

WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2010*

West Hardin Co. Consolidated Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2010

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*Introductory Section*

CERTIFICATE OF BOARD

West Hardin Co. Consolidated Independent School District Hardin  
Name of School District County

100-908  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_approved \_\_\_\_\_disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
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)

*Financial Section*



## Independent Auditors' Report on Financial Statements

Board of Trustees  
West Hardin Co. Consolidated Independent School District

### 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 Hardin Co. Consolidated Independent School District as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Hardin Co. Consolidated Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Hardin Co. Consolidated Independent School District as of August 31, 2010, 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 September 30, 2010, on our consideration of West Hardin Co. Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the West Hardin Co. Consolidated Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Bellville, Texas  
September 30, 2010

*Management's Discussion and Analysis*

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
For the Year Ended August 31, 2010**

This discussion and analysis of the West Hardin Co. Consolidated Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2010. It should be read in conjunction with the District's financial statements, which begin on page 16 of this report.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net assets at August 31, 2010 were \$2,740,270.
- For the fiscal year ended August 31, 2010, the District's total expenses were \$428,499 less than the \$6,356,477 generated from ad valorem tax collections, State foundation program entitlements and other grants and miscellaneous revenues.
- The General Fund reported a fund balance of \$461,735 at August 31, 2010.
- The Debt Service Fund reported a fund balance of \$406,502 at August 31, 2010.
- The District had no financial statement findings or questioned costs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplemental 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 fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

**GOVERNMENT-WIDE FINANCIAL 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 period'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. The net asset balance is the difference between the District's assets and liabilities and is 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, staffing patterns, enrollment and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State Foundation Program entitlements, which are based upon student enrollment and attendance, finance most of the government 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 simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District but the District is responsible to properly account for them.

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

The District has the following kinds of fund:

- *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 serves as the trustee, or *fiduciary*, for certain funds such as student activity 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 governmental operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District’s combined net assets were \$2,721,627 at August 31, 2010. *Table 1* focuses on the net assets while *Table 2* shows the revenues and expenses that changed the net asset balance during the fiscal year ended August 31, 2010.

**Table 1  
Net Assets**

Description	Governmental Activities		Total Percentage Change
	2010	2009	2010-2009
Current Assets	\$ 1,398,133	\$ 944,250	48.07%
Capital Assets	4,828,540	4,936,169	-2.18%
Total Assets	<u>6,226,673</u>	<u>5,880,419</u>	<u>5.89%</u>
Current Liabilities	146,265	138,595	5.53%
Long-Term Liabilities	3,340,138	3,430,053	-2.62%
Total Liabilities	<u>3,486,403</u>	<u>3,568,648</u>	<u>-2.30%</u>
Net Assets:			
Invested in Capital Assets	1,497,307	1,490,248	0.47%
Restricted	472,991	492,009	-3.87%
Unrestricted	769,972	329,514	133.67%
Total Net Assets	<u>\$ 2,740,270</u>	<u>\$ 2,311,771</u>	<u>18.54%</u>

