<u>\$ 3,336,201</u>	<u>\$ 427,982</u>	<u>\$ 183,066</u>	<u>\$ 3,947,249</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 205	\$ --	\$ 301	\$ 506
2160	Accrued Wages Payable	131,624	--	5,343	136,967
2200	Accrued Expenditures	26,769	--	20	26,789
2300	Deferred Revenue	20,914	--	3,511	24,425
2000	Total Liabilities	<u>179,512</u>	<u>--</u>	<u>9,175</u>	<u>188,687</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	128,351	128,351
3470	Capital Acquisitions & Contractual Obligations	--	427,982	--	427,982
3480	Retirement of Long-Term Debt	--	--	45,540	45,540
3490	Other Restrictions of Fund Balance	536	--	--	536
Committed Fund Balances:					
3510	Construction	650,000	--	--	650,000
3530	Capital Expenditures for Equipment	350,000	--	--	350,000
3600	Unassigned	2,156,153	--	--	2,156,153
3000	Total Fund Balances	<u>3,156,689</u>	<u>427,982</u>	<u>173,891</u>	<u>3,758,562</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,336,201</u>	<u>\$ 427,982</u>	<u>\$ 183,066</u>	<u>\$ 3,947,249</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, 2011

Total fund balances - governmental funds balance sheet	\$ 3,758,562
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.	16,784,974
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	24,425
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,450,769)
Payables for capital leases which are not due in the current period are not reported in the funds.	(58,762)
Payables for bond interest which are not due in the current period are not reported in the funds.	(19,832)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>144,448</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 11,183,046</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, 2011

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 913,449	\$ 5,643,212	\$ 370,887	\$ 6,927,548
5800 State Program Revenues	4,329,478	--	452,626	4,782,104
5900 Federal Program Revenues	729,854	--	859,262	1,589,116
5020 Total Revenues	<u>5,972,781</u>	<u>5,643,212</u>	<u>1,682,775</u>	<u>13,298,768</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,967,348	--	265,639	3,232,987
0012 Instructional Resources and Media Services	7,252	--	56,481	63,733
0013 Curriculum and Staff Development	2,454	--	113,185	115,639
0021 Instructional Leadership	9,125	--	7,426	16,551
0023 School Leadership	236,188	--	36,810	272,998
0031 Guidance, Counseling, & Evaluation Services	5,534	--	61,666	67,200
0032 Social Work Services	--	--	230	230
0033 Health Services	6,421	--	61,167	67,588
0034 Student Transportation	282,156	--	--	282,156
0035 Food Service	--	--	402,793	402,793
0036 Cocurricular/Extracurricular Activities	278,140	--	--	278,140
0041 General Administration	323,475	--	349	323,824
0051 Plant Maintenance and Operations	546,498	--	--	546,498
0053 Data Processing Services	108,688	--	--	108,688
0071 Principal on Long-term Debt	80,000	--	170,000	250,000
0072 Interest on Long-term Debt	--	--	448,988	448,988
0073 Bond Issuance Costs and Fees	--	--	500	500
0081 Capital Outlay	--	6,169,832	--	6,169,832
0093 Payments to Shared Service Arrangements	75,707	--	--	75,707
0099 Other Intergovernmental Charges	34,795	--	--	34,795
6030 Total Expenditures	<u>4,963,781</u>	<u>6,169,832</u>	<u>1,625,234</u>	<u>12,758,847</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>1,009,000</u>	<u>(526,620)</u>	<u>57,541</u>	<u>539,921</u>
Other Financing Sources and (Uses):				
7913 Proceeds from Capital Leases	138,762	--	--	138,762
7080 Total Other Financing Sources and (Uses)	<u>138,762</u>	<u>--</u>	<u>--</u>	<u>138,762</u>
1200 Net Change in Fund Balances	1,147,762	(526,620)	57,541	678,683
0100 Fund Balances - Beginning	2,008,927	954,602	116,350	3,079,879
3000 Fund Balances - Ending	<u>\$ 3,156,689</u>	<u>\$ 427,982</u>	<u>\$ 173,891</u>	<u>\$ 3,758,562</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, 2011*

