

DALHART INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2009

DALHART INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2009

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DALHART INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Dalhart Independent School District
Name of School District

Dallam
County

056901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2009, at a meeting of the Board of Trustees of such school district on the 22nd day of January 2010.

(Original signature on file with TEA)
Signature of Board Secretary

(Original signature on file with TEA)
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)

KEENEY, HEMBREE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

116 EAST SEVENTH

P. O. BOX 800 – TELEPHONE 806-935-4188

DUMAS, TEXAS 79029

THOMAS R. BRANDON, C.P.A.
K. B. "BART" TEMPLETON, C.P.A.
COY BARTON, C.P.A.

MEMBERS OF

THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE AICPA'S PRIVATE COMPANIES
PRACTICE SECTION

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

***Unqualified Opinion on Basic Financial Statements Accompanied By
Required Supplementary Information and Other Supplementary Information
Including the Supplementary Schedule of Expenditures of Federal Awards***

Board of Trustees
Dalhart Independent School District
701 East 10th
Dalhart, Texas

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dalhart Independent School District (the District) as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Dalhart Independent School District as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on pages 5 through 12 and 52 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Dalhart Independent School District's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such 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.

Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the table of contents as J-1 through J-5. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Keeney, Hembree & Company
(Original signature on file with TEA)

January 18, 2010

DALHART INDEPENDENT SCHOOL DISTRICT
Introductory To Management's Discussion and Analysis
For the Year Ended August 31, 2009

To the Citizens and Taxpayers of Dalhart Independent School District:

The Annual Financial Report of the Dalhart Independent School District, for the year ended August 31, 2009, is hereby submitted. The District is responsible for the completeness and fairness of these financial statements.

The financial statements are presented in the following sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Combining and Other Schedules, Required TEA Schedules, and Reports on Compliance, Internal Control, and Federal Awards.

This financial report is designed to provide the citizens and taxpayers of Dalhart Independent School District information concerning the financial condition of the District.

The increase of state and federal compliance requirements has provided challenges to the District's Board of Trustees and administration. Budgeting continues to be a major priority to provide quality education for the students and responsible fiscal decision making for the patrons of this District.

The District is making improvements each year to the District's plant and equipment in order to maintain our school for future years. The future appears to be good for the District with the continued good stewardship by the administration and Board of Trustees.

Sincerely,

(Original signature on file with TEA)

David Foote
Superintendent

DALHART INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the administration of Dalhart Independent School District, discuss and analyze the District's financial performance for the year ended August 31, 2009. Please read it in conjunction with our transmittal letter on page 5, the Independent Auditor's Report on pages 2-4, and the District's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

The District's net assets decreased by \$0.19 million as a result of this year's operations. Net assets decreased by about 1.98%.

During the 2009 year, the District's expenses were \$0.19 million more than the \$15.7 million generated in tax and other revenues for governmental activities.

Total cost of all of the District's programs, after charges for services and operating grants, was \$12.8 million, which was an increase from last year of about \$1.01 million.

The General Fund ended the twelve month period with a fund balance of \$1.73 million which is less than last year's balance of \$1.88 million.

The resources available for appropriation were \$0.57 million less than the expenditures budgeted for in 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 13 and 14). 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 15) 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 other government entities 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.

Dalhart Independent School District
Management's Discussion and Analysis (continued)

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled Required TEA Schedules and Reports on Compliance, Internal Control, and Federal Awards 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 13. 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 twelve month period and the Statement of Activities includes all the revenues and expenses generated by the District's operations during the twelve month period. 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.

There is one kind of activity for the District in the Statement of Net Assets and the Statement of Activities, that activity being:

- Governmental activities – Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, 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 15 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.
- Proprietary funds – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The internal service funds (one category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities – such as the District's self-insurance workers' compensation program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Net Assets - Fiduciary Funds on page 22. 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.

Dalhart Independent School District
Management's Discussion and Analysis (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement No. 34 in prior years. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Net assets of the District's governmental activities decreased from \$9.84 million to \$9.64 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, were \$1.82 million at August 31, 2009, down by \$0.16 million from last year.

Table I
Dalhart Independent School District

NET ASSETS (in thousands)			
	Governmental Activities 2009	Total 2009	Total 2008
Current and other assets	\$ 2,783	\$ 2,783	\$ 4,473
Capital assets	26,974	26,974	25,547
Total Assets	<u>29,757</u>	<u>29,757</u>	<u>30,020</u>
Long-term liabilities	19,541	19,541	19,491
Other liabilities	573	573	691
Total Liabilities	<u>20,114</u>	<u>20,114</u>	<u>20,182</u>
Net Assets:			
Invested in capital assets, net of related debt	7,774	7,774	6,414
Restricted	48	48	1,447
Unrestricted	<u>1,821</u>	<u>1,821</u>	<u>1,977</u>
Total Net Assets	<u>\$ 9,643</u>	<u>\$ 9,643</u>	<u>\$ 9,838</u>

Dalhart Independent School District
Management's Discussion and Analysis (continued)

Table II
Dalhart Independent School District

CHANGES IN NET ASSETS
(in thousands)

	Governmental Activities 2009	Total 2009	Total 2008
Revenues:			
Program Revenues:			
Charges for services	\$ 295	\$ 295	\$ 231
Operating grants and contributions	2,839	2,839	2,957
General Revenues:			
Maintenance and operations taxes	5,351	5,351	5,063
Debt service taxes	1,058	1,058	892
State aid - formula grants	5,784	5,784	6,382
Grants and contributions not restricted	2	2	-
Investment earnings	29	29	506
Miscellaneous	389	389	193
Total Revenues	15,747	15,747	16,224
Expenses:			
Instruction and instructional-related services	8,699	8,699	8,434
Instructional and school leadership	1,086	1,086	961
Student support services	818	818	852
Child nutrition	849	849	771
Cocurricular activities	568	568	606
Administrative support services	484	484	476
Support services - non-student based	2,310	2,310	1,769
Community services	22	22	15
Debt services	912	912	934
Intergovernmental charges	194	194	168
Total Expenses	15,942	15,942	14,986
Increase (decrease) in net assets before transfers and special items	(195)	(195)	1,238
Transfers	-	-	-
Special items	-	-	-
Net Assets at Beginning of Year	9,838	9,838	8,949
Prior Period Adjustment	-	-	(349)
Net Assets at End of Year	\$ 9,643	\$ 9,643	\$ 9,838

Dalhart Independent School District
Management's Discussion and Analysis (continued)

The District's total revenues in the governmental activities decreased by \$0.48 million from last year. The total cost of all programs and services for governmental activities increased by \$0.96 million.

The following took place to compensate for some of the increase in cost and to avoid loss of state revenue:

- The District monitored expenditures in all areas.

The cost of all governmental activities this year was \$15.94 million compared to \$14.99 million last year. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$12.81 million because some of the costs were paid by those who directly benefited from the programs (\$0.30 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2.84 million).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$1.80 million, which is lower than last year's total of \$3.34 million. Included in this year's total change in fund balance is a decrease of \$0.14 million in the District's General Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2008). 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 District's General Fund balance of \$1.73 million reported on page 15 differs from the General Fund's budgetary fund balance of \$1.41 million reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 52. This is principally due to less expenditures at year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the District had \$26.97 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of just over \$1.43 million above last year.

Dalhart Independent School District
Management's Discussion and Analysis (continued)

This year's major additions included (in thousands):

Buildings and improvements	\$ 2,055
Furniture and equipment	54
Land	<u>55</u>
Total	<u><u>\$ 2,164</u></u>

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

Debt

At year-end, the District had \$19.32 million in bonds and notes outstanding versus \$19.26 million last year. More detailed information about the District's long-term liabilities is presented in Note IV.H. 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 2010 budget and tax rates. One of those factors is the economy. The District's student population has remained fairly stable with a slight increase in the last year. With that trend in mind, the Board of Trustees adopted a budget for 2010 that made the assumption that student population would be up again but not significantly.

These indicators were taken into account when adopting the General Fund budget for 2010. Amounts available for appropriation in the General Fund budget are \$11.90 million, a decrease of 3.22% over the final 2009 budget of \$12.29 million. The District will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to decrease from 2009 by \$0.40 million. The District has added no major new programs or initiatives to the 2010 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by \$0.11 million at the close of 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Dalhart Independent School District, 701 East 10th, Dalhart, Texas, 79022.

