

HALLSVILLE  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2011*

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

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## *Introductory Section*

CERTIFICATE OF BOARD

Hallsville Independent School District  
Name of School District

Harrison  
County

102-904  
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 23 day of JANUARY, 2012.

  
Signature of Board Secretary

  
Signature of Board President

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

## *Financial Section*

**WEST, DAVIS & COMPANY, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditor's Report on Financial Statements**

Board of Trustees  
Hallsville Independent School District  
Hallsville, Texas

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 Hallsville 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 Hallsville 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 Hallsville 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 6, 2012, on our consideration of Hallsville 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 Hallsville 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 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.

  
West, Davis & Company, LLP  
January 6, 2012

## **Hallsville Independent School District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Hallsville Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2011. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 10.

#### **FINANCIAL HIGHLIGHTS**

- The District's net assets decreased by \$1.4 million as a result of this year's operations.
- The District has substantially completed the process of settling the gas storage litigation claim (see Note L concerning Commitments and Contingencies)
- During the year, the District's property tax revenues for governmental programs represented 51% of all revenue.
- Total cost of all of the District's programs decreased by \$2.6 million over last year.
- The General Fund ended the year with a fund balance of \$5.1 million-some \$4.6 million more than the beginning fund balance of \$.5 million.
- The resources available for appropriation were \$5.1 million more than budgeted for the General Fund.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.



## **Reporting the District as a Whole**

### ***The Statement of Net Assets and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, the following activities are presented.

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

## The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities and administrative personnel. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 18. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

- Net assets of the District's governmental activities decreased from \$40.1 million to \$38.7 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from deficit of \$(4.8) million to \$(1.7) million at August 31, 2011.

The District's total expenses of \$47.9 million were funded by charges for services totaling \$854 thousand, operating grants of \$7.3 million, and general revenues of \$42.0 million. General revenues consist principally of state aid and contributions of \$13.8 million and tax revenue of \$26.7 million.

**Table I**  
**Hallsville Independent School District**

<b>NET ASSETS</b>		
in thousands		
	Governmental Activities 2011	Governmental Activities 2010
Current and other assets	61,916	77,974
Capital assets	110,823	73,784
Total assets	172,739	151,758
Long-term liabilities	99,663	102,181
Other liabilities	34,411	9,496
Total liabilities	134,074	111,677
Net assets:		
Invested in capital assets, net of related debt	40,206	39,508
Restricted	181	5,333
Unrestricted	(1,722)	(4,760)
Total net assets	38,665	40,081

**Table II**  
**Hallsville Independent School District**

**CHANGES IN NET ASSETS**  
in thousands

	Governmental Activities 2011	Governmental Activities 2010
Revenues:		
Program revenues:		
Charges for Services	854	1,062
Operating grants and contributions	7,315	4,677
General revenues:		
Maintenance and operations taxes	20,126	27,391
Debt service taxes	6,536	8,111
State aid – formula grants	13,841	10,643
Investment Earnings	406	540
Miscellaneous	1,051	1,333
Total Revenue	<u>50,129</u>	<u>53,757</u>
Expenses:		
Instruction, curriculum and media services	23,242	25,563
Instructional and school leadership	3,147	3,619
Student support services	3,761	4,016
Child nutrition	1,600	1,849
Cocurricular activities	1,151	1,514
General administration	1,584	1,607
Plant maintenance, security & data processing	5,480	6,221
Community services	61	98
Debt services	6,282	867
Other intergovernmental charges	1,565	5,064
Total Expenses	<u>47,873</u>	<u>50,418</u>
Special and Extraordinary Items:		
Extraordinary Item Inflow	15,839	-
Extraordinary Item Outflow	(19,511)	-
Total Special and Extraordinary Items	<u>(3,672)</u>	<u>-</u>
Increase/ Decrease in net assets	(1,416)	3,339
Net assets at Beginning	<u>40,081</u>	<u>36,742</u>
Net assets at Ending	<u>38,665</u>	<u>40,081</u>

The District's total revenues decreased by \$3.6 million over last year. This was primarily the result of \$5.6 million in decreased combined state program revenue and local property taxes combined with an increase of \$2.6 million in operating grants. A significant factor in the reduction of property taxes was due to removing from the tax rolls, contested stored natural gas formerly taxed and part of the gas storage litigation described in Note L of the financial statements. The extraordinary items dealing with the gas storage litigation settlements reduced total revenue by \$3.7 million. The total cost of all programs and services decreased by \$2.6 million. This was primarily a result of cost-savings measures implemented by the District.

The net cost of all governmental activities this year was \$39.7 million. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was \$26.7 million since some of the costs were paid by State funding (\$13.8 million).

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$26.4 million, which decreased by \$39.4 million over last year. \$38.8 million of the net decrease is due to a bond building program. General Fund balance increased by \$4.6 million and the Debt Service Fund decreased by \$5.2 million. Most of the decrease in the Debt Service Fund was due to settling the gas storage litigation (see Note L of the financial statements).

The Board of Trustees revised the District's budget during the year. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved to reflect the actual beginning balances (versus the amounts we estimated in August 2010). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The third category involved changes in state program revenues and local tax revenues.

The District's General Fund Balance of \$5.1 million reported on page 14 differs from the General Fund's budgetary fund balance of \$2.9 million reported in the budgetary comparison schedule primarily due to operational savings in the District and charges resulting from the settlement of the gas storage litigation (see Note L of the financial statements).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2011, the District had \$110.8 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

This year's major additions included:

	<u>(thousands)</u>
Construction in Progress	\$35,018
Construction	15,881
Totaling	<u>\$50,898</u>

More detailed information about the District's capital assets is presented in Note D to the financial statements.

### Debt

The District has \$91.7 million in general obligation debt at coupon interest rates ranging from 2.5% to 5.97% outstanding at year-end. The District had \$7.6 million outstanding in Maintenance Tax Obligations at year end. The District's general obligation bonds carried the highest possible rating, according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2012 budget and tax rates. One of those factors is appraised and taxable property values. These values were considered in setting the tax rate. Another factor was the change in state funding promulgated by the actions of the state's 82<sup>nd</sup> legislative session.