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

**Table 2**  
**Changes In Net Assets**

Description	Governmental Activities		Total Percentage Change
	2010	2009	2010-2009
<b>Program Revenues</b>			
Charges for Service	\$ 168,452	\$ 177,380	-5.03%
Operating Grants and Contributions	1,025,761	834,173	22.97%
General Revenues -			
Property Taxes	1,961,774	1,902,382	3.12%
State Foundation Program	3,183,794	2,892,338	10.08%
Investment Earnings	1,507	7,531	-79.99%
Other Revenues	15,159	3,996,918	-99.62%
Total Revenues	<u>6,356,447</u>	<u>9,810,722</u>	<u>-35.21%</u>
<b>Program Expenditures:</b>			
Instruction	\$ 3,063,783	\$ 3,049,599	0.47%
Instructional Resources and Media Services	71,750	99,392	-27.81%
Curriculum and Staff Development	13,513	25,198	-46.37%
Instructional Leadership	81,763	75,007	9.01%
School Leadership	296,279	310,252	-4.50%
Guidance and Counseling	71,269	118,036	-39.62%
Health Services	54,992	62,296	-11.72%
Student Transportation	287,739	287,189	0.19%
Food Services	315,266	302,767	4.13%
Extracurricular Activities	302,086	316,773	-4.64%
General Administration	290,705	330,384	-12.01%
Plant Operating and Maintenance	697,600	4,708,894	-85.19%
Security and Monitoring Services	2,400	4,355	-44.89%
Data Processing Services	88,383	111,552	-20.77%
Interest on Debt and Issuance Costs and Fees	166,659	174,377	-4.43%
Bond Issuance Costs and Fees	350	350	0.00%
Capital Outlay	5,000	7,758	-35.55%
Payments Related to Shared Service Arrangements	70,332	116,972	-39.87%
Other Intergovernmental Charges	48,079	48,665	-1.20%
Total Expenses	<u>5,927,948</u>	<u>10,149,816</u>	<u>-41.60%</u>
Increase (Decrease) in Net Assets	<u>\$ 428,499</u>	<u>\$ (339,094)</u>	<u>-226.37%</u>

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

**Governmental Activities**

Significant factors affecting the increase of \$428,499 in net assets included:

- The District decreased the property tax rates for 2010 from \$1.04 M&O and \$0.17 I&S to \$1.04 and \$0.12, respectively, for every \$100 of assessed valuation. At the same time, the taxable valuations increased by a total of \$23,399,714. The net result of the decrease in tax rates and increase in taxable valuation was that total taxes assessed increased \$199,343.
- State Foundation Program revenues increased by approximately \$291,456 or 10.08%
- Operating grants and contributions increased by approximately \$191,588 or 22.97%.

**Cost of District's Functions**

The District records its expenses in various cost centers or "functions" in accordance with the requirements of the Texas Education Agency. *Table 3* presents the cost of each of the functions with the largest expense totals with that function's net costs (total cost less fees and grants that are directly attributable to that function). The net cost of each function reflects what was funded primarily from state foundation program and tax revenues.

**Table 3**  
**Total and Net Cost of Selected District Functions**

Description	Total Cost of Services		Net Cost of Services		
	2010	2009	2010	2009	% Change
Instruction	\$ 3,063,783	\$ 3,049,599	\$ 2,409,151	\$ 2,591,540	-7.04%
Plant Main. and Operation	697,600	4,708,894	659,266	4,671,070	-85.89%
Food Service	315,266	302,767	(11,732) *	(4,303) *	172.65%
General Administration	290,705	330,384	275,142	316,234	-12.99%
Extracurricular Activities	302,086	316,773	270,047	285,561	-5.43%

\*Net revenue from operations

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2010, the District's combined governmental funds (as presented in the balance sheet, Exhibit C-1 on page 18 of this report) reported a combined fund balance of \$943,470. This compares to a combined fund balance of \$532,086 at August 31, 2009. The most significant increase in fund balance was the result of the increase in the State Foundation Program revenues. There was also a large decrease in expenses for plant maintenance and operations in 2010, due to the repairs required after Hurricane IKE in 2009.

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

**Budgetary Highlights**

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the General Fund, the Food Service Special Revenue Fund, and for the Debt Service Fund. The District budgets the Capital Projects Fund for each *project*, which normally cover multiple years. Special Revenue Funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2010, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget for the District. There was not a budget set up for transfers.

The General Fund revenues earned were \$427,375 more than what was budgeted, and the expense budget exceeded actual expenses by \$339,215.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or valued (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2010, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000, were not included in the capital assets inventory.

At August 31, 2010, the District had a total of \$9,014,197 invested in capital assets such as land, buildings, vehicles and equipment, including \$110,274 added for 2010. (*see Table 4*).

*Table 4* shows the classifications of capital assets together with the District's accumulated cost and depreciation of those assets.

