

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2006**

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended August 31, 2006

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**DALHART INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended August 31, 2006

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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, 2006 at a meeting of the Board of Trustees of such school district on the 18th day of December, 2006.

(Original signature on file with TEA)

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):

(attach list as necessary)

**KEENEY, HEMBREE & COMPANY, L. L. P.**

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  
315 Rock Island  
Dalhart, Texas 79022

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, 2006, 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, 2006, 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 19 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 November 1, 2006, 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, other matters, and grant agreements. 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, L. L. P.*  
(Original signature on file with TEA)

November 1, 2006

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Introductory To Management's Discussion and Analysis**  
For the Year Ended August 31, 2006

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, 2006, 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, Combining Schedules, TEA Required Schedules, and Reports on Internal Controls, Compliance, and Federal Awards.

This financial report is designed to provide the citizens and taxpayers of the 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 managers of Dalhart Independent School District, discuss and analyze the District's financial performance for the year ended August 31, 2006. 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 increased by \$35 thousand as a result of this year's operations. The business-type activities increased by \$7 thousand. Overall, net assets increased by about .5%.

During the 2006 year, the District's expenses were \$35 thousand less than the \$12,258 thousand generated in tax and other revenues for governmental activities.

In the District's business-type activities, revenues increased to \$648 thousand (or 4.7%) while expenses increased to \$641 thousand.

Total cost of all of the District's programs, after charges for services and operating grants, was \$10,069 thousand which was an increase from last year of about \$221 thousand.

The General Fund ended the twelve month period with a fund balance of \$1,445 thousand which is more than last year's balance of \$1,118 thousand.

The resources available for appropriation were \$3,159 thousand 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 24) 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 TEA Required Schedules and Reports on Internal Controls, Compliance, 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.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- **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.

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

- Business-type activities – The District charges a fee to students for the National School Breakfast/Lunch food service activities to help cover the cost of services for this activity.

## **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. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other 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 Fiduciary Net Assets on page 23. 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 and business-type activities.

Net assets of the District's governmental activities increased from \$8,357 thousand to \$8,392 thousand. 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, was \$1,936 thousand at August 31, 2006, up by \$590 thousand from last year.

In 2006, net assets of our business-type activities increased \$7 thousand. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the National School Breakfast/Lunch Program.

**Table I**  
**Dalhart Independent School District**

	<b>NET ASSETS</b> (in thousands)			
	Governmental Activities	Business-Type Activites	<b>Total 2006</b>	Total 2005
Current and other assets	\$ 19,029	\$ 28	\$ <b>19,057</b>	\$ 2,072
Capital assets	<u>9,908</u>	<u>8</u>	<u><b>9,916</b></u>	<u>10,286</u>
Total Assets	<u>28,937</u>	<u>36</u>	<u><b>28,973</b></u>	<u>12,358</u>
Long-term liabilities	19,616	-	<b>19,616</b>	3,245
Other liabilities	<u>929</u>	<u>-</u>	<u><b>929</b></u>	<u>727</u>
Total Liabilities	<u>20,545</u>	<u>-</u>	<u><b>20,545</b></u>	<u>3,972</u>
Net Assets:				
Invested in capital assets, net of related debt	6,492	-	<b>6,492</b>	7,040
Restricted	-	-	-	-
Unrestricted	<u>1,900</u>	<u>36</u>	<u><b>1,936</b></u>	<u>1,346</u>
Total Net Assets	<u>\$ 8,392</u>	<u>\$ 36</u>	<u><b>\$ 8,428</b></u>	<u>\$ 8,386</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	Business-Type Activities	<b>Total 2006</b>	Total 2005
Revenues:				
Program Revenues:				
Charges for services	\$ 69	\$ 173	\$ 242	\$ 268
Operating grants and contributions	2,086	475	2,561	2,415
General Revenues:				
Maintenance and operations taxes	5,544	-	5,544	5,326
State aid - formula grants	4,183	-	4,183	3,882
Grants and contributions not restricted to specific functions	1	-	1	32
Investment earnings	225	-	225	55
Miscellaneous	150	-	150	34
Total Revenues	12,258	648	12,906	12,012
Expenses:				
Instruction, curriculum, and media services	7,613	-	7,613	7,502
Instructional and school leadership	917	-	917	910
Student support services	681	-	681	687
Child nutrition	8	641	649	614
Cocurricular activities	487	-	487	462
General administration	662	-	662	487
Plant maintenance, security, and data processing	1,578	-	1,578	1,706
Community services	15	-	15	17
Debt services	253	-	253	130
Facilities acquisition and construction	6	-	6	-
Payments to fiscal agent/ member districts	3	-	3	3
Total Expenses	12,223	641	12,864	12,518
Increase (decrease) in net assets before transfers and special items	35	7	42	(506)
Special items	-	-	-	-
Net Assets at Beginning of Year	8,357	29	8,386	8,892
Net Assets at End of Year	\$ 8,392	\$ 36	\$ 8,428	\$ 8,386

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

The District's total revenues in the governmental activities increased by \$865 thousand from last year. The total cost of all programs and services for governmental activities increased by \$312 thousand.