Net change in fund balances - total governmental funds	\$ 678,683
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,680,651
The depreciation of capital assets used in governmental activities is not reported in the funds.	(629,607)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,658
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	170,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	80,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(8,783)
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,330)
Bond premiums are reported in the funds but not in the SOA.	17,072
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(138,762)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 5,850,582</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, 2011

Data Control Codes		Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 100,174
1000	Total Assets	<u>\$ 100,174</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 100,174
2000	Total Liabilities	<u>100,174</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, 2011

A. Summary of Significant Accounting Policies

The basic financial statements of West Sabine Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund is used to account for expenditures incurred by the District in the course of a building project. Currently, these expenditures are related to the construction of the new high school, as approved by the voters with the 2008 bond issue.

In addition, the District reports the following fund types:

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30
Building Improvements	15
Vehicles	8
Equipment	5-25

d. Receivable and Payable Balances

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

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

The allowance for uncollectible property taxes at August 31, 2011 was \$97,701.

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.

h. Fund Balances - Governmental Funds

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

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

C. Deposits and Investments

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,693,648 and the bank balance was \$4,033,830. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investment at August 31, 2011 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	03/30/12	\$ 40,808
Total Investments		<u>\$ 40,808</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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

D. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 263,626	\$ --	\$ --	\$ 263,626
Construction in progress	9,766,220	5,001,015	14,767,235	--
Total capital assets not being depreciated	<u>10,029,846</u>	<u>5,001,015</u>	<u>14,767,235</u>	<u>263,626</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	6,567,400	14,973,115	2,128,494	19,412,021
Equipment	278,561	334,994	64,936	548,619
Vehicles	807,603	138,762	79,363	867,002
Total capital assets being depreciated	<u>7,653,564</u>	<u>15,446,871</u>	<u>2,272,793</u>	<u>20,827,642</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,266,107)	(415,673)	(2,091,372)	(3,590,408)
Equipment	(135,620)	(39,015)	(23,601)	(151,034)
Vehicles	(589,542)	(52,614)	(77,304)	(564,852)
Total accumulated depreciation	<u>(5,991,269)</u>	<u>(507,302)</u>	<u>(2,192,277)</u>	<u>(4,306,294)</u>
Total capital assets being depreciated, net	<u>1,662,295</u>	<u>14,939,569</u>	<u>80,516</u>	<u>16,521,348</u>
Governmental activities capital assets, net	<u>\$ 11,692,141</u>	<u>\$ 19,940,584</u>	<u>\$ 14,847,751</u>	<u>\$ 16,784,974</u>

Depreciation was charged to functions as follows:

Instruction	\$ 423,178
Instructional Resources and Media Services	2,024
Student Transportation	52,614
Food Services	19,283
Extracurricular Activities	3,179
General Administration	4,428
Plant Maintenance and Operations	2,596
	<u>\$ 507,302</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
None			

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
None			

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,340,000	\$ --	\$ 170,000	\$ 9,170,000	\$ 175,000
Bond premium (discount)	297,841	--	17,072	280,769	--
Capital leases	--	138,762	80,000	58,762	58,762
Total governmental activities	<u>\$ 9,637,841</u>	<u>\$ 138,762</u>	<u>\$ 267,072</u>	<u>\$ 9,509,561</u>	<u>\$ 233,792</u>

Debts are described as follows:

Unlimited Tax School Building Bonds, Series 2008. Payable in semi-annual installments with total annual requirements ranging from \$473,097 to \$634,988. Interest ranges from 4.00% to 5.80%. Premium (Discount) on bonds	\$ 9,170,000 280,769
Capital lease payable for buses. Lease requires one annual payment of \$60,754 in November 2011, with interest at 3.40%. Lease is secured by vehicles.	58,762
Total debts payable	<u>\$ 9,509,531</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2011, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 175,000	\$ 442,188	\$ 617,188
2013	190,000	435,188	625,188
2014	195,000	427,588	622,588
2015	205,000	419,788	624,788
2016	215,000	411,588	626,588
2017-2021	1,230,000	1,910,340	3,140,340
2022-2026	1,545,000	1,547,365	3,092,365
2027-2031	1,905,000	1,096,942	3,001,942
2032-2036	2,385,000	612,469	2,997,469
2037-2041	1,125,000	80,751	1,205,751
Totals	<u>\$ 9,170,000</u>	<u>\$ 7,384,207</u>	<u>\$ 16,554,207</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2011, as follows:

<u>Year Ending August 31:</u>	
2012	\$ 60,754
Total Minimum Rentals	\$ 60,754
Less amount representing interest	(1,992)
Net capital lease payable	\$ 58,762

The effective interest rate on capital lease is 3.40%. As of August 31, 2011, the cost of assets held under capital lease was \$138,762, with \$14,454 in total depreciation, of which \$14,454 is depreciation for the current year.

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, 2011, as follows:

<u>Year Ending August 31,</u>	
2012	\$ 20,537
2013	20,537
2014	10,269
Total Minimum Rentals	\$ 51,343
Rental Expenditures in 2011	\$ 30,040

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 2011, 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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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 \$38,087 for the year ended August 31, 2011. 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, 2009	\$ 21,872	\$ 16,987	\$ 7,725	\$ 31,134
Year ended August 31, 2010	31,134	13,439	12,305	32,268
Year ended August 31, 2011	32,268	12,343	17,842	26,769

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2011, 2010 and 2009 were \$216,538, \$215,782 and \$212,025, respectively. The District paid additional state contributions for the years ending August 31, 2011, 2010 and 2009 in the amount of \$13,540, \$14,861 and \$16,455, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

J. Retiree Health Care Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the 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 2011, 2010 and 2009. 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, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$33,834, \$33,656, and \$33,129, respectively, the active member contributions were \$21,992, \$21,915, and \$21,535, respectively, and the District's contributions were \$20,512, \$20,318, and \$20,130, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$8,882, \$8,930, and \$7,938, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$317 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums 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 collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

2. Litigation

No reportable litigation was pending against the District at August 31, 2011.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Hemphill ISD - 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.

N. Other Disclosures

During the year ended August 31, 2011, investment earnings totaled \$777.

In November 2008, the District received a grant from the T.L.L. Temple Foundation related to the construction of the new high school, which would be received upon substantial completion of the project. During the year ended August 31, 2011, the District received the remaining \$5,000,000 from the original grant amount, leaving no funds to be reimbursed.

A prior period adjustment was made to correct the prior carrying value of general fixed assets for \$41,790. Since this adjustment is for general fixed assets, it only affects the Statement of Activities.

Required Supplementary Information

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 913,561	\$ 913,561	\$ 913,449	\$ (112)
5800	State Program Revenues	4,143,777	4,337,000	4,329,478	(7,522)
5900	Federal Program Revenues	--	729,850	729,854	4
5020	Total Revenues	5,057,338	5,980,411	5,972,781	(7,630)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	2,990,494	3,035,321	2,967,348	67,973
0012	Instructional Resources and Media Services	8,750	9,250	7,252	1,998
0013	Curriculum and Staff Development	2,000	4,500	2,454	2,046
	Total Instruction & Instr. Related Services	3,001,244	3,049,071	2,977,054	72,017
Instructional and School Leadership:					
0021	Instructional Leadership	10,800	10,800	9,125	1,675
0023	School Leadership	239,509	255,368	236,188	19,180
	Total Instructional & School Leadership	250,309	266,168	245,313	20,855
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	46,956	11,206	5,534	5,672
0033	Health Services	2,700	4,200	6,421	(2,221)
0034	Student (Pupil) Transportation	231,861	236,001	282,156	(46,155)
0036	Cocurricular/Extracurricular Activities	436,037	329,393	278,140	51,253
	Total Support Services - Student (Pupil)	717,554	580,800	572,251	8,549
Administrative Support Services:					
0041	General Administration	317,655	894,169	323,475	570,694
	Total Administrative Support Services	317,655	894,169	323,475	570,694
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	562,225	574,428	546,498	27,930
0053	Data Processing Services	98,847	110,270	108,688	1,582
	Total Support Services - Nonstudent Based	661,072	684,699	655,186	29,513
Debt Service:					
0071	Principal on Long-Term Debt	--	--	80,000	(80,000)
	Total Debt Service	--	--	80,000	(80,000)
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	75,708	75,708	75,707	1
0099	Other Intergovernmental Charges	--	34,796	34,795	1
	Total Intergovernmental Charges	75,708	110,504	110,502	2
6030	Total Expenditures	5,023,542	5,585,411	4,963,781	621,630
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	33,796	395,000	1,009,000	614,000
Other Financing Sources (Uses):					
7913	Proceeds from Capital Leases	--	--	138,762	138,762
7080	Total Other Financing Sources and (Uses)	--	--	138,762	138,762
1200	Net Change in Fund Balance	33,796	395,000	1,147,762	752,762