BASIC FINANCIAL STATEMENTS

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
August 31, 2009

		Primary	Government
Data			
Control			
Codes		Governmental	Activities
ASSETS			
1110	Cash and Cash Equivalents	\$	2,105,660
1120	Current Investments		137,679
1220	Property Taxes Receivable (Delinquent)		84,469
1230	Allowance for Uncollectible Taxes		(5,069)
1240	Due from Other Governments		68,961
1300	Inventories		50,231
1420	Capitalized Bond and Other Debt Issuance Costs		341,625
Capital Assets:			
1510	Land		491,697
1520	Buildings, Net		26,133,151
1530	Furniture and Equipment, Net		102,838
1540	Other Capital Assets, Net		246,238
1000	Total Assets		29,757,480
LIABILITIES			
2110	Accounts Payable		22,533
2140	Interest Payable		37,501
2160	Accrued Wages Payable		429,700
2200	Accrued Expenses		83,754
Noncurrent Liabilities			
2501	Due Within One Year		640,000
2502	Due in More Than One Year		18,901,219
2000	Total Liabilities		20,114,707
NET ASSETS			
3200	Invested in Capital Assets, Net of Related Debt		7,774,330
3850	Restricted for Debt Service		47,543
3860	Restricted for Capital Projects		280
3900	Unrestricted Net Assets		1,820,620
3000	Total Net Assets	\$	9,642,773

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended August 31, 2009

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 8,010,167	\$ 9,135	\$ 1,753,372	\$ (6,247,660)
12 Instructional Resources and Media Services	460,853	-	29,662	(431,191)
13 Curriculum and Instructional Staff Development	227,720	-	31,450	(196,270)
21 Instructional Leadership	302,846	-	37,401	(265,445)
23 School Leadership	782,853	-	36,964	(745,889)
31 Guidance, Counseling, and Evaluation Services	421,231	-	128,230	(293,001)
32 Social Work Services	22,679	-	22,679	-
33 Health Services	91,347	-	7,738	(83,609)
34 Student (Pupil) Transportation	282,770	-	7,668	(275,102)
35 Food Services	849,092	241,522	562,545	(45,025)
36 Extracurricular Activities	567,657	40,181	19,945	(507,531)
41 General Administration	484,543	4,546	19,106	(460,891)
51 Plant Maintenance and Operations	2,261,386	-	44,075	(2,217,311)
52 Security and Monitoring Services	3,308	-	-	(3,308)
53 Data Processing Services	45,029	-	-	(45,029)
61 Community Services	22,169	-	17,169	(5,000)
72 Debt Service - Interest on Long-Term Debt	891,935	-	121,280	(770,655)
73 Debt Service - Bond Issuance Cost and Fees	20,312	-	-	(20,312)
99 Other Intergovernmental Charges	194,263	-	-	(194,263)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 15,942,160	\$ 295,384	\$ 2,839,284	(12,807,492)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			5,350,364
DT	Property Taxes, Levied for Debt Service			1,058,149
SF	State Aid - Formula Grants			5,784,258
GC	Grants and Contributions not Restricted			1,709
IE	Investment Earnings			28,667
MI	Miscellaneous Local and Intermediate Revenue			389,387
TR	Total General Revenues			12,612,534
CN	Change in Net Assets			(194,958)
NB	Net Assets--Beginning			9,837,731
NE	Net Assets--Ending			\$ 9,642,773

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT

Balance Sheet
Governmental Funds
August 31, 2009

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,948,448	\$ 280	\$ 54,416	\$ 2,003,144
1120 Investments - Current	137,679	-	-	137,679
1220 Property Taxes - Delinquent	72,660	-	11,809	84,469
1230 Allowance for Uncollectible Taxes (Credit)	(4,360)	-	(709)	(5,069)
1240 Due from Other Governments	9,503	-	59,458	68,961
1300 Inventories	46,316	-	3,915	50,231
1000 Total Assets	<u>\$ 2,210,246</u>	<u>\$ 280</u>	<u>\$ 128,889</u>	<u>\$ 2,339,415</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 21,341	\$ -	\$ -	\$ 21,341
2160 Accrued Wages Payable	377,068	-	52,632	429,700
2200 Accrued Expenditures	8,723	-	-	8,723
2300 Deferred Revenues	68,300	-	11,100	79,400
2000 Total Liabilities	<u>475,432</u>	<u>-</u>	<u>63,732</u>	<u>539,164</u>
Fund Balances:				
Reserved For:				
3410 Investments in Inventory	46,316	-	3,915	50,231
3420 Retirement of Long-Term Debt	-	-	47,543	47,543
3450 Food Service	-	-	18,272	18,272
Unreserved Designated For:				
3510 Construction	-	280	-	280
Unreserved and Undesignated:				
3600 Reported in the General Fund	1,688,498	-	-	1,688,498
3610 Reported in Special Revenue Funds	-	-	(4,573)	(4,573)
3000 Total Fund Balances	<u>1,734,814</u>	<u>280</u>	<u>65,157</u>	<u>1,800,251</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,210,246</u>	<u>\$ 280</u>	<u>\$ 128,889</u>	<u>\$ 2,339,415</u>

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
August 31, 2009

Total Fund Balances - Governmental Funds	\$ 1,800,251
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	26,293
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,912,894 and the accumulated depreciation was \$8,366,389. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	6,285,425
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays, debt principal payments, and debt issued is to increase net assets.	2,104,684
4 The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(736,185)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying proceeds of maintenance tax notes as an increase in other long-term debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	162,305
19 Net Assets of Governmental Activities	\$ 9,642,773

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2009

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,807,297	\$ 5,686	\$ 1,317,779	\$ 7,130,762
5800 State Program Revenues	6,357,619	-	411,837	6,769,456
5900 Federal Program Revenues	46,439	-	1,809,395	1,855,834
5020 Total Revenues	12,211,355	5,686	3,539,011	15,756,052
EXPENDITURES:				
Current:				
0011 Instruction	6,594,151	-	1,344,084	7,938,235
0012 Instructional Resources and Media Services	455,046	-	5,807	460,853
0013 Curriculum and Instructional Staff Development	203,731	-	23,989	227,720
0021 Instructional Leadership	274,276	-	28,570	302,846
0023 School Leadership	782,853	-	-	782,853
0031 Guidance, Counseling, and Evaluation Services	306,855	-	114,376	421,231
0032 Social Work Services	-	-	22,679	22,679
0033 Health Services	88,395	-	2,952	91,347
0034 Student (Pupil) Transportation	235,629	-	-	235,629
0035 Food Services	-	-	847,177	847,177
0036 Extracurricular Activities	559,646	-	3,235	562,881
0041 General Administration	482,214	-	-	482,214
0051 Facilities Maintenance and Operations	1,610,868	-	-	1,610,868
0052 Security and Monitoring Services	3,308	-	-	3,308
0053 Data Processing Services	44,012	-	-	44,012
0061 Community Services	5,000	-	17,169	22,169
Debt Service:				
0071 Debt Service - Principal on Long-Term Debt	266,080	-	425,000	691,080
0072 Debt Service - Interest on Long-Term Debt	16,036	-	886,200	902,236
0073 Debt Service - Bond Issuance Cost and Fees	10,910	-	1,000	11,910
Capital Outlay:				
0081 Facilities Acquisition and Construction	60,074	2,077,591	-	2,137,665
Intergovernmental:				
0099 Other Intergovernmental Charges	194,263	-	-	194,263
6030 Total Expenditures	12,193,347	2,077,591	3,722,238	17,993,176
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	18,008	(2,071,905)	(183,227)	(2,237,124)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	750,000	-	-	750,000
7915 Transfers In	-	791,672	63,271	854,943
8911 Transfers Out (Use)	(908,943)	-	(1,000)	(909,943)
7080 Total Other Financing Sources (Uses)	(158,943)	791,672	62,271	695,000
1200 Net Change in Fund Balances	(140,935)	(1,280,233)	(120,956)	(1,542,124)
0100 Fund Balance - September 1 (Beginning)	1,875,749	1,280,513	186,113	3,342,375
3000 Fund Balance - August 31 (Ending)	\$ 1,734,814	\$ 280	\$ 65,157	\$ 1,800,251

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended August 31, 2009

Total Net Change in Fund Balances - Governmental Funds	\$ (1,542,124)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net assets.	(13,439)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays, debt principal payments, and debt issued is to increase net assets.	2,104,684
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(736,185)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of maintenance tax notes, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.	(7,894)
Change in Net Assets of Governmental Activities	<hr/> \$ (194,958) <hr/>

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
August 31, 2009

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 102,516
Total Assets	<u>102,516</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,192
Accrued Expenses	<u>75,031</u>
Total Liabilities	<u>76,223</u>
NET ASSETS	
Unrestricted Net Assets	<u>26,293</u>
Total Net Assets	<u><u>\$ 26,293</u></u>

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended August 31, 2009

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 943
Total Operating Revenues	943
OPERATING EXPENSES:	
Other Operating Costs	69,382
Total Operating Expenses	69,382
Income (Loss) Before Transfers	(68,439)
Transfer In	55,000
Change in Net Assets	(13,439)
Total Net Assets - September 1 (Beginning)	39,732
Total Net Assets - August 31 (Ending)	\$ 26,293

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended August 31, 2009

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Other Revenue	\$ 943
Cash Payments for Insurance Claims	(73,075)
Net Cash Used for Operating Activities	(72,132)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Transfer In	55,000
Net Decrease in Cash and Cash Equivalents	(17,132)
Cash and Cash Equivalents at Beginning of the Year:	119,648
Cash and Cash Equivalents at the End of the Year:	\$ 102,516
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (68,439)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	1,192
Increase (decrease) in Accrued Expenses	(4,885)
Net Cash Used for Operating Activities	\$ (72,132)
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash and Cash Equivalents on Balance Sheet	\$ 102,516
	\$

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
Fiduciary Funds
August 31, 2009

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 136,574
Total Assets	<u>\$ 136,574</u>
LIABILITIES	
Due to Student Groups	\$ 136,574
Total Liabilities	<u>\$ 136,574</u>

The notes to the financial statements are an integral part of this statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dalhart Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Dalhart Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The Charges for Services column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The Operating Grants and Contributions column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

B. Government-Wide and Fund Financial Statements (continued)

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Funds Balance Sheet and the Proprietary Funds Statement of Net Assets and as other sources and other uses on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - Governmental, Proprietary, and Fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds to be major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available [*GASB 2300.106a(5) and 1600.108*], and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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 [*GASB 2300.106a(5) and 1600.108*].

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount [*GASB 2300.106a(5) and 1600.108*].