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

- The District's property values increased compared to the prior year by \$16,995 thousand which generated approximately \$242 thousand in additional tax revenue. Property tax revenues are budgeted to increase by an additional \$949 thousand next year.
- The District monitored expenditures in all areas.

The cost of all governmental activities this year was \$12,223 thousand compared to \$11,912 thousand 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 \$5,544 thousand because some of the costs were paid by those who directly benefited from the programs (\$69 thousand) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,086 thousand) or by state formula grants (\$4,183 thousand).

## **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 \$17,777 thousand, which is higher than last year's total of \$1,118 thousand. Included in this year's total change in fund balance is an increase of \$16,659 thousand 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 2005). 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 \$1,445 thousand reported on page 15 differs from the General Fund's budgetary fund balance of \$834 thousand reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 19. This is principally due to unspent salary appropriations and various expenditures.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2006, the District had \$9,916 thousand invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of just over \$370 thousand below last year.

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

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

Vehicles	<u>\$ 43</u>
Total	<u><u>\$ 43</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 \$19,616 thousand in loans and notes outstanding versus \$3,245 thousand 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 2007 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 2007 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 2007. Amounts available for appropriation in the General Fund budget are \$10,774 thousand, an increase of 3% over the final 2006 budget of \$10,429 thousand. The District will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to decrease from 2006 at \$2,919 thousand. The District has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to decline \$68 thousand at the close of 2007.

### **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, 315 Rock Island, Dalhart, Texas, 79022.

## **BASIC FINANCIAL STATEMENTS**



## DALHART INDEPENDENT SCHOOL DISTRICT

## Statement of Net Assets

August 31, 2006

Data Control Codes			
	1	2	3
	Primary Government		
	Governmental	Business	
	Activities	Type	
		Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 17,831,256	\$ -	\$ 17,831,256
1220 Property Taxes Receivable (Delinquent)	116,819	-	116,819
1230 Allowance for Uncollectible Taxes	(7,009)	-	(7,009)
1240 Due from Other Governments	838,506	30,953	869,459
1260 Internal Balances	16,313	(16,313)	-
1267 Due from Fiduciary Funds	19,409	-	19,409
1300 Inventories	34,749	13,663	48,412
1420 Capitalized Bond and Other Debt Issuance Costs	425,294	-	425,294
1430 Discount on Issuance of Debt	(246,272)	-	(246,272)
Capital Assets:			
1510 Land	475,355	-	475,355
1520 Buildings, Net	9,191,032	-	9,191,032
1530 Furniture and Equipment, Net	24,058	8,278	32,336
1540 Vehicles, Net	217,122	-	217,122
1000 Total Assets	28,936,632	36,581	28,973,213
<b>LIABILITIES</b>			
2110 Accounts Payable	253,338	283	253,621
2140 Interest Payable	124,962	-	124,962
2160 Accrued Wages Payable	457,655	-	457,655
2200 Accrued Expenses	93,108	-	93,108
Noncurrent Liabilities			
2501 Due Within One Year	170,000	-	170,000
2502 Due in More Than One Year	19,446,080	-	19,446,080
2000 Total Liabilities	20,545,143	283	20,545,426
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	6,491,487	-	6,491,487
3900 Unrestricted Net Assets	1,900,002	36,298	1,936,300
3000 Total Net Assets	\$ 8,391,489	\$ 36,298	\$ 8,427,787