**Table 4**  
**Capital Assets and Depreciation**

Asset Description	Governmental Activities		Total Percentage Change
	2010	2009	2010-2009
Land	\$ 211,927	\$ 211,927	0.00%
Buildings and Improvements	7,581,271	7,581,271	0.00%
Vehicles	886,441	782,817	13.24%
Equipment	334,558	327,908	2.03%
Total Historical Cost	9,014,197	8,903,923	1.24%
Accumulated Depreciation	4,185,657	3,967,754	5.49%
Net Capital Assets	\$ 4,828,540	\$ 4,936,169	-2.18%

Notes to Table 4 --

More detailed information about the District's capital assets can be found in the notes to the financial statements on page 29.

**WEST HARDIN CO. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

**Long-Term Debt**

At August 31, 2010, the District had one bond issue outstanding, of which the unpaid principal totaled \$3,271,235 after the payment of \$65,184 in 2010. The District does not pay for unused, accumulated sick leave for qualified employees upon their death or retirement, and accordingly the accumulation of this time is not recorded as a liability of the District.

Table 5 summarizes the District's outstanding debt at August 31, 2010. More detailed information regarding the District's debt obligations is presented in the notes to the financial statements on page 33, as well as on exhibits J-4, and J-5.

**Table 5  
Analysis of Debt**

Description of Debt Outstanding	Governmental Activities		Total Percentage Change
	2010	2009	2010-2009
Bonds Payable	\$ 3,271,235	\$ 3,336,419	-1.95%
Unamort. Bond issue cost	25,748	25,748	0.00%
Accreted Interest	68,902	119,382	-42.28%
Total Debt Outstanding	<u>\$ 3,365,885</u>	<u>\$ 3,481,549</u>	<u>-3.32%</u>

**ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS**

**Economic Factors**

The following factors were considered in establishing the District's budget for 2010-2011:

- Student enrollment for 2010-2011 is currently projected to remain stable at the 2009-2010 level.
- Property values for ad valorem tax purposes have decreased from \$167,586,073 for 2009-2010 to \$167,221,240 for the 2010-2011 school year.
- The District has increased its tax rate of \$1.16 (\$1.04 M&O and \$.12 I&S) to \$1.19 (\$1.04 M&O and \$.15 I&S) for every \$100 valuation.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2010-2011.

**WEST HARDIN Co. CONSOLIDATED  
INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2010

**Next Year's Budget**

- The District's general fund revenues are budgeted to decrease \$264,418 or 5% in comparison to \$5,099,144 of actual revenues earned in 2009-2010.
- The District's general fund expenditures are budgeted to increase \$39,250 or less than 1% in comparison to \$4,708,698 of actual expenses incurred in 2009-2010.
- The budget adopted for the Food Service Fund and the Debt Service did not materially change from 2009-2010 to 2010-2011.

District officials anticipate that the fund balance for the general fund will not materially change for 2010-2011 compared to 2009-2010.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students and creditors with a general fund overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chad Jones, Superintendent at (936) 274-5061.

*Basic Financial Statements*

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

AUGUST 31, 2010

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 438,790
1120	<i>Current Investments</i>	311,481
1225	<i>Property Taxes Receivable (Net)</i>	325,241
1240	<i>Due from Other Governments</i>	322,621
Capital Assets:		
1510	<i>Land</i>	211,927
1520	<i>Buildings and Improvements, Net</i>	4,311,027
1530	<i>Furniture and Equipment, Net</i>	305,586
1000	<b>Total Assets</b>	<u>6,226,673</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	9,642
2140	<i>Interest Payable</i>	16,843
2165	<i>Accrued Liabilities</i>	119,780
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	56,234
2502	<i>Due in More Than One Year</i>	3,283,904
2000	<b>Total Liabilities</b>	<u>3,486,403</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	1,497,307
Restricted For:		
3850	Debt Service	472,991
3900	Unrestricted	769,972
3000	<b>Total Net Assets</b>	<u>\$ 2,740,270</u>

The accompanying notes are an integral part of this statement.

## WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1  Expenses	3  Program Revenues		4  Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 3,063,783	\$ --	\$ 654,632	\$ (2,409,151)
12	Instructional Resources and Media Services	71,750	--	3,481	(68,269)
13	Curriculum and Staff Development	13,513	--	10,931	(2,582)
21	Instructional Leadership	81,763	--	13,884	(67,879)
23	School Leadership	296,279	--	16,274	(280,005)
31	Guidance, Counseling, & Evaluation Services	71,269	--	3,928	(67,341)
33	Health Services	54,992	--	3,031	(51,961)
34	Student Transportation	287,739	--	13,495	(274,244)
35	Food Service	315,266	150,936	176,062	11,732
36	Cocurricular/Extracurricular Activities	302,086	17,516	14,523	(270,047)
41	General Administration	290,705	--	15,563	(275,142)
51	Plant Maintenance and Operations	697,600	--	38,334	(659,266)
52	Security and Monitoring Services	2,400	--	132	(2,268)
53	Data Processing Services	88,383	--	4,872	(83,511)
72	Interest on Long-term Debt	166,659	--	49,816	(116,843)
73	Bond Issuance Costs and Fees	350	--	--	(350)
81	Capital Outlay	5,000	--	276	(4,724)
93	Payments Related to Shared Services Arrangements	70,332	--	3,877	(66,455)
99	Other Intergovernmental Charges	48,079	--	2,650	(45,429)
TG	Total Governmental Activities	<u>5,927,948</u>	<u>168,452</u>	<u>1,025,761</u>	<u>(4,733,735)</u>
TP	Total Primary Government	<u>\$ 5,927,948</u>	<u>\$ 168,452</u>	<u>\$ 1,025,761</u>	<u>(4,733,735)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,759,319
DT	Property Taxes, Levied for Debt Service				202,455
IE	Investment Earnings				1,507
GC	Grants and Contributions Not Restricted to Specific Programs				3,183,794
MI	Miscellaneous				15,159
TR	Total General Revenues				<u>5,162,234</u>
CN	Change in Net Assets				428,499
NB	Net Assets - Beginning				2,311,771
NE	Net Assets - Ending				<u>\$ 2,740,270</u>

The accompanying notes are an integral part of this statement.

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 348,400	\$ 15,035	\$ 75,355	\$ 438,790
1120	Current Investments	176,391	135,090	--	311,481
1225	Taxes Receivable, Net	286,504	38,737	--	325,241
1240	Due from Other Governments	241,011	--	81,610	322,621
1260	Due from Other Funds	81,610	256,377	--	337,987
1000	Total Assets	<u>\$ 1,133,916</u>	<u>\$ 445,239</u>	<u>\$ 156,965</u>	<u>\$ 1,736,120</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 9,642	\$ --	\$ --	\$ 9,642
2150	Payroll Deductions & Withholdings	12,610	--	122	12,732
2160	Accrued Wages Payable	107,048	--	--	107,048
2170	Due to Other Funds	256,377	--	81,610	337,987
2300	Unearned Revenue	286,504	38,737	--	325,241
2000	Total Liabilities	<u>672,181</u>	<u>38,737</u>	<u>81,732</u>	<u>792,650</u>
<b>FUND BALANCES:</b>					
Reserved Fund Balances:					
3420	Debt Service	--	406,502	--	406,502
3450	Reserve for Food Service	--	--	64,051	64,051
3490	Other Reserves of Fund Balance	--	--	11,182	11,182
3600	Unreserved	461,735	--	--	461,735
3000	Total Fund Balances	<u>461,735</u>	<u>406,502</u>	<u>75,233</u>	<u>943,470</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,133,916</u>	<u>\$ 445,239</u>	<u>\$ 156,965</u>	<u>\$ 1,736,120</u>

The accompanying notes are an integral part of this statement.

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

AUGUST 31, 2010

Total fund balances - governmental funds balance sheet	\$ 943,470
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.	4,828,540
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	325,241
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,271,236)
Payables for bond interest which are not due in the current period are not reported in the funds.	<u>(85,745)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 2,740,270</u>

The accompanying notes are an integral part of this statement.