These factors were taken into account when adopting the General Fund budget for 2012. The District will continue to use its revenues to finance programs we currently offer. The District has added no major new programs or initiatives to the 2012 budget. If these estimates are realized, the District's budgetary General Fund Balance is expected to increase by \$10,000 or more by the close of 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 show 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 office, at Hallsville Independent School District, P. O. Box 810, Hallsville, Texas 75650.

## *Basic Financial Statements*

**HALLSVILLE INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

AUGUST 31, 2011

		1
Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 3,321,385
1120	Current Investments	27,870,310
1225	Property Taxes Receivable (Net)	1,195,168
1240	Due from Other Governments	28,963,145
1290	Other Receivables (Net)	25,593
1300	Inventories	145,405
1410	Deferred Expenses	44,273
1420	Capitalized Bond and Other Debt Issuance Costs	351,332
Capital Assets:		
1510	Land	4,759,235
1520	Buildings and Improvements, Net	49,750,069
1530	Furniture and Equipment, Net	2,046,456
1580	Construction in Progress	54,267,132
1000	Total Assets	<u>172,739,503</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	5,480,000
2120	Short-Term Debt Payable	3,700,000
2140	Interest Payable	441,364
2165	Accrued Liabilities	21,397,194
2180	Due to Other Governments	2,986,166
2300	Unearned Revenue	407,007
Noncurrent Liabilities:		
2501	Due Within One Year	4,463,000
2502	Due in More Than One Year	95,199,648
2000	Total Liabilities	<u>134,074,379</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	40,205,900
Restricted For:		
3820	Federal and State Programs	75,059
3850	Debt Service	106,097
3900	Unrestricted	(1,721,932)
3000	Total Net Assets	<u>\$ 38,665,124</u>

The accompanying notes are an integral part of this statement.





# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 3,235,539	\$ 1,275,976
1120 Current Investments	--	2,160,425
1225 Taxes Receivable, Net	972,036	223,132
1240 Due from Other Governments	27,268,061	2,537
1260 Due from Other Funds	2,938	8,809
1290 Other Receivables	16,046	--
1300 Inventories	108,388	--
1410 Deferred Expenditures	44,273	--
1000 Total Assets	<u>\$ 31,647,281</u>	<u>\$ 3,670,879</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 275,848	\$ --
2120 Short-Term Debt Payable	20,153,426	3,338,713
2140 Interest Payable	10,840	--
2150 Payroll Deductions & Withholdings	3,629	--
2160 Accrued Wages Payable	1,440,016	--
2170 Due to Other Funds	580,196	2,938
2180 Due to Other Governments	2,986,166	--
2300 Deferred Revenue	1,119,436	223,131
2000 Total Liabilities	<u>26,569,557</u>	<u>3,564,782</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 Inventories	108,389	--
3430 Prepaid Items	44,273	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3470 Capital Acquisitions & Contractual Obligations	--	--
3480 Retirement of Long-Term Debt	--	106,097
Committed Fund Balances:		
3545 Other Committed Fund Balance	1,193,400	--
3600 Unassigned	3,731,662	--
3000 Total Fund Balances	<u>5,077,724</u>	<u>106,097</u>
4000 Total Liabilities and Fund Balances	<u>\$ 31,647,281</u>	<u>\$ 3,670,879</u>

The accompanying notes are an integral part of this statement.

60 2010 Bond Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 479,518	\$ (1,669,648)	\$ 3,321,385
25,709,885	--	27,870,310
--	--	1,195,168
--	1,692,547	28,963,145
--	571,387	583,134
--	9,547	25,593
--	37,017	145,405
--	--	44,273
<u>\$ 26,189,403</u>	<u>\$ 640,850</u>	<u>\$ 62,148,413</u>
\$ 5,096,395	\$ 107,757	\$ 5,480,000
--	--	23,492,139
--	--	10,840
--	--	3,629
--	161,410	1,601,426
--	--	583,134
--	--	2,986,166
--	259,607	1,602,174
<u>5,096,395</u>	<u>528,774</u>	<u>35,759,508</u>
--	37,017	145,406
--	--	44,273
--	75,059	75,059
21,093,008	--	21,093,008
--	--	106,097
--	--	1,193,400
--	--	3,731,662
<u>21,093,008</u>	<u>112,076</u>	<u>26,388,905</u>
<u>\$ 26,189,403</u>	<u>\$ 640,850</u>	<u>\$ 62,148,413</u>

**HALLSVILLE 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	\$ 26,388,905
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	110,822,892
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,195,167
Payables for bond principal which are not due in the current period are not reported in the funds.	(91,710,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(200,995)
Payables for tax notes which are not due in the current period are not reported in the funds.	(7,603,000)
Payables for tax note interest which are not due in the current period are not reported in the funds.	(229,529)
Bond premiums are deferred in the SNA but not in the funds.	(349,648)
Bond issuance costs and similar items are capitalized in the SNA but not in the funds.	351,333
Rounding difference	(1)
Net assets of governmental activities - Statement of Net Assets	\$ <u>38,665,124</u>

The accompanying notes are an integral part of this statement.