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, 2006

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 6,991,566	\$ 5,509	\$ 1,588,167
12 Instructional Resources and Media Services	381,666	-	26,000
13 Curriculum and Instructional Staff Development	239,926	-	80,402
21 Instructional Leadership	187,833	-	64,459
23 School Leadership	728,909	-	35,585
31 Guidance, Counseling, and Evaluation Services	334,743	-	139,917
32 Social Work Services	23,900	-	23,770
33 Health Services	82,415	-	8,892
34 Student (Pupil) Transportation	239,291	-	9,099
35 Food Services	8,365	-	9,780
36 Cocurricular/Extracurricular Activities	487,154	27,373	23,059
41 General Administration	662,270	36,338	17,725
51 Plant Maintenance and Operations	1,530,541	-	39,531
52 Security and Monitoring Services	2,475	-	2,000
53 Data Processing Services	45,496	-	-
61 Community Services	14,878	-	14,578
72 Debt Service - Interest on Long-Term Debt	253,454	-	-
81 Facilities Acquisition and Construction	6,369	-	-
93 Payments to Fiscal Agent/Member Districts of SSA	2,639	-	2,639
[TG] Total Governmental Activities:	12,223,890	69,220	2,085,603
BUSINESS-TYPE ACTIVITIES:			
35 Enterprise Fund-National School Breakfast & Lunch	640,442	172,830	475,219
[TB] Total Business-Type Activities:	640,442	172,830	475,219
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,864,332	\$ 242,050	\$ 2,560,822
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
TR	Total General Revenues		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
NE	Net Assets--Ending		

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (5,397,890)	\$ -	\$ (5,397,890)
(355,666)	-	(355,666)
(159,524)	-	(159,524)
(123,374)	-	(123,374)
(693,324)	-	(693,324)
(194,826)	-	(194,826)
(130)	-	(130)
(73,523)	-	(73,523)
(230,192)	-	(230,192)
1,415	-	1,415
(436,722)	-	(436,722)
(608,207)	-	(608,207)
(1,491,010)	-	(1,491,010)
(475)	-	(475)
(45,496)	-	(45,496)
(300)	-	(300)
(253,454)	-	(253,454)
(6,369)	-	(6,369)
-	-	-
(10,069,067)	-	(10,069,067)
-	7,607	7,607
-	7,607	7,607
(10,069,067)	7,607	(10,061,460)
5,543,869	-	5,543,869
4,183,255	-	4,183,255
1,391	-	1,391
225,262	21	225,283
149,389	-	149,389
10,103,166	21	10,103,187
34,099	7,628	41,727
8,357,390	28,670	8,386,060
\$ 8,391,489	\$ 36,298	\$ 8,427,787

## DALHART INDEPENDENT SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
August 31, 2006

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,259,402	\$ 16,234,660	\$ 113,984	\$ 17,608,046
1220 Property Taxes - Delinquent	116,819	-	-	116,819
1230 Allowance for Uncollectible Taxes (credit)	(7,009)	-	-	(7,009)
1240 Due from Other Governments	703,873	-	134,633	838,506
1260 Due from Other Funds	170,355	-	-	170,355
1300 Inventories	34,749	-	-	34,749
1000 Total Assets	<u>\$ 2,278,189</u>	<u>\$ 16,234,660</u>	<u>\$ 248,617</u>	<u>\$ 18,761,466</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110 Accounts Payable	\$ 253,338	\$ -	\$ -	\$ 253,338
2160 Accrued Wages Payable	457,655	-	-	457,655
2170 Due to Other Funds	-	-	134,633	134,633
2200 Accrued Expenditures	12,044	-	-	12,044
2300 Deferred Revenues	109,810	-	16,867	126,677
2000 Total Liabilities	<u>\$ 832,847</u>	<u>\$ -</u>	<u>\$ 151,500</u>	<u>\$ 984,347</u>
Fund Balances:				
Reserved For:				
3410 Investments in Inventory	\$ 34,749	\$ -	\$ -	\$ 34,749
Unreserved and Undesignated:				
3600 Reported in the General Fund	1,410,593	-	-	1,410,593
3620 Reported in Capital Projects Funds	-	16,234,660	-	16,234,660
3640 Reported in Debt Service Funds	-	-	97,117	97,117
3000 Total Fund Balances	<u>\$ 1,445,342</u>	<u>\$ 16,234,660</u>	<u>\$ 97,117</u>	<u>\$ 17,777,119</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,278,189</u>	<u>\$ 16,234,660</u>	<u>\$ 248,617</u>	<u>\$ 18,761,466</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, 2006

<b>Total Fund Balances - Governmental Funds</b>	\$ 17,777,119
<b>1</b> 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.	142,146
<b>2</b> 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 \$17,537,464 and the accumulated depreciation was \$7,251,765. 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.	7,040,230
<b>3</b> 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 2006 capital outlays and debt principal payments is to increase net assets.	3,022,879
<b>4</b> The 2006 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(421,622)
<b>5</b> 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 the proceeds of bond sales as an increase in bonds payable, 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.	(19,169,263)
<b>19 Net Assets of Governmental Activities</b>	\$ 8,391,489