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	10	50	Other	98
	General Fund	Debt Service Fund	Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 1,759,189	\$ 201,564	\$ 150,936	\$ 2,111,689
5800 State Program Revenues	3,286,528	49,816	65,597	3,401,941
5900 Federal Program Revenues	53,427	--	753,587	807,014
5020 Total Revenues	<u>5,099,144</u>	<u>251,380</u>	<u>970,120</u>	<u>6,320,644</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,463,207	--	517,654	2,980,861 ✓
0012 Instructional Resources and Media Services	63,152	--	--	63,152
0013 Curriculum and Staff Development	2,415	--	10,798	13,213
0021 Instructional Leadership	71,839	--	9,924	81,763
0023 School Leadership	295,241	--	--	295,241
0031 Guidance, Counseling, & Evaluation Services	71,269	--	--	71,269
0033 Health Services	54,992	--	--	54,992
0034 Student Transportation	244,828	--	103,624	348,452
0035 Food Service	--	--	292,672	292,672
0036 Cocurricular/Extracurricular Activities	263,477	--	--	263,477
0041 General Administration	282,336	--	--	282,336
0051 Plant Maintenance and Operations	681,748	--	9,940	691,688
0052 Security and Monitoring Services	2,400	--	--	2,400
0053 Data Processing Services	88,383	--	--	88,383
0071 Principal on Long-term Debt	--	65,184	--	65,184
0072 Interest on Long-term Debt	--	190,416	--	190,416
0073 Bond Issuance Costs and Fees	--	350	--	350 ✓
0081 Capital Outlay	5,000	--	--	5,000
0093 Payments to Shared Service Arrangements	70,332	--	--	70,332
0099 Other Intergovernmental Charges	48,079	--	--	48,079
6030 Total Expenditures	<u>4,708,698</u>	<u>255,950</u>	<u>944,612</u>	<u>5,909,260</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>390,446</u>	<u>(4,570)</u>	<u>25,508</u>	<u>411,384</u>
Other Financing Sources and (Uses):				
7915 Transfers In	40,726	--	60,726	101,452
8911 Transfers Out	(60,726)	--	(40,726)	(101,452)
7080 Total Other Financing Sources and (Uses)	<u>(20,000)</u>	<u>--</u>	<u>20,000</u>	<u>--</u>
1200 Net Change in Fund Balances	370,446	(4,570)	45,508	411,384
0100 Fund Balances - Beginning	91,289	411,072	29,725	532,086
3000 Fund Balances - Ending	<u>\$ 461,735</u>	<u>\$ 406,502</u>	<u>\$ 75,233</u>	<u>\$ 943,470</u>

The accompanying notes are an integral part of this statement.

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2010

Net change in fund balances - total governmental funds	\$ 411,384
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	110,274
The depreciation of capital assets used in governmental activities is not reported in the funds.	(217,903)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	35,804
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	65,184
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(25,748)
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>49,505</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 428,499</u>

The accompanying notes are an integral part of this statement.

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2010

Data Control Codes		Agency Fund
		Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 87,474
1000	Total Assets	<u>\$ 87,474</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 87,474
2000	Total Liabilities	<u>87,474</u>
<b>NET ASSETS</b>		
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

# WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### A. Summary of Significant Accounting Policies

The basic financial statements of West Hardin Co. Consolidated 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.

**Debt Service Fund:** This fund is used to account for the re-payment of bonded debt which is approved by the voters of the District. This fund is required by law to be a budgeted fund.

# WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

**Special Revenue Funds:** These funds are used to account for revenues and expenditures related to grant awards and entitlements from federal, state, and local agencies. These funds are primarily funded on a reimbursement basis and have a program year that does not always coincide with the District's fiscal year. Most of these funds cannot carry a fund balance, other than the food service fund, and are not required by law to have an adopted budget.

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

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

### b. Measurement Focus, Basis of Accounting

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

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

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

### 3. Financial Statement Amounts

#### a. Property Taxes

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

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2010**

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

b. Inventories and Prepaid Items

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Improvements	30
Vehicles	10
Office Equipment	3-15

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

**WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2010*

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:

Violation	Action Taken
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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$526,263 and the bank balance was \$585,419. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must 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.

**WEST HARDIN COUNTY CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2010**

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, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 311,481
Total Investments		\$ <u>311,481</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2010, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment or Investment Type</u>	<u>Administrator</u>	<u>Rating</u>
Lone Star Investment Pool	First Public LLC	AAA*

\* Rated by Standard and Poor's Investor Service

b. Custodial Credit Risk

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

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2010**

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

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.