# HALLSVILLE 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	50 Debt Service Fund
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ 22,264,028	\$ 6,549,227
5800 <i>State Program Revenues</i>	13,495,518	--
5900 <i>Federal Program Revenues</i>	1,949,581	--
5020 <b>Total Revenues</b>	<u>37,709,127</u>	<u>6,549,227</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	18,784,370	--
0012 <i>Instructional Resources and Media Services</i>	363,548	--
0013 <i>Curriculum and Staff Development</i>	107,921	--
0021 <i>Instructional Leadership</i>	970,431	--
0023 <i>School Leadership</i>	1,022,922	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	86,834	--
0032 <i>Social Work Services</i>	71,173	--
0033 <i>Health Services</i>	302,030	--
0034 <i>Student Transportation</i>	1,654,866	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,116,836	--
0041 <i>General Administration</i>	1,539,367	--
0051 <i>Plant Maintenance and Operations</i>	4,373,364	--
0052 <i>Security and Monitoring Services</i>	195,264	--
0053 <i>Data Processing Services</i>	377,911	--
0061 <i>Community Services</i>	57,637	--
0071 <i>Principal on Long-term Debt</i>	447,000	2,490,000
0072 <i>Interest on Long-term Debt</i>	233,328	5,910,003
0073 <i>Bond Issuance Costs and Fees</i>	3,533	900
0081 <i>Capital Outlay</i>	--	--
0091 <i>Contracted Instructional Services</i>		
0091 <i>Between Public Schools</i>	156,576	--
0093 <i>Payments to Shared Service Arrangements</i>	571,387	--
0099 <i>Other Intergovernmental Charges</i>	356,457	--
6030 <b>Total Expenditures</b>	<u>32,792,755</u>	<u>8,400,903</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>		
1100 <b>Expenditures</b>	<u>4,916,372</u>	<u>(1,851,676)</u>
<b>Other Financing Sources and (Uses):</b>		
7949 <i>Other Resources</i>	15,839,409	--
8949 <i>Other Uses</i>	(16,172,573)	(3,338,712)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(333,164)</u>	<u>(3,338,712)</u>
1200 <b>Net Change in Fund Balances</b>	<u>4,583,208</u>	<u>(5,190,388)</u>
0100 <b>Fund Balances - Beginning</b>	494,516	5,296,485
3000 <b>Fund Balances - Ending</b>	<u>\$ 5,077,724</u>	<u>\$ 106,097</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT C-2

60 2010 Bond Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 381,725	\$ 1,653,647	\$ 30,848,627
--	236,169	13,731,687
--	5,474,158	7,423,739
<u>381,725</u>	<u>7,363,974</u>	<u>52,004,053</u>
--	2,761,199	21,545,569
--	--	363,548
--	217,042	324,963
--	177,384	1,147,815
--	834,181	1,857,103
--	1,251,648	1,338,482
--	--	71,173
--	--	302,030
--	--	1,654,866
--	1,583,731	1,583,731
--	--	1,116,836
--	1,837	1,541,204
--	324	4,373,688
--	--	195,264
--	--	377,911
--	1,491	59,128
--	--	2,937,000
--	--	6,143,331
--	--	4,433
39,212,216	--	39,212,216
--	--	156,576
--	480,281	1,051,668
--	--	356,457
<u>39,212,216</u>	<u>7,309,118</u>	<u>87,714,992</u>
<u>(38,830,491)</u>	<u>54,856</u>	<u>(35,710,939)</u>
--	--	15,839,409
--	--	(19,511,285)
--	--	(3,671,876)
<u>(38,830,491)</u>	<u>54,856</u>	<u>(39,382,815)</u>
59,923,499	57,220	65,771,720
<u>\$ 21,093,008</u>	<u>\$ 112,076</u>	<u>\$ 26,388,905</u>

**HALLSVILLE 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 \$ (39,382,815)

Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	38,875,093
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,777,285)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(58,855)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,874,580)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,490,000
Repayment of tax note principal is an expenditure in the funds but is not an expense in the SOA.	447,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(63,478)
(Increase) decrease in accrued interest from beginning of period to end of period.	114,108
(Increase) decrease in accrued interest on tax notes from beginning of period to end of period.	(212,903)
Bond premiums are reported in the funds but not in the SOA.	28,258
Rounding difference	(1)

Change in net assets of governmental activities - Statement of Activities \$ (1,415,458)

The accompanying notes are an integral part of this statement.

**HALLSVILLE INDEPENDENT SCHOOL DISTRICT***STATEMENT OF FIDUCIARY NET ASSETS**FIDUCIARY FUNDS**AUGUST 31, 2011*

Data Control Codes		Agency Funds
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 326,923
1000	Total Assets	<u>\$ 326,923</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 326,923
2000	Total Liabilities	<u>326,923</u>
<b>NET ASSETS</b>		
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

# **HALLSVILLE 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 Hallsville 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.



# **HALLSVILLE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

In addition, the District reports the following fund types:

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

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

**b. Measurement Focus, Basis of Accounting**

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District 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.

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.

# HALLSVILLE 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>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

### h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in 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 Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 Board of Trustees. 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 Board of Trustees or by an official or body to which the Board of Trustees 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 convey 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

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

### 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, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,321,385 and the bank balance was \$1,060,125. 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 investments at August 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity in Years</u>	<u>Rating</u>	<u>Fair Value</u>	<u>%</u>
Money Market	Less than 1	AAA	\$ 64,304	0.23%
Money Market Mutual Funds	Less than 1	AAA	5,139,411	18.44%
Accrued Interest on Bonds and CD's	Less than 1	N/R	130,544	0.47%
Ginnie Mae Bonds	Less than 2	A+/AAA/AAA	3,553,352	12.75%
Certificates of Deposit	Less than 1	FDIC Insured	3,725,725	13.37%
Corporate Bonds FDIC/TLGP	Less than 1	FDIC Insured	578,379	2.08%
Government and GSE Bonds	Less than 1	A+/AAA/AAA	11,839,741	42.48%
Municipal Bonds	Less than 1	AAA	1,404,214	5.04%
Municipal Bonds	Less than 1	AA+	341,783	1.23%
Municipal Bonds	Less than 1	AA	980,731	3.52%
Municipal Bonds	Less than 1	AA-	112,126	0.40%
Total Investments			<u>\$ 27,870,310</u>	<u>100.00%</u>

# **HALLSVILLE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

### **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, 2011, 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:

#### **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.

# HALLSVILLE 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
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,759,235	\$ --	\$ --	\$ 4,759,235
Construction in progress	31,272,758	35,017,567	12,023,193	54,267,132
Total capital assets not being depreciated	<u>36,031,993</u>	<u>35,017,567</u>	<u>12,023,193</u>	<u>59,026,367</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	51,839,842	15,785,182	--	67,625,024
Equipment	4,339,031	95,537	299,119	4,135,449
Vehicles	5,053,971	--	444,718	4,609,253
Total capital assets being depreciated	<u>61,232,844</u>	<u>15,880,719</u>	<u>743,837</u>	<u>76,369,726</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,640,491)	(1,234,464)	--	(17,874,955)
Equipment	(2,393,502)	(290,523)	(250,337)	(2,433,688)
Vehicles	(4,446,904)	(252,299)	(434,645)	(4,264,558)
Total accumulated depreciation	<u>(23,480,897)</u>	<u>(1,777,286)</u>	<u>(684,982)</u>	<u>(24,573,201)</u>
Total capital assets being depreciated, net	<u>37,751,947</u>	<u>14,103,433</u>	<u>58,855</u>	<u>51,796,525</u>
Governmental activities capital assets, net	<u>\$ 73,783,940</u>	<u>\$ 49,121,000</u>	<u>\$ 12,082,048</u>	<u>\$ 110,822,892</u>

Depreciation was charged to functions as follows:

Instruction	\$ 992,557
Instructional Resources and Media Services	14,186
Curriculum and Staff Development	2,202
Instructional Leadership	51,528
School Leadership	90,466
Guidance, Counseling, & Evaluation Services	62,055
Social Work Services	3,456
Health Services	14,329
Student Transportation	314,436
Food Services	15,953
Extracurricular Activities	34,001
General Administration	43,285
Plant Maintenance and Operations	121,319
Security and Monitoring Services	8,594
Data Processing Services	7,278
Community Services	1,641
	<u>\$ 1,777,286</u>

**HALLSVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

**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
General Fund	Debt Service Fund	\$ 2,938	Short-term loans
Major fund SSA Special Ed.	General Fund	571,387	Short-term loans
Debt Service Fund	General Fund	8,809	Short-term loans
	Total	<u>\$ 583,134</u>	

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

**2. Transfers To and From Other Funds**

There were no transfers during the year.

**F. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2011, are as follows:

Original Issue Series	Millions	Interest	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>							
<b>General obligation bonds</b>							
2004	11	3-5%	\$ 8,200,000	\$ --	\$ 1,035,000	\$ 7,165,000	\$ 1,080,000
2010A	14	2.5-4%	14,275,000	--	1,455,000	12,820,000	2,400,000
2010B	72	4.27-5.97%	71,725,000	--	--	71,725,000	--
Total Unlimited Debt			<u>94,200,000</u>	<u>--</u>	<u>2,490,000</u>	<u>91,710,000</u>	<u>3,480,000</u>
<b>Maintenance tax obligation</b>							
2009	1	3.15%	675,000	--	332,000	343,000	343,000
2010	7	5.65%	7,375,000	--	115,000	7,260,000	640,000
Total Limited Debt			<u>8,050,000</u>	<u>--</u>	<u>447,000</u>	<u>7,603,000</u>	<u>983,000</u>
Bond Premium			377,906	--	28,258	349,648	--
Total business-type activities			<u>\$ 102,627,906</u>	<u>\$ --</u>	<u>\$ 2,965,258</u>	<u>\$ 99,662,648</u>	<u>\$ 4,463,000</u>
<b>Statement of Net Assets</b>							
Due Within One Year						\$ 4,463,000	
Due in More Than One Year						<u>95,199,648</u>	
						<u>\$ 99,662,648</u>	

\* Other long-term liabilities

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

### 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	\$ 3,480,000	\$ 4,516,659	\$ 7,996,659
2013	3,590,000	4,407,964	7,997,964
2014	3,710,000	4,284,230	7,994,230
2015	3,860,000	4,135,252	7,995,252
2016	4,020,000	3,975,317	7,995,317
2017-2021	22,220,000	17,004,294	39,224,294
2022-2026	26,155,000	10,962,402	37,117,402
2027-2031	24,675,000	2,996,803	27,671,803
Totals	\$ 91,710,000	\$ 52,282,921	\$ 143,992,921

Year Ending August 31,	Maintenance Tax Obligations		
	Principal	Interest	Total
2012	\$ 983,000	\$ 415,592	\$ 1,398,592
2013	680,000	374,030	1,054,030
2014	715,000	335,610	1,050,610
2015	755,000	295,213	1,050,213
2016	800,000	252,555	1,052,555
2017-2021	3,670,000	532,512	4,202,512
Totals	\$ 7,603,000	\$ 2,205,512	\$ 9,808,512

### 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:

Year Ending August 31,	
2012	\$ 190,904
2013	130,457
2014	22,789
2015	19,539
2016	10,866
Total Minimum Rentals	\$ 374,555

### 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.

### 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



# **HALLSVILLE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

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](http://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 \$1,617,389, \$1,705,505 and \$1,367,622, respectively. The District paid additional state contributions for the years ending August 31, 2011, 2010 and 2009 in the amount of \$237,512, \$261,900 and \$294,503, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

### **J. Retiree Health Care Plan**

#### **1. Plan Description**

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) 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 \$254,544, \$238,757, and \$219,701, respectively, the active member contributions were \$165,454, \$155,192, and \$142,806, respectively, and the District's contributions were \$139,999, \$131,317, and \$120,836, respectively, which equaled the required contributions each year.

## **HALLSVILLE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

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 \$67,495, \$68,727, and \$55,428, respectively.

#### **K. Employee Health Care Coverage**

During the period ended August 31, 2010, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$150 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas, and Scott and White HMO for the medical plan while Medco Health was assigned the prescription drug plan.

The District's participation is renewable annually.

The latest financial information on the state-wide plan is available from TRS (see note G1).

#### **L. Commitments and Contingencies**

##### **1. Contingencies**

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

##### **2. Litigation**

On April 18, 2011, the United States Supreme Court denied a petition to hear an appeal of a lawsuit challenging the Harrison Central Appraisal District's ("CAD") assessment of ad valorem taxes for taxing entities located within the CAD (such as the District) for tax years 2003 through 2009. The lawsuit was initiated by a natural gas distribution company (the "Company") that argued against the taxability of natural gas stored in a large, depleted natural gas reservoir ("Harrison Reservoir") located within the District's boundaries. This final adjudication of the dispute affected 19 other similar taxpayers (such taxpayers, together with the Company, are referred to herein as the "Affected Taxpayers").