WEST SABINE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
0100 Fund Balance - Beginning	2,008,927	2,008,927	2,008,927	--
3000 Fund Balance - Ending	<u>\$ 2,042,723</u>	<u>\$ 2,403,927</u>	<u>\$ 3,156,689</u>	<u>\$ 752,762</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, 2011

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ (11,250)	\$ 44,997	\$ 33,747
1225	Taxes Receivable, Net	--	3,511	3,511
1240	Due from Other Governments	144,187	543	144,730
1290	Other Receivables	1,078	--	1,078
1000	Total Assets	<u>\$ 134,015</u>	<u>\$ 49,051</u>	<u>\$ 183,066</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 301	\$ --	\$ 301
2160	Accrued Wages Payable	5,343	--	5,343
2200	Accrued Expenditures	20	--	20
2300	Deferred Revenue	--	3,511	3,511
2000	Total Liabilities	<u>5,664</u>	<u>3,511</u>	<u>9,175</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	128,351	--	128,351
3480	Retirement of Long-Term Debt	--	45,540	45,540
3000	Total Fund Balances	<u>128,351</u>	<u>45,540</u>	<u>173,891</u>
4000	Total Liabilities and Fund Balances	<u>\$ 134,015</u>	<u>\$ 49,051</u>	<u>\$ 183,066</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, 2011

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>	\$ 97,475	\$ 273,412	\$ 370,887
5800 <i>State Program Revenues</i>	95,148	357,478	452,626
5900 <i>Federal Program Revenues</i>	859,262	--	859,262
5020 Total Revenues	<u>1,051,885</u>	<u>630,890</u>	<u>1,682,775</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	265,639	--	265,639
0012 <i>Instructional Resources and Media Services</i>	56,481	--	56,481
0013 <i>Curriculum and Staff Development</i>	113,185	--	113,185
0021 <i>Instructional Leadership</i>	7,426	--	7,426
0023 <i>School Leadership</i>	36,810	--	36,810
0031 <i>Guidance, Counseling, & Evaluation Services</i>	61,666	--	61,666
0032 <i>Social Work Services</i>	230	--	230
0033 <i>Health Services</i>	61,167	--	61,167
0035 <i>Food Service</i>	402,793	--	402,793
0041 <i>General Administration</i>	349	--	349
0071 <i>Principal on Long-term Debt</i>	--	170,000	170,000
0072 <i>Interest on Long-term Debt</i>	--	448,988	448,988
0073 <i>Bond Issuance Costs and Fees</i>	--	500	500
6030 Total Expenditures	<u>1,005,746</u>	<u>619,488</u>	<u>1,625,234</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	46,139	11,402	57,541
1200 Net Change in Fund Balances	<u>46,139</u>	<u>11,402</u>	<u>57,541</u>
0100 Fund Balances - Beginning	82,212	34,138	116,350
3000 Fund Balances - Ending	<u>\$ 128,351</u>	<u>\$ 45,540</u>	<u>\$ 173,891</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