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, 2006

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 5,815,434	\$ 34,660	\$ 83,371	\$ 5,933,465
5800 State Program Revenues	4,630,955	-	249,179	4,880,134
5900 Federal Program Revenues	59,607	-	1,400,601	1,460,208
5020 Total Revenues	10,505,996	34,660	1,733,151	12,273,807
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	5,760,687	-	1,294,859	7,055,546
0012 Instructional Resources and Media Services	373,630	-	8,036	381,666
0013 Curriculum and Instructional Staff Development	163,066	-	76,860	239,926
0021 Instructional Leadership	128,307	-	59,526	187,833
0023 School Leadership	724,107	-	4,802	728,909
0031 Guidance, Counseling, and Evaluation Services	203,511	-	131,232	334,743
0032 Social Work Services	130	-	23,770	23,900
0033 Health Services	77,732	-	4,683	82,415
0034 Student (Pupil) Transportation	215,295	-	675	215,970
0035 Food Services	-	-	8,365	8,365
0036 Cocurricular/Extracurricular Activities	472,798	-	12,083	484,881
0041 General Administration	656,758	-	1,962	658,720
0051 Plant Maintenance and Operations	1,185,507	-	9,695	1,195,202
0052 Security and Monitoring Services	475	-	2,000	2,475
0053 Data Processing Services	44,083	-	-	44,083
0061 Community Services	300	-	14,578	14,878
Debt Service:				
0071 Debt Service - Principal on Long-Term Debt	2,979,389	-	-	2,979,389
0072 Debt Service - Interest on Long-Term Debt	139,566	-	-	139,566
0073 Debt Service - Bond Issuance Cost and Fees	96,586	-	328,708	425,294
Capital Outlay:				
0081 Facilities Acquisition and Construction	6,369	-	-	6,369
Intergovernmental:				
0093 Payments to Member Districts of SSA	-	-	2,639	2,639
6030 Total Expenditures	13,228,296	-	1,984,473	15,212,769
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,722,300)	34,660	(251,322)	(2,938,962)
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	16,200,000	3,150,000	19,350,000
7912 Sale of Real and Personal Property	1,382	-	-	1,382
7915 Transfers In	3,051,572	-	3,739	3,055,311
7916 Premium or Discount on Issuance of Bonds	-	-	246,272	246,272
8911 Transfers Out (Use)	(3,739)	-	(3,051,572)	(3,055,311)
7080 Total Other Financing Sources (Uses)	3,049,215	16,200,000	348,439	19,597,654
1200 Net Change in Fund Balances	326,915	16,234,660	97,117	16,658,692
0100 Fund Balance - September 1 (Beginning)	1,118,427	-	-	1,118,427
3000 Fund Balance - August 31 (Ending)	\$ 1,445,342	\$ 16,234,660	\$ 97,117	\$ 17,777,119

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, 2006

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 16,658,692
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, 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 increase net assets.	76,216
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 2006 capital outlays and debt principal payments is to increase net assets.	3,022,879
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.	(421,622)
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 bond sales, 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.	(19,302,066)
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 34,099</u>

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  
Budget and Actual - General Fund  
For the Year Ended August 31, 2006