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements [*GASB 2300.106a(7) and P80.104-107*]. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

D. Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** - The Capital Projects Fund is used to account for the debt proceeds used to make significant improvements to school buildings. This fund will be used for the construction of the new high school and renovation at other school facilities.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

1. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Workers' Compensation Self-Insurance Fund. The District entered into an interlocal agreement with the Public Workers' Compensation Program beginning September 1, 2009, to provide workers' compensation benefits. This Internal Service Fund is expected to be closed during the 2009-2010 year.

Fiduciary Funds:

1. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in Agency Funds. The District's Agency Funds are the Activity or Class Funds.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

E. Other Accounting Policies

1. For purposes of the Statement of Cash Flows for Proprietary Funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased [*GASB 2300.106a(6) and 2450.106-108*].
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, transportation items, and food supplies. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market value supplied by the Texas Department of Human Services. The school supply inventories at August 31, 2009, were \$46,316 for the General Fund. The food supply inventories at August 31, 2009, were \$3,915 for the National School Breakfast and Lunch Fund.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary funds type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. After one year of service, certain employees earn ten days of vacation. Vacations are to be taken within the same year they are earned, and any unused days are forfeited upon termination or retirement. Therefore, no liability for compensated absences has been accrued in the financial statements. All employees of the District earn five days of local sick leave per year. Local sick leave may be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the financial statements.
5. Capital assets, which include land, buildings, furniture and equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

E. Other Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, infrastructure, vehicles, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-75
Infrastructure	50
Vehicles	2-15
Furniture and equipment	3-15

6. Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. The District had no restrictions on assets for the current year.
8. The District has a Workers' Compensation Self-Insurance Plan for the employees of the District. The Plan was accounted for in the Internal Service Fund. Beginning September 1, 2009, the District will participate in the Public Workers' Compensation Program (the "Program") self-insurance fund for workers' compensation insurance.
9. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The District has no designated fund balances.
10. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
11. The District reports investments at fair market value.
12. The District is a participant in a group self-insurance pool with TRS Active Care. The District has no risks or liabilities associated with the health insurance plan.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

E. Other Accounting Policies (continued)

13. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the Governmental Funds Balance Sheet and the net assets for governmental activities as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that capital assets are not financial resources, and therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, loans, and notes payable, are not due and payable in the current period and are not reported as liabilities in the funds.

The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the Year	Historical Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Assets
Land	\$ 436,623	\$ -	\$ 436,623	
Buildings and improvements	30,243,349	6,942,753	23,300,596	
Furniture and equipment	589,549	525,309	64,240	
Vehicles	1,199,106	898,327	300,779	
Construction in progress	1,444,267	-	1,444,267	
Totals	<u>\$ 33,912,894</u>	<u>\$ 8,366,389</u>	<u>\$ 25,546,505</u>	\$ 25,546,505
			Payable at the Beginning of the Year	
<u>Long-Term Liabilities at the Beginning of the Year</u>				
Bonds payable less deferred charges			\$ 18,995,000	
Loans and notes payable			266,080	
Capital leases payable			-	
Totals			<u>\$ 19,261,080</u>	(19,261,080)
Net Adjustment to Net Assets				<u>\$ 6,285,425</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the changes in net assets of governmental activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets.

The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
<u>Current Year Capital Outlay</u>			
Land	\$ 55,074	\$ 55,074	\$ 55,074
Buildings and improvements	2,054,663	2,054,663	2,054,663
Furniture and equipment	53,867	53,867	53,867
Vehicles	-	-	-
Contruction in Progress	-	-	-
	<u>\$ 2,163,604</u>	<u>\$ 2,163,604</u>	<u>2,163,604</u>
<u>Debt Principal Payments</u>			
Bond principal	\$ 425,000	\$ 425,000	425,000
Loan and note principal	266,080	266,080	266,080
Capital lease payments	-	-	-
Other	-	-	-
	<u>\$ 691,080</u>	<u>\$ 691,080</u>	<u>691,080</u>
<u>Debt Proceeds</u>			
Maintenance tax notes	<u>\$ (750,000)</u>	<u>\$ (750,000)</u>	<u>(750,000)</u>
Total Adjustment to Net Assets			<u>\$ 2,104,684</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (continued)

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items.

The details for this element are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue:</u>			
Uncollected taxes (assumed collectible) from current year levy	\$ (9,754)	\$ (9,754)	\$ (9,754)
Other revenues	(39)	(39)	(39)
<u>Reclassify Proceeds of Bonds, Loans, and Capital Leases:</u>			
Debt issuance costs	(8,402)	(8,402)	(8,402)
<u>Reclassify Certain Expenditures to Accrued Interest Payable:</u>			
Interest	<u>10,301</u>	<u>10,301</u>	<u>10,301</u>
Totals	<u><u>\$ (7,894)</u></u>	<u><u>\$ (7,894)</u></u>	<u><u>\$ (7,894)</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Food Service Fund of the Special Revenue Funds, and Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

A. Budgetary Data (continued)

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant in the General Fund:

a.	Function 12 -	Instructional Resources and Media Services	\$	63,227
		For payroll and miscellaneous		
b.	Function 13 -	Curriculum and Instructional Staff Development		50,906
		For payroll and miscellaneous		
c.	Function 21 -	Instructional Leadership		142,111
		For payroll and miscellaneous		
d.	Function 23 -	School Leadership		66,163
		For payroll and miscellaneous		
e.	Function 31 -	Guidance, Counseling, and Evaluation Services		48,587
		For payroll and miscellaneous		
f.	Function 36 -	Cocurricular/Extracurricular Activities		62,330
		For payroll, transportation cost, and miscellaneous		
g.	Function 51 -	Facilities Maintenance and Operations		365,200
		For payroll, maintenance, and miscellaneous		
h.	Function 71 and 72 -	Debt Service		418,699
		Pay off debt in current year of loan at bank		
i.	Function 81 -	Facilities Acquisition and Construction		60,500
		Bus facilities		

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

A. Budgetary Data (continued)

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>August 31, 2009</u> <u>Fund Balance</u>
Appropriated Budget Funds	\$ 17,614
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u><u>\$ 17,614</u></u>

B. Excess of Expenditures over Appropriation

The District expended more than budgeted for the following:

Child Nutrition Fund:

Function 35 - Food Service	<u>\$ 107,887</u>
Caused by unexpected expenditures at year-end and year-end adjustments	

General Fund:

Function 51 - Facilities Maintenance and Operations	<u>\$ 12,413</u>
Caused by unexpected expenditures at year-end	
Function 73 - Debt Service - Bond Issuance Cost and Fees	<u>\$ 10,910</u>
Caused by year-end coding errors by District	
Function 99 - Other Intergovernmental Charges	<u>\$ 19,677</u>
Caused by year-end coding errors by District	

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits and Investments

Compliance with the Public Funds Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2009, Dalhart Independent School District had the following investments:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
<u>Investment Type</u>					
TexPool	\$ 99,761	\$ 99,761	\$ -	\$ -	\$ -
First Public - Lone Star Investment Pool	1,729,033	1,729,033	-	-	-
Certificate of Deposit - First State Bank	<u>137,679</u>	<u>137,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>1,966,473</u>	<u>1,966,473</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments reported as cash and cash equivalents	<u>(1,828,794)</u>	<u>(1,828,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments - not reported as cash and cash equivalents	<u>\$ 137,679</u>	<u>\$ 137,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

A. Deposits and Investments (continued)

Additional contractual provisions governing deposits and investments for Dalhart Independent School District are as follows:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments that comply with the Public Funds Investment Act and all federal, state, and local statutes, rules, or regulations. The District's policy emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. During the year, the District's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. At August 31, 2009, the District's deposits were covered with depository insurance in the amount of \$254,282 and collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$2,298,836.

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District or its designated agent. All of the District's pledged securities are held by the District's agent. During the year, the District's investments in external investment pools were not subject to custodial credit risk for investments.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District's investment policy emphasizes safety of principal and liquidity. The policy requires prudence with respect to single investments. During the year, the District invested in certificates of deposit, First Public - Lone Star Investment Pool, and TexPool under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and Public Funds Investments Act, Chapter 2256, Texas Government Code. The District was not exposed to any concentration of credit risk for the year ended August 31, 2009.

Investment Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that investments shall not exceed one year from time of purchase unless specifically authorized by the Board for a given investment. The District was not exposed to any investment rate risk at August 31, 2009.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

A. Deposits and Investments (continued)

Foreign Currency Risk for Investments

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign investments. The District was not exposed to any foreign currency risk for investments at August 31, 2009.

Other Credit Risk Exposure

The District had no other known credit risk exposure at August 31, 2009.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended August 31, 2009.

Market values are based on quoted market values. The investments are reported by the School District at amortized cost in accordance with Governmental Accounting Standards Board Statement (GASB) No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." All gains/losses that are reported in the financial statements are for realized gains/losses. In accordance with GASBS No. 31, no unrealized gains/losses were recognized.

TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and Texas Government Code, Chapter 2256. The participation agreement was made and entered into by and between Dalhart Independent School District and the Comptroller of Public Accounts, acting on behalf of Texas Treasury Safekeeping Trust Company, trustee of the Texas Local Government Investment Pool. The Trust Company has specifically identified the authorized investments consistent with the Investment Act. The District owns an undivided beneficial interest in the assets of TexPool in an amount proportional to the total amount of the District's accounts relative to the total amount of all the participants' accounts in TexPool, computed on a daily basis.