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	\$ (28,020)	\$ 106,496	\$ (3,188)	\$ (32,593)
1240	Due from Other Governments	28,013	13,357	3,188	32,593
1290	Other Receivables	7	770	--	--
1000	Total Assets	\$ --	\$ 120,623	\$ --	\$ --
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	--	5,343	--	--
2200	Accrued Expenditures	--	20	--	--
2000	Total Liabilities	--	5,363	--	--
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	115,260	--	--
3000	Total Fund Balances	--	115,260	--	--
4000	Total Liabilities and Fund Balances	\$ --	\$ 120,623	\$ --	\$ --

on	270 ESEA, Title VI Part B, Subpart 2 Rural School	274 GEAR UP	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	397 Advanced Placement Incentives
	\$ (12,467)	\$ (7,142)	\$ (352)	\$ (44,909)	\$ 1,650
	12,467	7,142	352	44,909	--
	--	--	--	--	--
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,650</u>
	\$ --	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	1,650
	--	--	--	--	1,650
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,650</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes	404 Student Success Initiative	411 Technology Allotment	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)	
ASSETS:					
1110	Cash and Cash Equivalents	\$ (2,166)	\$ 11,441	\$ --	\$ (11,250)
1240	Due from Other Governments	2,166	--	--	144,187
1290	Other Receivables	--	--	301	1,078
1000	Total Assets	\$ --	\$ 11,441	\$ 301	\$ 134,015
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 301	\$ 301
2160	Accrued Wages Payable	--	--	--	5,343
2200	Accrued Expenditures	--	--	--	20
2000	Total Liabilities	--	--	301	5,664
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	11,441	--	128,351
3000	Total Fund Balances	--	11,441	--	128,351
4000	Total Liabilities and Fund Balances	\$ --	\$ 11,441	\$ 301	\$ 134,015

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, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ 97,475	\$ --	\$ --
5800 State Program Revenues	--	18,801	--	--
5900 Federal Program Revenues	165,701	321,215	6,231	39,153
5020 Total Revenues	<u>165,701</u>	<u>437,491</u>	<u>6,231</u>	<u>39,153</u>
EXPENDITURES:				
Current:				
0011 Instruction	60,825	--	6,231	38,357
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	100,968	--	--	--
0021 Instructional Leadership	3,678	--	--	796
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--	--
0032 Social Work Services	230	--	--	--
0033 Health Services	--	--	--	--
0035 Food Service	--	402,793	--	--
0041 General Administration	--	--	--	--
6030 Total Expenditures	<u>165,701</u>	<u>402,793</u>	<u>6,231</u>	<u>39,153</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	34,698	--	--
1200 Net Change in Fund Balances	--	34,698	--	--
0100 Fund Balances - Beginning	--	80,562	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 115,260</u>	<u>\$ --</u>	<u>\$ --</u>

266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	274 GEAR UP	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
196,718	12,885	35,000	1,024	81,335
<u>196,718</u>	<u>12,885</u>	<u>35,000</u>	<u>1,024</u>	<u>81,335</u>
20,189	4,093	1,245	1,024	75,890
47,689	8,792	--	--	--
--	--	--	--	5,445
2,952	--	--	--	--
36,810	--	--	--	--
27,911	--	33,755	--	--
--	--	--	--	--
61,167	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>196,718</u>	<u>12,885</u>	<u>35,000</u>	<u>1,024</u>	<u>81,335</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, 2011

Data Control Codes	397 Advanced Placement Incentives	404 Student Success Initiative
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	11,001
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>--</u>	<u>11,001</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	--	11,001
0012 <i>Instructional Resources and Media Services</i>	--	--
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0032 <i>Social Work Services</i>	--	--
0033 <i>Health Services</i>	--	--
0035 <i>Food Service</i>	--	--
0041 <i>General Administration</i>	--	--
6030 Total Expenditures	<u>--</u>	<u>11,001</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	--	--
1200 Net Change in Fund Balances	--	--
0100 Fund Balances - Beginning	1,650	--
3000 Fund Balances - Ending	<u>\$ 1,650</u>	<u>\$ --</u>