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	\$ 5,707,443	\$ 5,840,087	\$ 5,815,434	\$ (24,653)
5800 State Program Revenues	4,421,563	4,529,225	4,630,955	101,730
5900 Federal Program Revenues	14,000	59,600	59,607	7
5020 Total Revenues	10,143,006	10,428,912	10,505,996	77,084
EXPENDITURES:				
Current:				
0011 Instruction	6,032,548	6,077,543	5,760,687	316,856
0012 Instructional Resources and Media Services	365,166	377,930	373,630	4,300
0013 Curriculum and Instructional Staff Development	162,268	162,151	163,066	(915)
0021 Instructional Leadership	129,161	134,356	128,307	6,049
0023 School Leadership	719,868	728,675	724,107	4,568
0031 Guidance, Counseling, and Evaluation Services	211,484	211,285	203,511	7,774
0032 Social Work Services	-	131	130	1
0033 Health Services	65,664	77,749	77,732	17
0034 Student (Pupil) Transportation	367,978	363,284	215,295	147,989
0036 Cocurricular/Extracurricular Activities	375,961	431,529	472,798	(41,269)
0041 General Administration	584,371	674,617	656,758	17,859
0051 Plant Maintenance and Operations	1,150,868	1,223,880	1,185,507	38,373
0052 Security and Monitoring Services	3,800	3,800	475	3,325
0053 Data Processing Services	52,300	45,900	44,083	1,817
0061 Community Services	2,667	2,432	300	2,132
Debt Service:				
0071 Debt Service - Principal on Long-Term Debt	-	2,979,389	2,979,389	-
0072 Debt Service - Interest on Long-Term Debt	164,000	164,000	139,566	24,434
0073 Debt Service - Bond Issuance Cost and Fees	-	96,586	96,586	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	6,400	6,369	31
6030 Total Expenditures	10,388,104	13,761,637	13,228,296	533,341
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(245,098)	(3,332,725)	(2,722,300)	610,425
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	10,000	1,390	1,382	(8)
7915 Transfers In	-	3,051,572	3,051,572	-
8911 Transfers Out (Use)	(4,180)	(4,180)	(3,739)	441
7080 Total Other Financing Sources (Uses)	5,820	3,048,782	3,049,215	433
1200 Net Change in Fund Balances	(239,278)	(283,943)	326,915	610,858
0100 Fund Balance - September 1 (Beginning)	1,118,427	1,118,427	1,118,427	-
3000 Fund Balance - August 31 (Ending)	\$ 879,149	\$ 834,484	\$ 1,445,342	\$ 610,858

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, 2006

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 223,210
Due from Other Governments	30,953	-
Inventories	13,663	-
Total Current Assets	44,616	223,210
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	8,278	-
Total Noncurrent Assets	8,278	-
Total Assets	52,894	223,210
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	283	-
Due to Other Funds	16,313	-
Accrued Expenses	-	81,064
Total Liabilities	16,596	81,064
<b>NET ASSETS</b>		
Unrestricted Net Assets	36,298	142,146
Total Net Assets	\$ 36,298	\$ 142,146

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, 2006

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 157,445	\$ 118,292
State Program Revenues	15,385	-
Total Operating Revenues	172,830	118,292
OPERATING EXPENSES:		
Payroll Costs	296,060	-
Professional and Contracted Services	27,040	-
Supplies and Materials	307,521	-
Other Operating Costs	9,821	44,235
Total Operating Expenses	640,442	44,235
Operating Income (Loss)	(467,612)	74,057
NONOPERATING REVENUES (EXPENSES):		
National School Breakfast Program	132,375	-
National School Lunch Program	305,517	-
Donated Commodities (USDA)	37,327	-
Earnings from Temporary Deposits & Investments	21	-
Other Non-Operating Revenues	-	2,159
Total Nonoperating Revenue (Expenses)	475,240	2,159
Change in Net Assets	7,628	76,216
Total Net Assets - September 1 (Beginning)	28,670	65,930
Total Net Assets - August 31 (Ending)	\$ 36,298	\$ 142,146

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, 2006

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 171,255	\$ 118,292
Cash Received from State Program Revenues	15,385	-
Cash Payments to Employees for Services	(309,234)	-
Cash Payments for Insurance Claims	-	(80,767)
Cash Payments for Suppliers	(327,419)	-
Cash Payments for Other Operating Expenses	(19,816)	-
Net Cash Provided by (Used for) Operating Activities	(469,829)	37,525
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Nonoperating Federal Revenues	475,219	-
Other Non Operating Revenues	-	2,159
Net Cash Provided by Non-Capital Financing Activities	475,219	2,159
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>		
Acquisition of Capital Assets	(9,011)	-
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	21	-
Net Increase(Decrease) in Cash and Cash Equivalents	(3,600)	39,684
Cash and Cash Equivalents at Beginning of the Year:	3,600	183,526
Cash and Cash Equivalents at the End of the Year:	\$ -	\$ 223,210
<u>Reconciliation of Operating Income (Loss) to Net Cash     Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (467,612)	\$ 74,057
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	732	-
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	13,810	-
Decrease (increase) in Inventories	7,124	-
Increase (decrease) in Accounts Payable	(27,022)	-
Increase (decrease) in Accrued Wages Payable	(13,174)	-
Increase (decrease) in Due from Other Funds	16,313	-
Increase (decrease) in Accrued Expenses	-	(36,532)
Net Cash Provided by (Used for) Operating Activities	\$ (469,829)	\$ 37,525
<u>Reconciliation of Total Cash and Cash Equivalents:</u>		
Cash and Cash Equivalents on Balance Sheet	\$ -	\$ 223,210
	\$	\$

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, 2006

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 111,651
Total Assets	<u>\$ 111,651</u>
LIABILITIES	
Due to Other Funds	\$ 19,409
Due to Student Groups	<u>92,242</u>
Total Liabilities	<u>\$ 111,651</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, 2006

**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 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, 2006

**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 resources 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 and enterprise 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, 2006

**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, 2006

**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 \$16,200,000 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. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District's nonmajor enterprise fund is the National School Breakfast and Lunch Fund. This fund was closed in September 2006 and will be reported as a special revenue fund in the school year 2006-2007.
2. **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.