As a result of this final adjudication, the District's taxable assessed valuation was reduced for the aforementioned tax years, and the District became entitled to reimbursement of a substantial portion of wealth equalization payments made to the Texas Education Agency ("TEA") on the basis of overstated valuations. The District promptly applied to TEA for a refund of such overpayments which were funded out of the District's maintenance and operations budget, i.e., the District's maintenance and operations tax collections and Foundation School Funding. The State has substantially completed its adjustment of these wealth equalization payments and refunded substantially all monies due to the District as a result of the final adjudication of this dispute. The total amount received or to be received from TEA is approximately \$16 million.

In addition to monies received from TEA to fund the repayment of the Maintenance and Operations portion of taxes owed to the Affected Taxpayers, the District has approximately \$3.3 million of Debt Service reserve funds available to settle the amounts owed to the Affected Taxpayers.

## HALLSVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

As of December 22, 2011, the District had negotiated settlement agreements with all but two of the Affected Taxpayers and made payments to complete these settlement agreements. The total amount paid to the Affected Taxpayers agreeing to the settlements, including settlement payments for interest and other charges, is approximately \$17.7 million.

The remaining two Affected Taxpayers, which paid approximately \$3 million of property taxes for the tax years involved in the lawsuit, have neither accepted nor rejected the District's bona fide settlement offer of \$1.8 million. As a result, the District has booked a contingent liability in the amount of its settlement offer, i.e., \$1.8 million. According to legal counsel, there is substantial case law that supports the position that, even if the companies were to sue and obtain judgments against the District, they could not legally place a lien on District property or funds.

#### 3. Construction Commitments

The District has the following construction commitments at August 31:

High School Site Work	\$ 964,336
High School	17,217,855
	<u>\$ 18,182,191</u>

#### M. Shared Services Arrangements

##### Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Hallsville ISD	\$ 581,845
Harleton ISD	107,785
Karnack ISD	38,905
Waskom ISD	116,714
Elysian Fields ISD	145,891
Total	<u>\$ 991,140</u>

### *Required Supplementary Information*

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

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 22,785,000	\$ 22,130,045	\$ 22,264,028	\$ 133,983
5800	State Program Revenues	13,384,835	14,479,564	13,495,518	(984,046)
5900	Federal Program Revenues	100,000	1,841,328	1,949,581	108,253
5020	Total Revenues	36,269,835	38,450,937	37,709,127	(741,810)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	19,945,387	19,012,387	18,784,370	228,017
0012	Instructional Resources and Media Services	393,027	377,450	363,548	13,902
0013	Curriculum and Staff Development	202,937	189,892	107,921	81,971
	Total Instruction & Instr. Related Services	20,541,351	19,579,729	19,255,839	323,890
	Instructional and School Leadership:				
0021	Instructional Leadership	1,034,041	1,032,934	970,431	62,503
0023	School Leadership	1,263,839	1,292,593	1,022,922	269,671
	Total Instructional & School Leadership	2,297,880	2,325,527	1,993,353	332,174
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	197,702	159,621	86,834	72,787
0032	Social Work Services	73,443	73,443	71,173	2,270
0033	Health Services	319,382	318,862	302,030	16,832
0034	Student (Pupil) Transportation	1,778,776	1,750,245	1,654,866	95,379
0036	Cocurricular/Extracurricular Activities	1,067,179	1,155,831	1,116,836	38,995
	Total Support Services - Student (Pupil)	3,436,482	3,458,002	3,231,739	226,263
	Administrative Support Services:				
0041	General Administration	1,384,382	1,620,021	1,539,367	80,654
	Total Administrative Support Services	1,384,382	1,620,021	1,539,367	80,654
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	4,555,392	4,613,614	4,373,364	240,250
0052	Security and Monitoring Services	193,320	198,737	195,264	3,473
0053	Data Processing Services	304,673	409,553	377,911	31,642
	Total Support Services - Nonstudent Based	5,053,385	5,221,904	4,946,539	275,365
	Ancillary Services:				
0061	Community Services	66,122	67,872	57,637	10,235
	Total Ancillary Services	66,122	67,872	57,637	10,235
	Debt Service:				
0071	Principal on Long-Term Debt	447,000	447,000	447,000	--
0072	Interest on Long-Term Debt	207,657	242,657	233,328	9,329
0073	Bond Issuance Costs and Fees	300	3,533	3,533	--
	Total Debt Service	654,957	693,190	683,861	9,329
	Intergovernmental Charges:				
0091	Contracted Instr. Services Between Public Schools	1,553,739	1,528,739	156,576	1,372,163
0093	Payments to Fiscal Agent/Member Dist.-SSA	571,387	571,387	571,387	--
0099	Other Intergovernmental Charges	416,772	356,457	356,457	--
	Total Intergovernmental Charges	2,541,898	2,456,583	1,084,420	1,372,163
6030	Total Expenditures	35,976,457	35,422,829	32,792,755	2,630,074
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	293,378	3,028,108	4,916,372	1,888,264
	Other Financing Sources (Uses):				
7949	Other Resources	--	17,584,189	15,839,409	(1,744,780)
8911	Transfers Out	(100,000)	(100,000)	--	100,000
8949	Other Uses	--	(17,584,189)	(16,172,573)	1,411,616
7080	Total Other Financing Sources and (Uses)	(100,000)	(100,000)	(333,164)	(233,164)
1200	Net Change in Fund Balance	193,378	2,928,108	4,583,208	1,655,100
0100	Fund Balance - Beginning	494,516	494,516	494,516	--
3000	Fund Balance - Ending	\$ 687,894	\$ 3,422,624	\$ 5,077,724	\$ 1,655,100

*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.