Lone Star Investment Pool is a public funds investment pool created under the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. The Lone Star Investment Pool includes the Liquidity Plus Fund, in which the District participates, whose investments are confined to securities having effective maturities at various times within two years from the date of purchase of the securities. The average dollar-weighted maturity of the fund does not exceed 120 days. Lone Star Investment Pool is authorized to invest in obligations of the United States; any obligations backed by the full faith and credit of the United States; fully collateralized repurchase agreements having a defined termination date secured by obligations of the United States; and no-load money market mutual funds regulated by the SEC with certain exceptions as defined in the Lone Star Investment Pool Information Statement.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

B. Property Taxes

[GASB 2300.107b and P70.103-.105 & .109] 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 located in the District 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The assessed value of the property tax roll on August 1, 2008, upon which the levy for the 2008-2009 fiscal year was based, was \$533,097,869. The roll was subsequently decreased to a year-end assessed value of \$529,916,708.

The tax rates assessed, for the year ended August 31, 2009, were \$1.04 and \$0.169 per \$100 valuation to finance General Fund operations and pay principal and interest on long-term obligations in the Debt Service Fund, respectively, for a total of \$1.209 per \$100 valuation.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

The delinquent taxes and allowance for uncollectible taxes consisted of the following at August 31, 2009:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Delinquent Taxes Receivable	\$ 72,660	\$ 11,809
Allowance for uncollectible taxes (credit)	<u>(4,360)</u>	<u>(709)</u>
Net Delinquent Taxes Receivable at August 31, 2009	<u>\$ 68,300</u>	<u>\$ 11,100</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

D. Interfund Balances and Transfers

[GASB 2300.106o] Interfund transfers for the year ended August 31, 2009, consisted of the following:

Transfers to Nonmajor Governmental Funds from:

General Fund	\$ 63,271
	<hr/>
Total Transferred to Nonmajor Governmental Funds	\$ 63,271
	<hr/> <hr/>

Transfers to Internal Service Fund from:

General Fund	\$ 55,000
	<hr/>
Total Transferred to Internal Service Fund	\$ 55,000
	<hr/> <hr/>

Transfers to Capital Projects Fund from:

Nonmajor Governmental Funds	\$ 1,000
General Fund	790,672
	<hr/>
Total Transferred to Capital Projects Fund	\$ 791,672
	<hr/> <hr/>

The purpose of these interfund transfers is to allow for ease of funding the daily operations of the District.

Receivables at August 31, 2009, were as follows:

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

F. Capital Asset Activity

[GASB Codification Section 2300.1061] Capital asset activity for the District for the year ended August 31, 2009, was as follows:

	Primary Government				
	Beginning Balance	Additions	Retirements	Other Reclassifications	Ending Balance
Governmental Activities:					
Land	\$ 436,623	\$ 55,074	\$ -	\$ -	\$ 491,697
Total Assets Not Being Depreciated	436,623	55,074	-	-	491,697
Buildings and improvements	30,243,349	2,054,663	-	1,444,267	33,742,279
Furniture and equipment	589,549	53,867	-	-	643,416
Vehicles	1,199,106	-	-	-	1,199,106
Construction in progress	1,444,267	-	-	(1,444,267)	-
Total Assets Being Depreciated	33,476,271	2,108,530	-	-	35,584,801
Totals at Historical Cost	33,912,894	2,163,604	-	-	36,076,498
Less Accumulated Depreciation for:					
Buildings and improvements	6,942,753	666,375	-	-	7,609,128
Furniture and equipment	525,309	15,269	-	-	540,578
Vehicles	898,327	54,541	-	-	952,868
Total Accumulated Depreciation	8,366,389	736,185	-	-	9,102,574
Governmental Activities Capital Assets, Net	<u>\$25,546,505</u>	<u>\$ 1,427,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,973,924</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Data Control Codes	Expense	Amount
0010	Instruction and instructional - related services	\$ 2,550
0030	Support services - student (pupil)	53,832
0040	Administrative support services	2,329
0050	Support services - non-student based	677,474
	Total Depreciation Expense	<u>\$ 736,185</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

G. Short-Term Debt Payable

[GASB 2300.107f] The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The District had no short-term loans payable at August 31, 2009.

H. Bonds and Long-Term Debt Payable

[GASB 2300.106m and 2200.109 and 2300.106i] Long-term debt of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the General Fund and Debt Service Fund.

The loan from First National Bank in Dalhart, Texas, dated January 11, 1999, is in conformity with the constitution and laws of the State of Texas. The loan amount of \$266,080 was due to be repaid on January 11, 2014. Interest is due the eleventh day of each January until the loan is repaid. The interest rate is renegotiated every five years beginning January 11, 2004. The interest rate changed from 5.25% to 4.5% on January 11, 2009. The current year interest paid was \$16,036. The purpose of this loan was to purchase 66.52 acres of land east of the high school. The loan was repaid in March 2009 in the General Fund from Fund Balance. The difference between the cash flow requirements to service the loan over its life and the cash flow requirements to pay the loan off in 2009 was \$45,670. The economic gain or (loss) in 2009 that resulted was \$11,204. There was no book gain or (loss).

The Series 2006 Unlimited Tax Refunding Bonds (\$3,150,000), dated July 15, 2006, were received in August 2006 in conformity with the constitution and laws of the State of Texas, including provisions of the Government Code, Chapter 1207. The refunding bonds were issued to refund in 2006 the District's outstanding Series 2003 Maintenance Tax Notes. The bonds are payable from proceeds of ad valorem tax levied in the Interest and Sinking Fund on all taxable property within the District without legal limitation as to the rate or amount. The maturity date of the bonds is February 15, 2016. Principal on the bonds is due each February 15 until the maturity date. Interest is due semi-annually each February 15 and August 15 until February 15, 2016. The interest rate ranges from 4.25% to 4.3%. The current year interest paid was \$110,195. The refunding bond proceeds were used to pay off in 2006 the Series 2003 Maintenance Tax Notes principal and interest of \$2,953,069 and \$1,916, respectively. The District had a prepayment premium in 2006 of \$96,586 on the Maintenance Tax Notes. The difference between the cash flow requirements to service the Series 2006 Unlimited Tax Refunding Bonds over its life and the cash flow requirements necessary to service the Series 2003 Maintenance Tax Notes in 2006 was \$(68,913). The economic gain or (loss) in 2006 that resulted because of the advance refunding was \$4,546. There was no book gain or (loss). The administration has indicated the District is in compliance with all reporting requirements.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

H. Bonds and Long-Term Debt Payable (continued)

The Unlimited Tax School Building Bonds, Series 2006 (\$16,200,000), dated July 15, 2006, were received in August 2006 and were authorized in accordance with the constitution and laws of the State of Texas in the principal amount of \$16,200,000 for the acquisition, construction, and equipment of school buildings, purchase of necessary sites to construct and equip a new high school, and renovate and expand other school facilities. The bonds are payable from proceeds of ad valorem tax levied on all taxable property within the District without legal limitation as to rate or amount in the Interest and Sinking Fund. Interest is payable semi-annually on each August 15 and February 15 until the maturity date of February 15, 2036, or date of redemption prior to maturity. The interest rate of this bond issue ranges from 4.25% to 5.125%. The principal of the bonds was due February 15, 2009, and each February 15 thereafter to the maturity date.

The bonds of this series maturing on February 15 in the years 2031 and 2036 are subject to mandatory redemption prior to maturity in part at random, by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, in amounts sufficient to redeem said bonds on August 15 in the years and principal amounts shown on the following schedule. Such bonds shall be redeemed with funds from the Interest and Sinking Fund created by the bond order and shall be redeemed by the Paying Agent/Registrar in part prior to maturity with funds from the Interest and Sinking Fund, for the principal amount thereof and accrued interest to the date of redemption, and without premium, on each of the aforesaid dates, in the principal amounts, respectively, as set forth in the following schedule:

Bonds Maturing February 15, 2031		Bonds Maturing February 15, 2036	
Year	Principal Amount	Year	Principal Amount
2027	\$ 665,000	2032	\$ 860,000
2028	700,000	2033	905,000
2029	740,000	2034	955,000
2030	775,000	2035	1,005,000
2031 ¹	820,000	2036 ¹	1,055,000

¹ Final maturity of bond

The principal amount of the bonds required to be redeemed pursuant to the operation of such mandatory sinking fund shall be reduced by the principal amount of any bonds that, at least 45 days prior to the mandatory sinking fund redemption date, shall have been (1) purchased by the issuer and delivered to the Paying Agent/Registrar for redemption or (2) redeemed pursuant to the optional redemption provision described below and delivered to the Paying Agent/Registrar for cancellation.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

H. Bonds and Long-Term Debt Payable (continued)

In addition to the mandatory redemption provisions described above, on August 15, 2016, or on any date thereafter, the bonds of this series maturing on February 15, 2017, or thereafter, may be redeemed prior to their scheduled maturities, at the option of the issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular bonds, or portions thereof, to be redeemed shall be selected and designated by the issuer (provided that a portion of a bond may be redeemed only in an integral multiple of \$5,000) at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the date fixed for redemption.

The current year interest paid on these bonds is \$776,005. The administration has indicated the District is in compliance with all reporting requirements. Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, the bonds are guaranteed by the corpus of the Permanent School Fund of the state pursuant to the bond guarantee program administered by the Texas Education Agency. The guarantee shall be removed in its entirety upon defeasance of such bond. The District had no defeasance of such bonds at August 31, 2009.