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, 2006

**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 supplies inventories, at August 31, 2006, were \$34,749 for the General Fund. The food supplies inventories, at August 31, 2006, were \$13,663 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, business-type 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**  
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**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.
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 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.

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
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**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	\$ 475,355	\$ -	\$ 475,355	
Buildings and improvements	15,487,690	5,970,358	9,517,332	
Furniture and equipment	542,741	502,359	40,382	
Capital leases	-	-	-	
Construction in progress	-	-	-	
Vehicles	1,031,678	779,048	252,630	
Totals	<u>\$ 17,537,464</u>	<u>\$ 7,251,765</u>	<u>\$ 10,285,699</u>	\$ 10,285,699
Long-Term Liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Bonds payable less deferred charges			\$ -	
Loans and notes payable			3,245,469	
Capital leases payable			-	
Totals			<u>\$ 3,245,469</u>	<u>(3,245,469)</u>
Net Adjustment to Net Assets				<u>\$ 7,040,230</u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
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**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	\$ -	\$ -	\$ -
Buildings and improvements	-	-	-
Furniture and equipment	-	-	-
Vehicles	43,490	43,490	43,490
	<u>43,490</u>	<u>43,490</u>	<u>43,490</u>
 Total Capital Outlay	 \$ 43,490	 \$ 43,490	 \$ 43,490
 <u>Debt Principal Payments</u>			
Bond principal	\$ -	\$ -	\$ -
Loan and note principal	2,979,389	2,979,389	2,979,389
Capital lease payments	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 Total Principal Payments	 \$ 2,979,389	 \$ 2,979,389	 \$ 2,979,389
 Total Adjustment to Net Assets			 \$ 3,022,879

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
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**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	\$ (33,667)	\$ (33,667)	\$ (33,667)
Other revenues	16,467	16,467	16,467
<u>Reclassify Proceeds of Bonds, Loans, and</u>			
<u>Capital Leases:</u>			
Debt proceeds	(19,350,000)	(19,350,000)	(19,350,000)
Debt issuance costs	179,022	179,022	179,022
<u>Reclassify Certain Expenditures to Accrued</u>			
<u>Interest Payable:</u>			
Interest	(113,888)	(113,888)	(113,888)
Totals	<u>\$ (19,302,066)</u>	<u>\$ (19,302,066)</u>	<u>\$ (19,302,066)</u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Data**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and Food Service Fund of the special revenue funds. 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 C-5 and the other two reports are in Exhibits J-4 and J-5.

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 36 - Cocurricular Activities -              | \$ 55,000    |
|    | For payroll, transportation costs, and miscellaneous |              |
| b. | Function 41 - General Administration -               | \$ 90,000    |
|    | For legal and appraisal district                     |              |
| c. | Function 51 - Plant Maintenance and Operations -     | \$ 73,000    |
|    | For utilities  |              |
| d. | Function 71 - Principal on Long-Term Debt -          | \$ 2,979,389 |
|    | For payoff of Series 2003 Maintenance Tax Notes      |              |

Debt Service Fund:

- |    |   |            |
|----|---|------------|
| a. | Function 73 - Bond Issuance Cost and Fees - | \$ 328,708 |
|    | For new bond issues                         |            |

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**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, 2006</u> <u>Fund Balance</u>
Appropriated Budget Funds	\$ -
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u><u>\$ -</u></u>

**B. Excess of Expenditures over Appropriation**

The District expended more than budgeted for the following:

General Fund:

Function 13 - Curriculum and Instructional Staff Development	\$ 915
Caused by unexpected expenditures at year-end.	
Function 36 - Cocurricular Activities	\$ 41,269
Caused by reclassified transportation cost at year-end.	

Child Nutrition  
Program:

Function 35 - Food Services	\$ 14,257
Caused by proposed adjusting entries after year-end.	