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		211 ESEA Title I Improving Basic Programs	214 ESEA Title I Pt. D Sub 2 Delinquent Programs	240 National School Breakfast/Lunch Program	243 Career and Technical- Tech Prep
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ (40,126)	\$ (19,149)	\$ 114,631	\$ --
1240	Due from Other Governments	56,636	27,616	35,273	--
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	9,547	--
1300	Inventories	--	--	37,017	--
1000	Total Assets	<u>\$ 16,510</u>	<u>\$ 8,467</u>	<u>\$ 196,468</u>	<u>\$ --</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 8,467	\$ 67,635	\$ --
2160	Accrued Wages Payable	16,510	--	16,757	--
2300	Deferred Revenue	--	--	--	--
2000	Total Liabilities	<u>16,510</u>	<u>8,467</u>	<u>84,392</u>	<u>--</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	37,017	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	75,059	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>112,076</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,510</u>	<u>\$ 8,467</u>	<u>\$ 196,468</u>	<u>\$ --</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	266 ARRA 2009 Title XIV State Fiscal Stabilization	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part Improving Basic Programs - ARRA
\$ (245) 245	\$ (4,000) 6,400	\$ (1,155,010) 1,155,010	\$ (3,151) 3,151	\$ --
--	--	--	--	--
--	--	--	--	--
\$ --	\$ 2,400	\$ --	\$ --	\$ --
\$ --	\$ 2,400	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ 2,400	\$ --	\$ --	\$ --
\$ --	\$ 2,400	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ 2,400	\$ --	\$ --	\$ --



# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		287 Education Jobs Fund	288 Title I, Part D ARRA, SP2 ARRA - Stimulus	313 IDEA-B Formula	314 IDEA-B Preschool
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ (19,081)	\$ (253,853)	\$ (2,158)
1240	Due from Other Governments	--	19,081	290,701	4,285
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	\$ --	\$ --	\$ 36,848	\$ 2,127
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 4,261	\$ --
2160	Accrued Wages Payable	--	--	32,587	2,127
2300	Deferred Revenue	--	--	--	--
2000	Total Liabilities	--	--	36,848	2,127
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3000	Total Fund Balances	--	--	--	--
4000	Total Liabilities and Fund Balances	\$ --	\$ --	\$ 36,848	\$ 2,127

364	365	381	397	404
IDEA - Part B Formula - ARRA	IDEA - Part B Preschool - ARRA	Adult Basic Education State	Advanced Placement Incentives	Student Success Initiative
\$ (55,865) 79,275	\$ (88) 88	\$ (592) 1,160	\$ 8,043	\$ (5,626) 5,626
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 23,410</u>	<u>\$ --</u>	<u>\$ 568</u>	<u>\$ 8,043</u>	<u>\$ --</u>
\$ 23,410	\$ --	\$ 568	\$ --	\$ --
--	--	--	--	--
--	--	--	8,043	--
<u>23,410</u>	<u>--</u>	<u>568</u>	<u>8,043</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 23,410</u>	<u>\$ --</u>	<u>\$ 568</u>	<u>\$ 8,043</u>	<u>\$ --</u>

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		411 Technology Allotment	414 Reading, Math and Science Initiative
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ (4,200)	\$ --
1240	Due from Other Governments	4,200	--
1260	Due from Other Funds	--	--
1290	Other Receivables	--	--
1300	Inventories	--	--
1000	Total Assets	\$ --	\$ --
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ --
2160	Accrued Wages Payable	--	--
2300	Deferred Revenue	--	--
2000	Total Liabilities	--	--
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410	Inventories	--	--
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3000	Total Fund Balances	--	--
4000	Total Liabilities and Fund Balances	\$ --	\$ --

434 Supplemental Visually Impaired	437 Special Education	498 Region 7 Technology Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ (3,800)	\$ (225,378)	\$ --	\$ (1,669,648)
3,800	--	--	1,692,547
--	571,387	--	571,387
--	--	--	9,547
--	--	--	37,017
<u>\$ --</u>	<u>\$ 346,009</u>	<u>\$ --</u>	<u>\$ 640,850</u>
\$ --	\$ 1,016	\$ --	\$ 107,757
--	93,429	--	161,410
--	251,564	--	259,607
<u>--</u>	<u>346,009</u>	<u>--</u>	<u>528,774</u>
--	--	--	37,017
--	--	--	75,059
<u>--</u>	<u>--</u>	<u>--</u>	<u>112,076</u>
<u>\$ --</u>	<u>\$ 346,009</u>	<u>\$ --</u>	<u>\$ 640,850</u>

# HALLSVILLE 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	214 ESEA Title I Pt. D Sub 2 Delinquent Programs	240 National School Breakfast/Lunch Program	243 Career and Technical- Tech Prep
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ 685,422	\$ --
5800	State Program Revenues	--	--	14,547	--
5900	Federal Program Revenues	322,218	72,503	938,618	3,849
5020	Total Revenues	322,218	72,503	1,638,587	3,849
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	302,525	72,503	--	90
0013	Curriculum and Staff Development	2,037	--	--	2,594
0021	Instructional Leadership	16,165	--	--	1,165
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0035	Food Service	--	--	1,583,731	--
0041	General Administration	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0061	Community Services	1,491	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	322,218	72,503	1,583,731	3,849
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	54,856	--
1200	Net Change in Fund Balances	--	--	54,856	--
0100	Fund Balances - Beginning	--	--	57,220	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ 112,076	\$ --

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	266 ARRA 2009 Title XIV State Fiscal Stabilization	279 Enhancing Education through Technology-ARRA	285 ESEA Title 1 Part Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
29,842	116,021	1,589,821	4,953	24,063
29,842	116,021	1,589,821	4,953	24,063
27,100	--	207,987	3,150	8,863
--	116,021	34,580	1,803	15,200
--	--	5,775	--	--
--	--	834,181	--	--
2,742	--	505,461	--	--
--	--	--	--	--
--	--	1,837	--	--
--	--	--	--	--
--	--	--	--	--
29,842	116,021	1,589,821	4,953	24,063
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

# HALLSVILLE 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	287 Education Jobs Fund	288 Title I, Part D ARRA, SP2 ARRA - Stimulus	313 IDEA-B Formula	314 IDEA-B Preschool
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	700,885	39,081	1,289,199	24,577
5020 <i>Total Revenues</i>	<u>700,885</u>	<u>39,081</u>	<u>1,289,199</u>	<u>24,577</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	700,885	39,081	847,762	24,577
0013 <i>Curriculum and Staff Development</i>	--	--	1,624	--
0021 <i>Instructional Leadership</i>	--	--	32,001	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	4,330	--
0035 <i>Food Service</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	--
0061 <i>Community Services</i>	--	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	403,482	--
6030 <i>Total Expenditures</i>	<u>700,885</u>	<u>39,081</u>	<u>1,289,199</u>	<u>24,577</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