The Series 2009 Maintenance Tax Notes, dated August 15, 2009, were received in August 2009 in conformity with the constitution and laws of the State of Texas, including Chapter 45.108 of the Texas Education Code. The purpose of the Series 2009 Maintenance Tax Notes is paying maintenance expenses of the District in connection with the maintenance, repair, rehabilitation, enhancement or replacement of existing school property, such expenses consisting of expenses incurred in connection with the renovation and rehabilitation of the elementary school kitchen area and the purchase of kitchen equipment, athletic equipment, stage equipment, appliances, science lab equipment, auditorium seats, stadium seats, and shop equipment. The Series 2009 Maintenance Tax Notes are secured by and from any available revenue of the District, including but in no way limited to the following sources: ad valorem taxes levied by the Board for maintenance purposes by the District, within the limits prescribed by law, local non-tax income, interest and other income, and state appropriations to the District. The maturity date of the Series 2009 Maintenance Tax Notes is February 15, 2014. Principal on the Series 2009 Maintenance Tax Notes is due each February 15 until the maturity date. Interest is due semi-annually each February 15 and August 15 until February 15, 2014. The interest rate is 3.05%. The current year interest paid was \$-0-. The administration has indicated the District is in compliance with all reporting requirements.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

H. Bonds and Long-Term Debt Payable (continued)

A summary of changes in general long-term debt for the year ended August 31, 2009, is as follows:

Governmental Activities Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/08	Issued	Retired	Amounts Outstanding 8/31/09
Bonded Indebtedness:							
Series 2006 Unlimited Tax Refunding Bonds	4.25%- 4.3%	\$ 3,150,000	\$ 110,195	\$ 2,795,000	\$ -	\$ 260,000	\$ 2,535,000
Series 2006 Unlimited Tax School Building Bonds	4.25%- 5.125%	16,200,000	776,005	16,200,000	-	165,000	16,035,000
Total Bonded Indebtedness				18,995,000	-	425,000	18,570,000
Other Obligations:							
Loan - First National Bank in Dalhart, TX	5.25%- 4.50%	266,080	16,036	266,080	-	266,080	-
Series 2009 Maintenance Tax Notes	3.05%	750,000	-	-	750,000	-	750,000
Total Other Obligations				266,080	750,000	266,080	750,000
Total Obligations of the District				\$ 19,261,080	\$ 750,000	\$ 691,080	\$ 19,320,000

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2009.

I. Commitments Under Operating Leases

[GASB 2300.106j and 1400.108 and L20.128-.129] Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments, as of August 31, 2009, as follows:

<u>Year Ending August 31,</u>	
2010	\$ 45,036
2011	42,336
2012	39,755
2013	-
2014	-
Total Minimum Rentals	<u>\$ 127,127</u>

Rental expenditures in fiscal year 2009 were \$70,496.

The imputed interest on the leases ranges from 6% to 10%.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

J. Debt Service Requirements – Bonds, Long-Term Loans, and Capital Leases

Debt service requirements for bonds are as follows:

<u>Bonded Indebtedness</u>			
<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 490,000	\$ 866,757	\$ 1,356,757
2011	620,000	843,169	1,463,169
2012	695,000	815,669	1,510,669
2013	725,000	786,400	1,511,400
2014	755,000	755,663	1,510,663
Thereafter	<u>15,285,000</u>	<u>9,399,638</u>	<u>24,684,638</u>
Totals	<u>\$ 18,570,000</u>	<u>\$ 13,467,296</u>	<u>\$ 32,037,296</u>

Debt service requirements for loans and maintenance tax notes are as follows:

Loans and Maintenance Tax Notes

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 150,000	\$ 20,588	\$ 170,588
2011	150,000	16,013	166,013
2012	150,000	11,438	161,438
2013	150,000	6,862	156,862
2014	150,000	2,287	152,287
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 750,000</u>	<u>\$ 57,188</u>	<u>\$ 807,188</u>

Capital Leases

The District had no capital leases.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

K. Defined Benefit Pension Plan

Plan Description. Dalhart Independent School 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 system 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 transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

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 of 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 2009, 2008, and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. State contributions to TRS made on behalf of Dalhart Independent School District's employees for the years ended August 31, 2009, 2008, and 2007 were \$593,850, \$519,246, and \$487,625, respectively. Dalhart Independent School District paid additional state contributions for the years ended August 31, 2009, 2008, and 2007 in the amounts of \$114,743, \$107,499, and \$95,564, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. 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. These on-behalf payments must be recognized by the District in the amount of \$21,315 for the fiscal year 2009.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

L. Health Care Coverage

During the year ended August 31, 2009, employees of the District were covered by a health insurance plan (the Plan). The District contributed premiums of \$225 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code, and was documented by a contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for Blue Cross/Blue Shield and FirstCare are available for the year ended December 31, 2008, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

M. Workers' Compensation Self-Insurance

The District maintains a Workers' Compensation Self-Insurance Fund which is accounted for through an internal service fund. The Workers' Compensation Self-Insurance Fund charges interfund premiums to the other funds of the District to pay for fixed costs and claims related to workers' compensation. The District accrues all losses and claims if information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported (IBNR) are also accrued if it is probable that a claim will be asserted and the loss can be reasonably estimated. The accrued liability for IBNR in the Workers' Compensation Self-Insurance Fund is an estimate calculated by an actuary based on the District's prior claim experience. The District entered into an interlocal agreement with Public Workers' Compensation Program beginning September 1, 2009, to provide workers' compensation benefits. This Internal Service Fund is expected to be closed during the 2009-2010 year.

Changes in claims liability amounts for the Workers' Compensation Self-Insurance Fund for the year ended August 31, 2009, were as follows:

Unpaid Claims 8/31/08	Changes in Estimates	Claim Payments	Unpaid Claims 8/31/09
\$ 79,916	\$ 64,497	\$ 69,382	\$ 75,031

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

N. Changes in Long-Term Liabilities

Long-term activity for the year ended August 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General obligation bonds	\$ 18,995,000	\$ -	\$ 425,000	\$ 18,570,000	\$ 490,000
Long-term loans and notes	266,080	750,000	266,080	750,000	150,000
Less deferred amount on refunding	-	-	-	-	-
Total Bonds and Notes Payable	<u>19,261,080</u>	<u>750,000</u>	<u>691,080</u>	<u>19,320,000</u>	<u>640,000</u>
Other Liabilities:					
Capital leases	-	-	-	-	-
Total Other Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities					
Long-Term Liabilities	19,261,080	<u>\$ 750,000</u>	<u>\$ 691,080</u>	19,320,000	<u>\$ 640,000</u>
Less amount due within one year	<u>425,000</u>			<u>640,000</u>	
Long-term debt due in more than one year	18,836,080			18,680,000	
Unamortized premium on bonds and notes	<u>229,570</u>			<u>231,674</u>	
Long-term debt due in more than one year including unamortized premium on bonds	<u>\$ 19,065,650</u>			<u>\$ 18,911,674</u>	

O. Deferred Revenue

Deferred revenue for the year ended August 31, 2009, consisted of the following:

	General Fund	Capital Projects Fund	Other Nonmajor Funds	Total
Governmental Activities:				
Net tax revenue	<u>\$ 68,300</u>	<u>\$ -</u>	<u>\$ 11,100</u>	<u>\$ 79,400</u>
Total Deferred Revenue	<u>\$ 68,300</u>	<u>\$ -</u>	<u>\$ 11,100</u>	<u>\$ 79,400</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

P. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from federal and state governments, as of August 31, 2009, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Governmental Activities:

Fund	State Entitlements	Federal Grants	Due From Others	Total
General Fund	\$ 199	\$ -	\$ 9,304	\$ 9,503
Capital Projects Fund	-	-	-	-
Other Nonmajor Funds	-	58,320	1,138	59,458
Total Governmental Activities	<u>\$ 199</u>	<u>\$ 58,320</u>	<u>\$ 10,442</u>	<u>\$ 68,961</u>

Q. Revenue From Local and Intermediate Sources

[GASB 2300.107b] During the current year revenues from local and intermediate sources consisted of the following:

	General Fund	Capital Projects Fund	Other Nonmajor Funds	Internal Service Fund	Total
Governmental Activities:					
Property taxes	\$ 5,357,943	\$ -	\$ 1,060,324	\$ -	\$ 6,418,267
Penalties, interest, and other tax-related income	64,464	-	9,346	-	73,810
Investment income	22,084	2,499	4,084	-	28,667
Food sales	-	-	241,523	-	241,523
Cocurricular student activities	40,181	-	-	-	40,181
Other	322,625	3,187	2,502	943	329,257
Total Governmental Activities	<u>\$ 5,807,297</u>	<u>\$ 5,686</u>	<u>\$ 1,317,779</u>	<u>\$ 943</u>	<u>\$ 7,131,705</u>

R. General Fund Federal Source Revenue

Federal financial programs are generally accounted for in the Special Revenue Funds and Food Service Enterprise Fund of the District and included in the Schedule of Expenditures of Federal Awards. The District expended federal source revenue in the General Fund from the School Health and Related Services Program in the amount of \$46,439 that is not considered federal financial assistance for inclusion in the Schedule of Federal Awards.

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

S. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2009, the District purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

T. Debt Issuances and Defeasance of Debt

There was no defeasance of debt for the year ended August 31, 2009.

The District received the Series 2009 Maintenance Tax Notes, dated August 15, 2009, for the purpose of paying maintenance expenses of the District in connection with the maintenance, repair, rehabilitation, enhancement or replacement of existing school property, such expenses consisting of expenses incurred in connection with the renovation and rehabilitation of the elementary school kitchen area and the purchase of kitchen equipment, athletic equipment, stage equipment, appliances, science lab equipment, auditorium seats, stadium seats, and shop equipment. See Note H for additional details.