Public Funds Investment Pools

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

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

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

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

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 211,927	\$ --	\$ --	\$ 211,927
Total capital assets not being depreciated	<u>211,927</u>	<u>--</u>	<u>--</u>	<u>211,927</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,581,271	--	--	7,581,271
Equipment	327,908	6,650	--	334,558
Vehicles	782,817	103,624	--	886,441
Total capital assets being depreciated	<u>8,691,996</u>	<u>110,274</u>	<u>--</u>	<u>8,802,270</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,099,405)	(170,839)	--	(3,270,244)
Equipment	(311,527)	(3,378)	--	(314,905)
Vehicles	(556,822)	(43,686)	--	(600,508)
Total accumulated depreciation	<u>(3,967,754)</u>	<u>(217,903)</u>	<u>--</u>	<u>(4,185,657)</u>
Total capital assets being depreciated, net	<u>4,724,242</u>	<u>(107,629)</u>	<u>--</u>	<u>4,616,613</u>
Governmental activities capital assets, net	<u>\$ 4,936,169</u>	<u>\$ (107,629)</u>	<u>\$ --</u>	<u>\$ 4,828,540</u>

Depreciation was charged to functions as follows:

Instruction	\$ 82,922
Instructional Resources and Media Services	8,598
Curriculum and Staff Development	300
School Leadership	1,038
Student Transportation	42,911
Food Services	22,594
Extracurricular Activities	38,609
General Administration	8,369
Plant Maintenance and Operations	12,562
	<u>\$ 217,903</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Debt Fund	General Fund	\$ 256,377	Short-term loans
General Fund	Special Revenue Funds	81,610	Short-term loans
	Total	<u>\$ 337,987</u>	

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

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2010, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Special Revenue Fund-429	\$ 20,000	To open Fund.
General fund	Food Service Fund	40,726	To transfer money back.
Food Service	General Fund	40,726	To Reimburse expenditures.
	Total	\$ <u>101,452</u>	

F. Unemployment Compensation

During the year ended August 31, 2010, West Hardin CISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2009, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

G. Long-Term Obligations

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

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,336,419	\$ --	\$ 65,184	\$ 3,271,235	\$ 56,234
Accreted interest on CAB	119,382	--	50,480	68,902	--
Unamort. bond issue cost	25,748	--	25,748	--	--
Total governmental activities	\$ <u>3,481,549</u>	\$ <u>--</u>	\$ <u>141,412</u>	\$ <u>3,340,137</u>	\$ <u>56,234</u>

**WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT**

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

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 56,234	\$ 204,366	\$ 260,600
2012	130,000	130,600	260,600
2013	130,000	125,400	255,400
2014	140,000	120,200	260,200
2015	145,000	114,600	259,600
2016-2020	840,000	479,800	1,319,800
2021-2025	1,055,000	294,980	1,349,980
2026-2030	775,000	66,150	841,150
Totals	\$ 3,271,234	\$ 1,536,096	\$ 4,807,330

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2010, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Unlimited Tax School Building Bonds, Series 1998	\$ 3,270,000
Total	\$ 3,270,000

H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2010, as follows:

Year Ending August 31,	
Rental Expenditures in 2010	\$ 3,333

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

# WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

### 2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$217,346, \$226,436 and \$224,493, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$21,895, \$27,691 and \$26,279, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$234,717 for the year ended August 31, 2010.

### K. Retiree Health Care Plan

#### 1. Plan Description

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

#### 2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$2,289, \$2,155, and \$1,871, respectively, the active member contributions were \$22,074, \$22,997, and \$19,292, respectively, and the District's contributions were \$18,678, \$19,459, and \$22,800, 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, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$8,363, \$8,281, and \$7,005, respectively.

# WEST HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

### L. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$165 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2010, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

### M. Commitments and Contingencies

#### 1. Contingencies

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

#### 2. Litigation

No reportable litigation was pending against the District at August 31, 2010.