364	365	381	397	404
IDEA - Part B Formula - ARRA	IDEA - Part B Preschool - ARRA	Adult Basic Education State	Advanced Placement Incentives	Student Success Initiative
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	3,860	1,320	12,051
315,995	2,533	--	--	--
<u>315,995</u>	<u>2,533</u>	<u>3,860</u>	<u>1,320</u>	<u>12,051</u>
193,228	2,533	3,268	--	12,051
40,713	--	--	1,320	--
--	--	592	--	--
--	--	--	--	--
5,255	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
76,799	--	--	--	--
<u>315,995</u>	<u>2,533</u>	<u>3,860</u>	<u>1,320</u>	<u>12,051</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



# HALLSVILLE 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		411 Technology Allotment	414 Reading, Math and Science Initiative
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ --	\$ --
5800	State Program Revenues	156,292	4,920
5900	Federal Program Revenues	--	--
5020	Total Revenues	<u>156,292</u>	<u>4,920</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	156,292	--
0013	Curriculum and Staff Development	--	--
0021	Instructional Leadership	--	--
0023	School Leadership	--	--
0031	Guidance, Counseling, & Evaluation Services	--	4,920
0035	Food Service	--	--
0041	General Administration	--	--
0051	Plant Maintenance and Operations	--	--
0061	Community Services	--	--
0093	Payments to Shared Service Arrangements	--	--
6030	Total Expenditures	<u>156,292</u>	<u>4,920</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>--</u>	<u>--</u>
1200	Net Change in Fund Balances	--	--
0100	Fund Balances - Beginning	--	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

434 Supplemental Visually Impaired	437 Special Education	498 Region 7 Technology Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ 951,761	\$ 16,464	\$ 1,653,647
3,800	39,379	--	236,169
--	--	--	5,474,158
3,800	991,140	16,464	7,363,974
3,800	139,040	16,464	2,761,199
--	1,150	--	217,042
--	121,686	--	177,384
--	--	--	834,181
--	728,940	--	1,251,648
--	--	--	1,583,731
--	--	--	1,837
--	324	--	324
--	--	--	1,491
--	--	--	480,281
3,800	991,140	16,464	7,309,118
--	--	--	54,856
--	--	--	54,856
--	--	--	57,220
\$ --	\$ --	\$ --	\$ 112,076

### *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.

**HALLSVILLE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2011*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.50		.1544		1,408,159,897
2004		1.50		.1555		1,370,633,633
2005		1.485		.14		1,643,540,890
2006		1.473		.114		1,912,229,172
2007		1.346		.094		2,311,097,511
2008		1.02		.339		2,447,413,116
2009		1.02		.28		2,779,886,230
2010		1.04		.313		2,563,762,443
2011 (School Year Under Audit)		1.04		.313		2,094,590,522
1000 Totals						

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
\$ 246,608	\$ --	\$ 3,364	\$ 424	\$ (51,497)	\$ 191,323
57,926	--	1,474	152	(17,535)	38,765
126,536	--	1,825	189	(85,546)	38,976
1,103,565	--	4,608	434	(1,053,132)	45,391
502,125	--	8,433	653	(440,461)	52,578
336,668	--	14,548	1,016	(262,099)	59,005
461,678	--	19,323	6,422	(355,827)	80,106
228,447	--	62,681	17,207	(17,720)	130,839
464,708	--	175,045	52,682	(26,168)	210,813
--	28,339,803	21,454,740	6,457,052	(8,731)	419,280
<u>\$ 3,528,261</u>	<u>\$ 28,339,803</u>	<u>\$ 21,746,041</u>	<u>\$ 6,536,231</u>	<u>\$ (2,318,716)</u>	<u>\$ 1,267,076</u>

# HALLSVILLE 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 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 274,861	\$ 139,123	\$ 456,492	\$ 1,837	\$ 872,313
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	--	--	268,087	--	--	--	268,087
6212	Audit Services	--	--	--	21,450	--	--	21,450
6213	Tax Appraisal and Collection	--	409,140	--	--	--	--	409,140
621X	Other Prof. Services	--	--	--	66	--	--	66
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	600	3,285	3,165	--	7,050
6240	Contr. Maint. and Repair	--	--	--	--	3,756	--	3,756
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	88,160	--	--	88,160
6290	Miscellaneous Contr.	2,938	--	200	79,175	4,200	133	86,646
6310	Operational Supplies, Materials	--	--	--	--	1,000	--	1,000
6320	Textbooks and Reading	--	--	75	--	55	54	184
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	2,038	23,046	22,285	1,057	48,426
6410	Travel, Subsistence, Stipends	5,627	--	9,527	3,433	--	1,083	19,670
6420	Ins. and Bonding Costs	--	--	--	187	12,226	--	12,413
6430	Election Costs	2,657	--	--	--	--	--	2,657
6490	Miscellaneous Operating	8,257	--	5,294	11,919	21,701	1,421	48,592
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	27,864	27,864

Total \$ 19,479 \$ 409,140 \$ 560,682 \$ 369,844 \$ 524,880 \$ 33,449 \$ 1,917,474

Total Expenditures for General and Special Revenue Funds (9) \$ 40,101,873

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 123,587
Total Debt & Lease (6500)	(11)	\$ 683,861
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 4,298,634
Food (Function 35, 6341 and 6499)	(13)	\$ 557,142
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 369,844

Subtotal 6,033,068

Net Allowed Direct Cost \$ 34,068,805

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 67,625,024
Historical Cost of Buildings over 50 years old	(16)	310,725
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	8,774,702
Historical Cost of Furniture & Equipment over 16 years old	(19)	1,704,895
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 417,183

(8) Note A - \$19,813 in Function 53 expenditures and \$356,457 in Function 99 expenditures are included in this report on administrative costs.