U. Litigation

At August 31, 2009, Dalhart Independent School District had no known or threatened pending litigation which would materially affect the District's financial condition.

V. Insurance Recoveries

The District had the following insurance recovery:

Texas Association of Public Schools - January 28, 2009
Loss of food supplies in Child Nutrition Fund. There was
no impairment of assets.

\$ 1,861

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2009

W. Prior Period Adjustment

The District had a prior period adjustment as of September 1, 2007, of \$349,667 to fund balance in the General Fund. The District had set up several Due To/From General Fund from Nonmajor Special Revenue Funds over the past thirty plus years. The Due To/From Other Funds and Due from State in the Nonmajor Special Revenue Funds, with the assistance of Region 16 Service Center, were adjusted to actual during the current year. The District consulted with the Texas Education Agency audit division to determine the proper treatment of this \$349,667 adjustment. The Administration decided the proper treatment of the \$349,667 adjustment should be a prior period adjustment of the General Fund beginning fund balance as of September 1, 2007. This appears to be the best solution as to not distort the current year revenues and expenditures in the General Fund.

General Fund:

Fund balance September 1, 2007	\$ 1,165,147
Prior period adjustment	<u>(349,667)</u>
Adjusted beginning fund balance, September 1, 2007	<u><u>\$ 815,480</u></u>

X. Subsequent Events

The District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued (January 18, 2010), and no subsequent events were required to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

DALHART INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended August 31, 2009

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 5,913,833	\$ 5,913,833	\$ 5,807,297	\$ (106,536)
5800	State Program Revenues	5,815,475	6,365,812	6,357,619	(8,193)
5900	Federal Program Revenues	14,000	14,000	46,439	32,439
5020	Total Revenues	11,743,308	12,293,645	12,211,355	(82,290)
EXPENDITURES:					
Current:					
0011	Instruction	7,150,806	6,902,311	6,594,151	308,160
0012	Instructional Resources and Media Services	405,000	468,227	455,046	13,181
0013	Curriculum and Instructional Staff Development	158,750	209,656	203,731	5,925
0021	Instructional Leadership	134,250	276,361	274,276	2,085
0023	School Leadership	720,172	786,335	782,853	3,482
0031	Guidance, Counseling, and Evaluation Services	275,000	323,587	306,855	16,732
0032	Social Work Services	1,000	2,750	-	2,750
0033	Health Services	68,500	90,037	88,395	1,642
0034	Student (Pupil) Transportation	385,000	284,268	235,629	48,639
0036	Extracurricular Activities	498,000	560,330	559,646	684
0041	General Administration	662,975	544,495	482,214	62,281
0051	Facilities Maintenance and Operations	1,233,255	1,598,455	1,610,868	(12,413)
0052	Security and Monitoring Services	3,600	3,600	3,308	292
0053	Data Processing Services	54,500	57,900	44,012	13,888
0061	Community Services	5,000	5,000	5,000	-
Debt Service:					
0071	Debt Service - Principal on Long-Term Debt	14,000	266,080	266,080	-
0072	Debt Service - Interest on Long-Term Debt	-	166,619	16,036	150,583
0073	Debt Service - Bond Issuance Cost and Fees	-	-	10,910	(10,910)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	60,500	60,074	426
Intergovernmental:					
0099	Other Intergovernmental Charges	1,311,200	174,586	194,263	(19,677)
6030	Total Expenditures	13,081,008	12,781,097	12,193,347	587,750
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,337,700)	(487,452)	18,008	505,460
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	26,500	26,500	-	(26,500)
7914	Non-Current Loans	-	-	750,000	750,000
8911	Transfers Out (Use)	-	-	(908,943)	(908,943)
7080	Total Other Financing Sources (Uses)	26,500	26,500	(158,943)	(185,443)
1200	Net Change in Fund Balances	(1,311,200)	(460,952)	(140,935)	320,017
0100	Fund Balance - September 1 (Beginning)	1,875,749	1,875,749	1,875,749	-
3000	Fund Balance - August 31 (Ending)	\$ 564,549	\$ 1,414,797	\$ 1,734,814	\$ 320,017

COMBINING AND OTHER SCHEDULES

DALHART INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2009

Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	-	9,627	8,575	2,605
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 9,627</u>	<u>\$ 8,575</u>	<u>\$ 2,605</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ 9,627	\$ 8,575	\$ 2,605
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>9,627</u>	<u>8,575</u>	<u>2,605</u>
Fund Balances:					
Reserved For:					
3410	Investments in Inventory	-	-	-	-
3420	Retirement of Long-Term Debt	-	-	-	-
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 9,627</u>	<u>\$ 8,575</u>	<u>\$ 2,605</u>

224	225	240	242	244	255	261	262
IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Vocational Ed Basic Grant	ESEA II, A Training and Recruiting	Reading First	Title II, D Education Technology
\$ -	\$ -	\$ 8,011	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,942	348	16,561	-	-	2,662	-	-
-	-	3,915	-	-	-	-	-
<u>\$ 17,942</u>	<u>\$ 348</u>	<u>\$ 28,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,662</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,942	\$ 348	\$ 10,873	\$ -	\$ -	\$ 2,662	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>17,942</u>	<u>348</u>	<u>10,873</u>	<u>-</u>	<u>-</u>	<u>2,662</u>	<u>-</u>	<u>-</u>
-	-	3,915	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	13,699	4,573	-	-	-	-
-	-	-	(4,573)	-	-	-	-
<u>-</u>	<u>-</u>	<u>17,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 17,942</u>	<u>\$ 348</u>	<u>\$ 28,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,662</u>	<u>\$ -</u>	<u>\$ -</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2009

Data Control Codes		263 Title III, A English Lang. Acquisition	394 Pregnancy, Education and Parenting	401 Optional Extended Year Program	404 Student Success Initiative
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3410	Investments in Inventory	-	-	-	-
3420	Retirement of Long-Term Debt	-	-	-	-
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411	428	429	Total	599	Total
Technology Allotment	High School Allotment	Other State Special Revenue Funds	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 8,011	\$ 46,405	\$ 54,416
-	-	-	-	11,809	11,809
-	-	-	-	(709)	(709)
-	-	-	58,320	1,138	59,458
-	-	-	3,915	-	3,915
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,246</u>	<u>\$ 58,643</u>	<u>\$ 128,889</u>
\$ -	\$ -	\$ -	\$ 52,632	\$ -	\$ 52,632
-	-	-	-	11,100	11,100
<u>-</u>	<u>-</u>	<u>-</u>	<u>52,632</u>	<u>11,100</u>	<u>63,732</u>
-	-	-	3,915	-	3,915
-	-	-	-	47,543	47,543
-	-	-	18,272	-	18,272
-	-	-	(4,573)	-	(4,573)
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,614</u>	<u>47,543</u>	<u>65,157</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,246</u>	<u>\$ 58,643</u>	<u>\$ 128,889</u>

DALHART INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended August 31, 2009

Data Control Codes		204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	5,987	191,131	372,209	123,699
5020	Total Revenues	5,987	191,131	372,209	123,699
EXPENDITURES:					
Current:					
0011	Instruction	727	191,131	360,526	93,790
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	2,025	-	11,683	6,589
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	22,679
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	3,235	-	-	-
0061	Community Services	-	-	-	641
Debt Service:					
0071	Debt Service - Principal on Long-Term Debt	-	-	-	-
0072	Debt Service - Interest on Long-Term Debt	-	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	5,987	191,131	372,209	123,699
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

224	225	240	242	244	255	261	262
IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Vocational Ed Basic Grant	ESEA II, A Training and Recruiting	Reading First	Title II, D Education Technology
\$ -	\$ -	\$ 245,119	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	27,076	-	-	-	-	-
388,756	9,695	506,089	7,182	1,207	85,605	114,763	3,072
388,756	9,695	778,284	7,182	1,207	85,605	114,763	3,072
247,095	9,695	-	-	1,207	84,979	105,871	3,072
-	-	-	-	-	-	3,989	-
2	-	-	-	-	626	664	-
28,570	-	-	-	-	-	-	-
110,137	-	-	-	-	-	4,239	-
-	-	-	-	-	-	-	-
2,952	-	-	-	-	-	-	-
-	-	835,422	11,755	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
388,756	9,695	835,422	11,755	1,207	85,605	114,763	3,072
-	-	(57,138)	(4,573)	-	-	-	-
-	-	63,271	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	63,271	-	-	-	-	-
-	-	6,133	(4,573)	-	-	-	-
-	-	11,481	4,573	-	-	-	-
\$ -	\$ -	\$ 17,614	\$ -	\$ -	\$ -	\$ -	\$ -

DALHART INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended August 31, 2009

Data Control Codes		263 Title III, A English Lang. Acquisition	394 Pregnancy, Education and Parenting	401 Optional Extended Year Program	404 Student Success Initiative
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	16,711	4,953	47,381
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	16,711	4,953	47,381
EXPENDITURES:					
Current:					
0011	Instruction	-	183	4,953	47,381
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0061	Community Services	-	16,528	-	-
Debt Service:					
0071	Debt Service - Principal on Long-Term Debt	-	-	-	-
0072	Debt Service - Interest on Long-Term Debt	-	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	-	16,711	4,953	47,381
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