### N. Shared Services Arrangements

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for a Special Education program with several other school districts. 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, Lumberton 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.

### O. Worker's Compensation

During the year ended August 31, 2010, West Hardin Co. Consolidated Independent School District participated in a self funded worker compensation program. Contributions were paid to a third party administrator, acting on behalf of the self funded pool. The contract between West Hardin Co. Consolidated Independent School District and the third party administrator is renewable September 1, 2010, and the terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers. Reinsurance coverage was in effect for individual claims exceeding \$500,000 and for aggregate claims with a statutory limit of \$3,000,000. According to the latest information provided by the third party administrator, the District had a total of \$1,225.00 in unpaid claims at August 31, 2010. This includes claims incurred but not reported of \$1,225.00. According to the latest information there was no unfunded claim benefit obligation at August 31, 2010.

### *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 HARDIN CO. CONSOLIDATED INDEPENDENT SCHOOL DISTR**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**EXHIBIT G-1**  
**Page 1 of 2**

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original		Final				
<b>REVENUES:</b>								
5700	Local and Intermediate Sources	\$ 1,694,946	\$ 1,694,946	\$ 1,759,189	\$ 64,243			
5800	State Program Revenues	2,975,323	2,975,323	3,286,528	311,205			
5900	Federal Program Revenues	1,500	1,500	53,427	51,927			
5020	Total Revenues	<u>4,671,769</u>	<u>4,671,769</u>	<u>5,099,144</u>	<u>427,375</u>			
<b>EXPENDITURES:</b>								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	2,588,620	2,594,346	2,463,207	131,139			
0012	Instructional Resources and Media Services	68,906	68,906	63,152	5,754			
0013	Curriculum and Staff Development	10,200	10,200	2,415	7,785			
	Total Instruction & Instr. Related Services	<u>2,667,726</u>	<u>2,673,452</u>	<u>2,528,774</u>	<u>144,678</u>			
Instructional and School Leadership:								
0021	Instructional Leadership	80,862	80,862	71,839	9,023			
0023	School Leadership	308,030	308,030	295,241	12,789			
	Total Instructional & School Leadership	<u>388,892</u>	<u>388,892</u>	<u>367,080</u>	<u>21,812</u>			
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	86,233	80,507	71,269	9,238			
0033	Health Services	58,174	58,174	54,992	3,182			
0034	Student (Pupil) Transportation	257,295	257,295	244,828	12,467			
0036	Cocurricular/Extracurricular Activities	280,385	280,385	263,477	16,908			
	Total Support Services - Student (Pupil)	<u>682,087</u>	<u>676,361</u>	<u>634,566</u>	<u>41,795</u>			
Administrative Support Services:								
0041	General Administration	300,817	300,817	282,336	18,481			
	Total Administrative Support Services	<u>300,817</u>	<u>300,817</u>	<u>282,336</u>	<u>18,481</u>			
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	759,812	759,812	681,748	78,064			
0052	Security and Monitoring Services	10,000	10,000	2,400	7,600			
0053	Data Processing Services	94,579	94,579	88,383	6,196			
	Total Support Services - Nonstudent Based	<u>864,391</u>	<u>864,391</u>	<u>772,531</u>	<u>91,860</u>			
Capital Outlay:								
0081	Capital Outlay	10,000	10,000	5,000	5,000			
	Total Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>5,000</u>	<u>5,000</u>			
Intergovernmental Charges:								
0093	Payments to Fiscal Agent/Member Dist.-SSA	85,000	85,000	70,332	14,668			
0099	Other Intergovernmental Charges	49,000	49,000	48,079	921			
	Total Intergovernmental Charges	<u>134,000</u>	<u>134,000</u>	<u>118,411</u>	<u>15,589</u>			
6030	Total Expenditures	<u>5,047,913</u>	<u>5,047,913</u>	<u>4,708,698</u>	<u>339,215</u>			
1100	Excess (Deficiency) of Revenues Over (Under)							
1100	Expenditures	<u>(376,144)</u>	<u>(376,144)</u>	<u>390,446</u>	<u>766,590</u>			