# HALLSVILLE 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)
	<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 744,848	\$ 685,422	\$ (59,426)
5800	State Program Revenues	10,231	14,547	4,316
5900	Federal Program Revenues	1,004,433	938,618	(65,815)
5020	Total Revenues	1,759,512	1,638,587	(120,925)
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	1,859,512	1,583,731	275,781
	Total Support Services - Student (Pupil)	1,859,512	1,583,731	275,781
6030	Total Expenditures	1,859,512	1,583,731	275,781
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(100,000)	54,856	154,856
	Other Financing Sources (Uses):			
7915	Transfers In	100,000	--	(100,000)
7080	Total Other Financing Sources and (Uses)	100,000	--	(100,000)
1200	Net Change in Fund Balance	--	54,856	54,856
0100	Fund Balance - Beginning	57,220	57,220	--
3000	Fund Balance - Ending	\$ 57,220	\$ 112,076	\$ 54,856

# HALLSVILLE 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)
	<b>REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 6,514,415	\$ 6,549,227	\$ 34,812
5020	Total Revenues	6,514,415	6,549,227	34,812
	<b>EXPENDITURES:</b>			
	Debt Service:			
0071	<i>Principal on Long-Term Debt</i>	2,490,000	2,490,000	--
0072	<i>Interest on Long-Term Debt</i>	5,910,003	5,910,003	--
0073	<i>Bond Issuance Costs and Fees</i>	900	900	--
	Total Debt Service	8,400,903	8,400,903	--
6030	Total Expenditures	8,400,903	8,400,903	--
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(1,886,488)	(1,851,676)	34,812
	Other Financing Sources (Uses):			
8949	<i>Other Uses</i>	(3,400,000)	(3,338,712)	61,288
7080	Total Other Financing Sources and (Uses)	(3,400,000)	(3,338,712)	61,288
1200	Net Change in Fund Balance	(5,286,488)	(5,190,388)	96,100
0100	Fund Balance - Beginning	5,296,485	5,296,485	--
3000	Fund Balance - Ending	\$ 9,997	\$ 106,097	\$ 96,100



**WEST, DAVIS & COMPANY, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditors' 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  
Hallsville Independent School District  
Hallsville, Texas

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 Hallsville Independent School District as of and for the year ended August 31, 2011, which collectively comprise the Hallsville Independent School District's basic financial statements and have issued our report thereon dated January 6, 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 Hallsville 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 Hallsville Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hallsville 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 Hallsville 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 the audit committee, 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.

A handwritten signature in black ink, appearing to read "West, Davis & Company", written in a cursive, flowing style.

West, Davis & Company, LLP  
January 6, 2012

**WEST, DAVIS & COMPANY, LLP**  
11824 Jollyville Road, Suite 100  
Austin, Texas 78759

**Independent Auditors' 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  
Hallsville Independent School District  
Hallsville, Texas

Members of the Board of Trustees:

Compliance

We have audited Hallsville 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 Hallsville Independent School District's major federal programs for the year ended August 31, 2011. Hallsville 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 Hallsville Independent School District's management. Our responsibility is to express an opinion on Hallsville 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 Hallsville 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 Hallsville Independent School District's compliance with those requirements.

In our opinion, Hallsville 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.

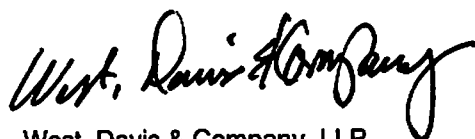
Internal Control Over Compliance

Management of Hallsville 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 Hallsville 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 Hallsville 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 the audit committee, 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.

A handwritten signature in black ink, appearing to read "West, Davis & Company", written in a cursive, flowing style.

West, Davis & Company, LLP  
January 6, 2012

**HALLSVILLE 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>
84.027A	SSA IDEA-B Formula
84.173A	SSA IDEA-B Preschool
84.391A	ARRA - SSA IDEA-Part B Formula
84.392A	ARRA - SSA IDEA-Part B Preschool
84.394A	ARRA - Title XIV State Fiscal Stabilization

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

# HALLSVILLE INDEPENDENT SCHOOL DISTRICT

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

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010A	10610101102904	\$ 322,218
ESEA Title I Part A - Capital Expenses *	84.010A	11610103102904	72,503
Total CFDA Number 84.010A			394,721
SSA IDEA-B Formula *	84.027A	106600011029046600	72,526
SSA IDEA-B Formula *	84.027A	116600011029046600	1,216,673
Total CFDA Number 84.027A			1,289,199
Career and Technical - Basic Grant	84.048A	11420006102904	29,842
SSA IDEA-B Preschool *	84.173A	116610011029046610	24,577
Career and Technical - Technical Preparation	84.243A	11-102-904	3,849
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	10694501102904	9,600
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	11694501102904	106,421
Total CFDA Number 84.367A			116,021
ARRA - Title II Part D Subpart 1-Enhancing Education Through Technology *	84.386A	10553001102904	4,953
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389A	10551001102904	24,063
Title I, Part D ARRA, SP2 - ARRA - Stimulus *	84.389A	10551003102904	39,081
Total CFDA Number 84.389A			63,144
ARRA - SSA IDEA-Part B Formula *	84.391A	10554001102904	315,995
ARRA - SSA IDEA Part B, Preschool *	84.392A	10555001102904	2,533
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394A	10557001102904	434,811
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394A	11557001102904	1,155,010
Total CFDA Number 84.394A			1,589,821
Education Jobs Fund	84.410A	110101102904	700,885
Total Passed Through State Department of Education			4,535,540
Total U. S. Department of Education			4,535,540
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Commodity Supplemental Food Program (Non-cash)	10.550	102-904	83,330
School Breakfast Program *	10.553	71401101	182,444
National School Lunch Program *	10.555	71301101	672,844
Total Passed Through State Department of Education			938,618
Total U. S. Department of Agriculture			938,618
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,474,158

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

The accompanying notes are an integral part of this schedule.

**HALLSVILLE 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 Hallsville 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.

**HALLSVILLE 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?	\$ --