411 Technology Allotment	429 State Funded Special Revenue Fund	487 DETCOG Summer Work Program	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ 97,475
17,247	29,128	18,971	95,148
--	--	--	859,262
<u>17,247</u>	<u>29,128</u>	<u>18,971</u>	<u>1,051,885</u>
5,806	22,356	18,622	265,639
--	--	--	56,481
--	6,772	--	113,185
--	--	--	7,426
--	--	--	36,810
--	--	--	61,666
--	--	--	230
--	--	--	61,167
--	--	--	402,793
--	--	349	349
<u>5,806</u>	<u>29,128</u>	<u>18,971</u>	<u>1,005,746</u>
11,441	--	--	46,139
<u>11,441</u>	<u>--</u>	<u>--</u>	<u>46,139</u>
--	--	--	82,212
<u>\$ 11,441</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 128,351</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,782,598	\$ 5,643,212	\$ (139,386)
5020 Total Revenues	<u>5,782,598</u>	<u>5,643,212</u>	<u>(139,386)</u>
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	6,177,598	6,169,832	7,766
Total Capital Outlay	<u>6,177,598</u>	<u>6,169,832</u>	<u>7,766</u>
6030 Total Expenditures	<u>6,177,598</u>	<u>6,169,832</u>	<u>7,766</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(395,000)	(526,620)	(131,620)
1200 Net Change in Fund Balance	<u>(395,000)</u>	<u>(526,620)</u>	<u>(131,620)</u>
0100 Fund Balance - Beginning	954,602	954,602	--
3000 Fund Balance - Ending	<u>\$ 559,602</u>	<u>\$ 427,982</u>	<u>\$ (131,620)</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, 2011*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2002 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.04	.34	83,829,831
2011 (School Year Under Audit)	1.04	.34	82,464,119

1000 Totals

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

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 21,726	\$ --	\$ 432	\$ --	\$ (871)	\$ 20,423
2,221	--	42	--	(131)	2,048
4,594	--	250	--	(142)	4,202
5,197	--	205	--	(14)	4,978
8,042	--	1,438	--	(182)	6,422
8,680	--	1,546	--	(520)	6,614
8,633	--	2,155	--	(318)	6,160
17,166	--	3,477	1,054	(472)	12,163
32,576	--	10,020	3,312	(696)	18,548
--	1,136,069	817,396	272,751	(5,354)	40,568
<u>\$ 108,835</u>	<u>\$ 1,136,069</u>	<u>\$ 836,961</u>	<u>\$ 277,117</u>	<u>\$ (8,700)</u>	<u>\$ 122,126</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011*

FUNCTION 41 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 160,916	\$ 87,114	\$ --	\$ --	\$ 248,030
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	--	--	6,843	--	--	--	6,843
6212	Audit Services	--	--	--	10,800	--	--	10,800
6213	Tax Appraisal and Collection	--	6,000	--	--	--	--	6,000
621X	Other Prof. Services	--	--	--	2,510	--	--	2,510
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	7,961	--	--	7,961
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	4,557	--	--	--	4,557
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	6,027	5,638	--	--	11,665
6410	Travel, Subsistence, Stipends	4,813	--	2,937	99	--	--	7,849
6420	Ins. and Bonding Costs	1,600	--	--	600	--	--	2,200
6430	Election Costs	73	--	--	--	--	--	73
6490	Miscellaneous Operating	--	--	9,461	5,875	--	--	15,336
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 6,486 \$ 6,000 \$ 190,741 \$ 120,597 \$ -- \$ -- \$ 323,824

Total Expenditures for General and Special Revenue Funds (9) \$ 5,969,527

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 168,083
Total Debt & Lease (6500)	(11)	\$ 80,000
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 546,498
Food (Function 35, 6341 and 6499)	(13)	\$ 151,845
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 120,597</u>