411	428	429	Total	599	Total
Technology Allotment	High School Allotment	Other State Special Revenue Funds	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 245,119	\$ 1,072,660	\$ 1,317,779
45,304	118,649	30,483	290,557	121,280	411,837
-	-	-	1,809,395	-	1,809,395
45,304	118,649	30,483	2,345,071	1,193,940	3,539,011
41,086	121,905	30,483	1,344,084	-	1,344,084
1,818	-	-	5,807	-	5,807
2,400	-	-	23,989	-	23,989
-	-	-	28,570	-	28,570
-	-	-	114,376	-	114,376
-	-	-	22,679	-	22,679
-	-	-	2,952	-	2,952
-	-	-	847,177	-	847,177
-	-	-	3,235	-	3,235
-	-	-	17,169	-	17,169
-	-	-	-	425,000	425,000
-	-	-	-	886,200	886,200
-	-	-	-	1,000	1,000
45,304	121,905	30,483	2,410,038	1,312,200	3,722,238
-	(3,256)	-	(64,967)	(118,260)	(183,227)
-	-	-	63,271	-	63,271
-	-	-	-	(1,000)	(1,000)
-	-	-	63,271	(1,000)	62,271
-	(3,256)	-	(1,696)	(119,260)	(120,956)
-	3,256	-	19,310	166,803	186,113
\$ -	\$ -	\$ -	\$ 17,614	\$ 47,543	\$ 65,157

REQUIRED TEA SCHEDULES

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Fiscal Year Ended August 31, 2009

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ Various
2001	1.300000	0.000000	321,203,615
2002	1.330000	0.000000	344,412,105
2003	1.380000	0.000000	353,595,440
2004	1.420000	0.000000	360,631,198
2005	1.420000	0.000000	373,907,113
2006	1.420000	0.000000	390,901,620
2007	1.299000	0.278000	405,474,762
2008	1.040000	0.182000	487,741,899
2009 (School year under audit)	1.040000	0.169000	529,916,708
1000 TOTALS			

EXHIBIT J-1

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$ 15,581	\$ -	\$ -	\$ -	\$ (248)	\$ 15,333
2,931	-	169	-	-	2,762
5,930	-	136	-	1	5,795
1,172	-	67	-	(29)	1,076
4,263	-	516	-	(28)	3,719
3,927	-	458	-	(28)	3,441
4,491	-	2,039	-	(29)	2,423
10,074	-	5,328	1,140	(34)	3,572
46,475	-	29,572	5,175	(24)	11,704
-	6,406,693	5,319,658	1,054,009	1,618	34,644
\$ 94,844	\$ 6,406,693	\$ 5,357,943	\$ 1,060,324	\$ 1,199	\$ 84,469

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures for Computations of Indirect Cost for 2010-2011
General and Special Revenue Funds
For the Year Ended August 31, 2009

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 124,436	\$ 232,006	\$ -	\$ -	\$ 356,442
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	4,149	-	-	-	-	-	4,149
6212	Audit Services	-	-	-	47,050	-	-	47,050
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	194,263	-	-	-	-	194,263
621X	Other Professional Services	3,233	-	-	2,490	-	-	5,723
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	13,958	-	-	13,958
6240	Contr. Maint. and Repair	-	-	-	-	7,398	-	7,398
6250	Utilities	-	-	-	-	2,942	-	2,942
6260	Rentals	722	-	1,222	2,443	1,250	-	5,637
6290	Miscellaneous Contr.	-	-	-	24	-	-	24
6320	Textbooks and Reading	-	-	-	90	-	-	90
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	4,592	-	1,983	18,774	918	-	26,267
6410	Travel, Subsistence, Stipends	10,257	-	3,096	2,921	115	-	16,389
6420	Ins. and Bonding Costs	1,250	-	1,250	1,250	-	-	3,750
6430	Election Costs	650	-	-	-	-	-	650
6490	Miscellaneous Operating	7,409	-	6,521	3,102	512	-	17,544
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 32,262	\$ 194,263	\$ 138,508	\$ 324,108	\$ 13,135	\$ -	\$ 702,276

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 14,603,384

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 86,013
Total Debt & Lease(6500)	(11) 293,026
Plant Maintenance (Function 51, 6100-6400)	(12) 1,584,930
Food (Function 35, 6341 and 6499)	(13) 331,720
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	324,108

SubTotal: 2,619,797

Net Allowed Direct Cost \$ 11,983,587

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 33,742,279
Historical Cost of Building over 50 years old	(16) \$ 2,674,633
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 1,842,522
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 141,612
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$25,799 in Function 53 expenditures are included in this report on administrative costs.

\$194,263 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

DALHART INDEPENDENT SCHOOL DISTRICT
Fund Balance and Cash Flow Calculation Worksheet
General Fund as of August 31, 2009

UNAUDITED

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 1,734,814
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 46,316
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	-
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	864,000
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	1,214,000
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-
8	Estimate of delayed payments from federal sources (59xx)	-
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>2,124,316</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u><u>\$ (389,502)</u></u>

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Child Nutrition Program
For the Year Ended August 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 197,440	\$ 202,440	\$ 245,119	\$ 42,679
5800 State Program Revenues	22,000	44,198	27,076	(17,122)
5900 Federal Program Revenues	470,000	448,546	506,089	57,543
5020 Total Revenues	689,440	695,184	778,284	83,100
EXPENDITURES:				
0035 Food Services	721,791	727,535	835,422	(107,887)
6030 Total Expenditures	721,791	727,535	835,422	(107,887)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,351)	(32,351)	(57,138)	(24,787)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	63,271	63,271
7080 Total Other Financing Sources (Uses)	-	-	63,271	63,271
1200 Net Change in Fund Balances	(32,351)	(32,351)	6,133	38,484
0100 Fund Balance - September 1 (Beginning)	11,481	11,481	11,481	-
3000 Fund Balance - August 31 (Ending)	\$ (20,870)	\$ (20,870)	\$ 17,614	\$ 38,484

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Year Ended August 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,311,200	\$ 1,311,200	\$ 1,072,660	\$ (238,540)
5800 State Program Revenues	-	-	121,280	121,280
5020 Total Revenues	1,311,200	1,311,200	1,193,940	(117,260)
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long-Term Debt	1,311,200	425,000	425,000	-
0072 Debt Service - Interest on Long-Term Debt	-	886,200	886,200	-
0073 Debt Service - Bond Issuance Cost and Fees	-	1,000	1,000	-
6030 Total Expenditures	1,311,200	1,312,200	1,312,200	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,000)	(118,260)	(117,260)
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(1,000)	(1,000)
7080 Total Other Financing Sources (Uses)	-	-	(1,000)	(1,000)
1200 Net Change in Fund Balances	-	(1,000)	(119,260)	(118,260)
0100 Fund Balance - September 1 (Beginning)	166,803	166,803	166,803	-
3000 Fund Balance - August 31 (Ending)	\$ 166,803	\$ 165,803	\$ 47,543	\$ (118,260)

**REPORTS ON COMPLIANCE, INTERNAL CONTROL,
AND
FEDERAL AWARDS**

KEENEY, HEMBREE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

116 EAST SEVENTH

P. O. BOX 800 – TELEPHONE 806-935-4188

DUMAS, TEXAS 79029

THOMAS R. BRANDON, C.P.A.
K. B. “BART” TEMPLETON, C.P.A.
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MEMBERS OF

THE AMERICAN INSTITUTE OF
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THE AICPA’S PRIVATE COMPANIES
PRACTICE SECTION

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR’S 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
Dalhart Independent School District
701 East 10th
Dalhart, Texas

Members of the Board:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dalhart Independent School District (the District) as of and for the year ended August 31, 2009. These collectively comprise the District’s basic financial statements. We have issued our report on them dated January 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow the administration or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. The findings and questioned costs are referenced as 2009-1 and 2009-2 in the Schedule of Findings and Questioned Costs. We have noted other matters involving the internal control over financial reporting that we have reported to the administrators of Dalhart Independent School District in a separate letter dated January 18, 2010.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1 and 2009-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dalhart Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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*. Dalhart Independent School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs.

Board of Trustees
Dalhart Independent School District
Page 3

This report is intended for the information of the District's trustees, the administration, Texas Education Agency, federal awarding agencies, and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Keeney, Hembree & Company
(Original signature on file with TEA)

January 18, 2010

KEENEY, HEMBREE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

116 EAST SEVENTH

P. O. BOX 800 – TELEPHONE 806-935-4188

DUMAS, TEXAS 79029

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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

***On Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance with
OMB Circular A-133***

Board of Trustees
Dalhart Independent School District
701 East 10th
Dalhart, Texas

Members of the Board:

Compliance

We have audited the compliance of Dalhart Independent School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, and contracts and grants applicable to each of its major federal programs is the responsibility of Dalhart Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dalhart 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 Dalhart Independent School District's compliance with those requirements.

In our opinion, Dalhart Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The administration of Dalhart Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, and contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow the administration or employees in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2009-2 to be a significant deficiency.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2009-2 to be a material weakness.

Board of Trustees
Dalhart Independent School District
Page 3

Dalhart Independent School District's response to the findings in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Dalhart Independent School District's response and, accordingly, express no opinion on it.