Subtotal 1,067,023

Net Allowed Direct Cost \$ 4,902,504

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 19,412,021
Historical Cost of Buildings over 50 years old	(16)	1,133,767
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,415,621
Historical Cost of Furniture & Equipment over 16 years old	(19)	178,166
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - No Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 93,970	\$ 97,475	\$ 3,505
5800 <i>State Program Revenues</i>	27,302	18,801	(8,501)
5900 <i>Federal Program Revenues</i>	281,636	321,215	39,579
5020 Total Revenues	<u>402,908</u>	<u>437,491</u>	<u>34,583</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	419,908	402,793	17,115
Total Support Services - Student (Pupil)	<u>419,908</u>	<u>402,793</u>	<u>17,115</u>
6030 Total Expenditures	<u>419,908</u>	<u>402,793</u>	<u>17,115</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(17,000)	34,698	51,698
1200 Net Change in Fund Balance	(17,000)	34,698	51,698
0100 Fund Balance - Beginning	75,042	80,562	5,520
3000 Fund Balance - Ending	<u>\$ 58,042</u>	<u>\$ 115,260</u>	<u>\$ 57,218</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 282,859	\$ 273,412	\$ (9,447)
5800 State Program Revenues	360,219	357,478	(2,741)
5020 Total Revenues	<u>643,078</u>	<u>630,890</u>	<u>(12,188)</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	145,000	170,000	(25,000)
0072 Interest on Long-Term Debt	497,078	448,988	48,090
0073 Bond Issuance Costs and Fees	1,000	500	500
Total Debt Service	<u>643,078</u>	<u>619,488</u>	<u>23,590</u>
6030 Total Expenditures	<u>643,078</u>	<u>619,488</u>	<u>23,590</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	11,402	11,402
1200 Net Change in Fund Balance	--	11,402	11,402
0100 Fund Balance - Beginning	34,138	34,138	--
3000 Fund Balance - Ending	<u>\$ 34,138</u>	<u>\$ 45,540</u>	<u>\$ 11,402</u>

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

Independent Auditor's Report

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

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

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Sabine Independent School District as of and for the year ended August 31, 2011, which collectively comprise the West Sabine Independent School District's basic financial statements and have issued our report thereon dated January 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Respectfully submitted,

*Authorized Signatures Available
on Reports Filed with TEA*

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

January 13, 2012

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

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

We have audited West Sabine Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of West Sabine Independent School District's major federal programs for the year ended August 31, 2011. West Sabine Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Sabine Independent School District's management. Our responsibility is to express an opinion on West Sabine Independent School District's compliance based on our audit.

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

In our opinion, West Sabine Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

Management of West Sabine Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Sabine Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 West Sabine Independent School 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,

*Authorized Signatures Available
on Reports Filed with TEA*

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

January 13, 2012

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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 OMB Circular A-133? Yes X 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

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

Auditee qualified as low-risk auditee? X 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, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable - no findings in prior year.		

WEST SABINE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

Not applicable - no current year findings.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011*

(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			
Direct Program:			
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	S358A101681	\$ 12,885
Passed Through Stephen F Austin State University:			
<i>GEAR UP</i>	84.334s	202-905	35,000
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	11610101202905	165,701
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	11694501202905	39,153
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Tech</i>	84.386	10553001202905	1,024
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001202905	81,335
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	11557001202905	196,718
Total Passed Through State Department of Education			<u>483,931</u>
Passed Through Hemphill ISD:			
<i>Career and Technical - Basic Grant</i>	84.048	11420006202903	6,231
Total U. S. Department of Education			<u>538,047</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	202-905	84,710
National School Lunch Program *	10.555	202-905	213,438
Commodity Supplemental Food Program (Non-cash)	10.565	202-905	23,067
Total Passed Through State Department of Education			<u>321,215</u>
Passed Through Sabine County, Texas:			
Schools and Roads - Grants to Counties *	10.666	202-905	729,854
Total U. S. Department of Agriculture			<u>1,051,069</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,589,116</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, 2011

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, 2011*

<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?	\$ --