This report is intended for the information and use of the District's trustees, the administration, Texas Education Agency, federal awarding agencies, and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Keeney, Hembree & Company
(Original signature on file with TEA)

January 18, 2010

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

I. Summary of the Auditor's Results:

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies in Internal Control	None
Significant Deficiencies in Internal Control that were Material Weaknesses	None
Noncompliance Material to the Financial Statements	None
Significant Deficiencies in Internal Control Over Major Programs	None
Significant Deficiencies in Internal Control Over Major Programs that were Material Weaknesses	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as defined in <i>OMB Circular A-133</i> , including significant deficiencies in internal control over major programs, material noncompliance, questioned costs when likely questioned cost greater than \$10,000, Auditor's report other than unqualified opinion, known fraud of federal award, and misrepresentation of status of prior findings	None
Known Questioned Cost greater than \$10,000 for a Federal Program which is not audited as a major program	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low-Risk Auditee Statements	The District was not classified as a low-risk auditee in the context of <i>OMB Circular A-133</i>

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

I. Summary of the Auditor's Results: (continued)

PROGRAM

Major Federal Programs

DESCRIPTION

CFDA 10.555 National School Lunch Program
CFDA 10.553 National School Breakfast
Program
CFDA 10.559 Summer Feeding Program
CFDA 84.010A ESEA, Title I, Part A -
Improving Basic Programs
CFDA 84.027A IDEA - Part B, Formula
CFDA 84.173A IDEA - Part B, Preschool

Pass-through Entity

Texas Education Agency

Contact Person

Delbert Dodds - Business Manager
Dalhart Independent School District
(806) 244-7810
701 East 10th
Dalhart, Texas 79022

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*:

Finding 2009-1

Criteria

The books and records of the District should be reconciled and balanced monthly.

Condition Found

The books and records of the District were not reconciled and balanced monthly. The District was unable to get a balanced set of books for the year ended August 31, 2009, until March 2009. The District changed accounting software in previous years and incurred major problems with the software conversion. The District hired a new bookkeeper in September 2008. The District entered into a contract with Region 16 Education Service Center to assist in the accounting issues for the 2008-2009 year. A degreed accountant was hired in December 2009 with school District accounting experience.

Questioned Costs Basis

None

Instances/Universe

This finding occurred first seven months during the year.

Effect

The District did not have a balanced set of books until March 2009. Internal controls were not designed or operating effectively to provide reasonable assurance that controls would prevent or detect material misstatements in a timely manner.

Recommendations

All books and records should be reconciled on a monthly basis. The District should continue to utilize Region 16 Education Service Center to assist in the accounting issues. The District's new degreed accountant (hired in December 2009) with school district accounting experience should be a good solution to the accounting problems of the District.

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

III. Findings and Questioned Costs for Federal Awards Including Audit Findings:

<u>FINDING</u>	<u>PROGRAM</u>	<u>QUESTIONED COSTS</u>
Finding 2009-2	National School Lunch Program CFDA #10.555 National School Breakfast Program CFDA #10.553 Summer Feeding Program CFDA #10.559 Title I, Part A—Improving Basic Programs CFDA #84.010A IDEA – Part B, Formula CFDA #84.027A IDEA – Part B, Preschool CFDA #84.173A	
Criteria		
Internal controls should be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.		None
Condition Found		
The books and records for the major programs were not reconciled and balanced on a monthly basis. The District did not get a balanced set of books for the major programs until March 2009. The District changed accounting software in the previous years for the major programs, and serious problems were incurred with the software conversion.		None
Questioned Costs Basis		
None		None
Instances/Universe		
This finding occurred the first seven months during the year ended August 31, 2009.		None

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

III. Findings and Questioned Costs for Federal Awards Including Audit Findings:
(continued)

<u>FINDING</u>	<u>PROGRAM</u>	<u>QUESTIONED COSTS</u>
Effect		
Internal controls are not designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Since the books and records were not reconciled until March 2009 due to the account in a software conversion in the previous years, the District's internal controls could not detect material misstatements in a timely manner.		None
Recommendations		
The District should utilize Region 16 Education Service Center to assist in the accounting issues. All books and records should be reconciled on a monthly basis. The degreed accountant with school district accounting experience hired in December 2009 should also be a solution to this issue.		None
Contact Person		
Delbert Dodds Dalhart Independent School District Business Manager Telephone Number (806) 244-7810 701 East 10th Dalhart, Texas 79022		

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

III. Findings and Questioned Costs for Federal Awards Including Audit Findings:
(continued)

<u>FINDING</u>	<u>PROGRAM</u>	<u>QUESTIONED COSTS</u>
Time Frame for Correcting Findings		
The District began reconciling the books and records in March 2009. The District had Region 16 Education Service Center review the August 31, 2009, books and records. The business manager and accounting clerk met with Region 16 Education Service Center accounting personnel for training and reviewing books and records since March 2009. A degreed accountant with school district accounting experience was hired in December 2009.		None

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Audit Findings
For the Year Ended August 31, 2009

FINDING	PROGRAM	STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE
2008-1	None	The books and records of the District were not reconciled and balanced monthly. The District was not able to get a balanced set of books for the year ended August 31, 2008, until July 2008. The District changed accounting software during the previous year and incurred major problems with the software conversion. The District entered into a contract with Region 16 Education Service Center to assist in the accounting issues and training. The District has had training with Region 16 Education Service Center and is receiving assistance with the school accounting issues. The books and records for the year ended August 31, 2009, were balanced by Region 16 Education Service Center in March 2009.
2008-2	None	The audited financial statements for the year ended August 31, 2007, were not timely filed with the Texas Education Agency. The audited financial statements for the year ended August 31, 2008, were timely filed with the Texas Education Agency.
2008-3	None	The mid-year PEIMS submission report for the year ended August 31, 2007, did not agree with the audited financial statements for the year ended August 31, 2007. The PEIMS submission report was due in February 2008 and the audited financial statements were not completed until May 2008. The mid-year PEIMS submission report for the year ended August 31, 2008, was completed timely and agreed with the year ended August 31, 2008, audited financial statements.

DALHART INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Audit Findings
For the Year Ended August 31, 2009

FINDINGS	PROGRAM	STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE
2008-4	IDEA – Part B, Formula CFDA #84.027 Title I, Part A-Improving Basic Program CFDA #84.010 National School Lunch Program CFDA #10.555 USDA Donated Commodities CFDA #10.550 National School Breakfast Program CFDA #10.553	The books and records for the major programs were not reconciled and balanced on a monthly basis. The District did not get a balanced set of books until July 2008. The District changed accounting software in the preview year for the major programs, and serious problems were incurred with the software conversion. The District has entered into a contract with Region 16 Education Service Center for training and assistance with the major programs' books and records. The books and records for the major programs for the year ended August 31, 2009, were reconciled by the Region 16 Education Service Center in March 2009.

Contact Person

Delbert Dodds
Dalhart Independent School District
Telephone Number (806) 244-7810
701 East 10th
Dalhart, Texas 79022

DALHART INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended August 31, 2009

FINDING	PROGRAM	CORRECTIVE ACTION PLAN
2009-1	None	The District has entered into a contract with Region 16 Education Service Center for assistance with accounting issues. The District has received training and monitoring of books and records by the Service Center during the year ended August 31, 2009. A degreed accountant with school district accounting experience was hired in December 2009.
2009-2	National School Lunch Program CFDA #10.555 National School Breakfast Program CFDA #10.553 Summer Feeding Program CFDA #10.559 Title I, Part A-Improving Basic Program – CFDA #84.010A IDEA – Part B, Formula CFDA #84.027A IDEA – Part B, Preschool CFDA #84.173A	<p>The District has entered into a contract with Region 16 Education Service Center for assistance with major federal programs with accounting issues. The District has received training and monitoring of books and records for the major federal programs for the year ended August 31, 2009. The District hired a degreed accountant with school district accounting experience in December 2009.</p> <p>Contact Person</p> <p>Delbert Dodds Dalhart Independent School District Telephone Number (806) 244-7810 701 East 10th Dalhart, Texas 79022</p>

DALHART INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2009

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	0910101056901	\$ 363,634
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10-10101056901	8,575
Total CFDA Number 84.010A			372,209
ESEA, Title I, Part C - Migratory Children	84.011A	09615001056901	121,094
ESEA, Title I, Part C - Migratory Children	84.011A	10615001056901	2,605
Total CFDA Number 84.011A			123,699
IDEA - Part B, Formula	84.027A	096600010569016600	370,814
IDEA - Part B, Formula	84.027A	106600010569016600	17,942
Total CFDA Number 84.027A			388,756
Career and Technical - Basic Grant	84.048A	09420006056901	1,207
IDEA - Part B, Preschool	84.173A	096610010569016610	9,348
IDEA - Part B, Preschool	84.173A	106610010569016610	347
Total CFDA Number 84.173A			9,695
ESEA Title IV - Safe and Drug-Free Schools	84.186A	09691001056901	5,987
Title II, Part D -Enhancing Ed. Through Technology	84.318X	09630001056901	3,072
Reading First	84.357A	086455057110013	114,763
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	09694501056901	82,943
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501056901	2,662
Total CFDA Number 84.367A			85,605
Total Passed Through State Department of Education			\$ 1,104,993
TOTAL DEPARTMENT OF EDUCATION			\$ 1,104,993
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	09-056901	\$ 181,504
Head Start	93.600	10-056901	9,627
Total CFDA Number 93.600			191,131
Total Passed Through State Department of Education			\$ 191,131
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 191,131
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast Program*	10.553	9-71400901	\$ 157,003
National School Lunch Program - Cash Assistance*	10.555	9-71300901	312,187
National School Lunch Prog. - Non-Cash Assistance*	10.555	9-71300901	36,899
Total CFDA Number 10.555			349,086
Summer Feeding Program - Cash Assistance	10.559	9-0561004	7,182
Total Passed Through the State Department of Agriculture			\$ 513,271
TOTAL DEPARTMENT OF AGRICULTURE			\$ 513,271
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,809,395

*Clustered Programs as required by Compliance Supplement March, 2009

DALHART INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2009

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide* . Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Statement - Provisional 6/97*.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565, and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Dalhart Independent School District fiscal year beginning September 1, 2008, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.