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
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**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, 2006, the Dalhart Independent School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
TexPool	\$ 90,527	\$ 90,527	\$ -	\$ -	\$ -
Lone Star Investment Pool	17,452,168	17,452,168	-	-	-
Certificate of Deposit - First State Bank	123,229	123,229	-	-	-
Total Investments	<u>\$ 17,665,924</u>	<u>\$ 17,665,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**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, 2006, the District's deposits were covered with depository insurance in the amount of \$100,000 and collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$1,223,131.

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.

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, 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 risk for the year ended August 31, 2006.

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 interest rate risk at August 31, 2006.

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**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 at August 31, 2006.

Other Credit Risk Exposure

The District had no other known credit risk exposure at August 31, 2006.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended August 31, 2006.

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 the Dalhart Independent School District and the Comptroller of Public Accounts, acting on behalf of the 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.

The 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. The 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, 2006

**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, 2005, upon which the levy for the 2005-2006 fiscal year was based, was \$402,663,482. The roll was subsequently decreased to a year-end assessed value of \$390,901,620.

The tax rates assessed, for the year ended August 31, 2006, to finance General Fund operations was \$1.42 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, 2006:

	<u>General Fund</u>
Delinquent Taxes Receivable	\$ 116,819
Allowance for uncollectible taxes (credit)	<u>(7,009)</u>
Net Delinquent Taxes Receivable at August 31, 2006	<u><u>\$ 109,810</u></u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**D. Interfund Balances and Transfers**

*[GASB 2300.106o]* Interfund balances at August 31, 2006, consisted of the following amounts:

**Due to General Fund from:**

Nonmajor Governmental Funds	\$ 134,633
Enterprise Fund	16,313
Trust and Agency Fund	<u>19,409</u>
Total Due to General Fund from Other Funds	<u><u>\$ 170,355</u></u>

The purpose of these interfund balances is to allow for ease of funding the daily operations of the District. These interfund balances are expected to be repaid in the next fiscal year.

*[GASB 2300.106o]* Interfund transfers for the year ended August 31, 2006, consisted of the following individual amounts:

**Transfers to General Fund from:**

Nonmajor Governmental Funds	<u>\$ 3,051,572</u>
Total Transferred to Nonmajor Governmental Funds	<u><u>\$ 3,051,572</u></u>

**Transfers to Nonmajor Governmental Funds from:**

General Fund	<u>\$ 3,739</u>
Total Transferred to Nonmajor Governmental Funds	<u><u>\$ 3,739</u></u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**E. Disaggregation of Receivables and Payables**

Receivables, at August 31, 2006, were as follows:

	Property te)	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 109,810	\$ 703,873	\$ 170,355	\$ -	\$ 984,038
Capital Projects Fund	-	-	-	-	-
Nonmajor Governmental Funds	-	134,633	-	-	134,633
Internal Service Fund	-	-	-	-	-
Total - Governmental Activities	<u>\$ 109,810</u>	<u>\$ 838,506</u>	<u>\$ 170,355</u>	<u>\$ -</u>	<u>\$ 1,118,671</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities:</b>					
Enterprise Fund	<u>\$ -</u>	<u>\$ 30,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,953</u>
Total - Business-Type Activities	<u>\$ -</u>	<u>\$ 30,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,953</u>

Payables, at August 31, 2006, were as follows:

	Accounts Payable	Loans, Leases, and Bonds Payable - Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	\$ 253,338	\$ -	\$ 457,655	\$ -	\$ -	\$ 121,854	\$ 832,847
Capital Projects Fund	-	-	-	-	-	-	-
Nonmajor Governmental Funds	-	-	-	134,633	-	16,867	151,500
Internal Service Fund	-	-	-	-	-	81,064	81,064
Total - Governmental Activities	<u>\$ 253,338</u>	<u>\$ -</u>	<u>\$ 457,655</u>	<u>\$ 134,633</u>	<u>\$ -</u>	<u>\$ 219,785</u>	<u>\$ 1,065,411</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Business-Type Activities:</b>							
Enterprise Fund	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,596</u>
Total - Business-Type Activities	<u>\$ 283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,596</u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**F. Capital Asset Activity**

*[GASB Codification Section 2300.106]* Capital asset activity for the District, for the year ended August 31, 2006, was as follows:

	Primary Government		
	Beginning Balance	Additions	Ending Balance
<b>Governmental Activities:</b>			
Land	\$ 475,355	\$ -	\$ 475,355
Buildings and improvements	15,487,690	-	15,487,690
Furniture and equipment	542,741	-	542,741
Vehicles	1,031,678	43,490	1,020,945
Totals at Historical Cost	17,537,464	43,490	17,526,731
Less Accumulated Depreciation for:			
Buildings and improvements	5,970,358	326,300	6,296,658
Furniture and equipment	502,359	16,324	518,683
Vehicles	779,048	78,998	803,823
Total Accumulated Depreciation	7,251,765	421,622	7,619,164
Governmental Activities Capital Assets, Net	10,285,699	(378,132)	9,907,567
<b>Business-Type Activities:</b>			
Land	\$ -	\$ -	\$ -
Buildings and improvements	-	-	-
Furniture and equipment	-	9,010	9,010
Vehicles	-	-	-
Totals at Historical Cost	-	9,010	9,010
Less Accumulated Depreciation for:			
Buildings and improvements	-	-	-
Furniture and equipment	-	732	732
Vehicles	-	-	-
Total Accumulated Depreciation	-	732	732
Business-Type Activities Capital Assets, Net	\$ -	\$ 8,278	\$ 8,278

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**F. Capital Asset Activity** (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Data Control Codes	Expense	Amount
0010	Instruction and instructional - related services	\$ 12,236
0030	Support services - student (pupil)	69,084
0040	Administrative support services	3,550
0050	Support service - nonstudent based	<u>336,752</u>
	Total Depreciation Expense	<u><u>\$ 421,622</u></u>

Business-Type Activities:

0030	Support services - student (pupil)	<u>\$ 732</u>
	Total Depreciation Expense	<u><u>\$ 732</u></u>

**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, 2006.

**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 is expected 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 current interest rate is 5.25%. The current year interest paid was \$13,969. The purpose of this loan was to purchase 66.52 acres of land east of the high school and will be repaid in the General Fund.

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

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

The Series 2003 Maintenance Tax Notes (\$3,004,918), dated November 2003, were issued in conformity with the constitution and laws of the State of Texas, including Section 45.108 of the Texas Education Code. The notes are payable from maintenance and operation taxes within the limitations of the District's maintenance tax authority of taxable property within the District. Proceeds from the notes were used to pay for an energy management system and windows. These notes were expected to be repaid in May 2016. The agreement requires quarterly payments of \$37,500 until November 2009 when the quarterly payments increase to \$118,857. The interest rate is 4.178%. The District paid off these notes in August 2006 with the proceeds from the Series 2006 Unlimited Tax Refunding Bonds. The current year interest paid was \$125,597.

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 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 February 15, 2007, and each February 15 until the maturity date. Interest is due February 15, 2007, and 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 \$0. The refunding bond proceeds were used to pay off the Series 2003 Maintenance Tax Notes principal and interest of \$2,953,069 and \$1,916, respectively. The District had a prepayment premium 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 was \$(68,913). The economic gain or (loss) 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.

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 on February 15, 2007, and semi-annually on each August 15 and February 15 thereafter to 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 is due February 15, 2009, and each February 15 thereafter to the maturity date.



**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

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

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 <sup>1</sup>	820,000	2036 <sup>1</sup>	1,055,000

<sup>1</sup> 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.

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.

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

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

The current year interest paid on these bonds is \$0. 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, 2006.

A summary of changes in general long-term debt for the year ended August 31, 2006, is as follows:

<b>Governmental Activities Description</b>	<b>Interest Rate Payable</b>	<b>Amounts Original Issue</b>	<b>Interest Current Year</b>	<b>Amounts Outstanding 9/1/05</b>	<b>Issued</b>	<b>Retired</b>	<b>Amounts Outstanding 8/31/06</b>
Bonded Indebtedness:							
Series 2006 Unlimited Tax Refunding Bonds	4.25%- 4.3%	\$ 3,150,000	\$ -	\$ -	\$ 3,150,000	\$ -	\$ 3,150,000
Series 2006 Unlimited Tax School Building Bonds	4.25%- 5.125%	\$16,200,000	\$ -	-	16,200,000	-	16,200,000
Total Bonded Indebtedness				-	19,350,000	-	19,350,000
Other Obligations:							
Maintenance Tax Notes, Series 2003	4.178%	\$ 3,004,918	\$125,597	2,979,389	-	2,979,389	-
Loan - First National Bank in Dalhart, TX	5.25%	\$ 266,080	\$ 13,969	266,080	-	-	266,080
Total Other Obligations				3,245,469	-	2,979,389	266,080
Total Obligations of the District				<u>\$3,245,469</u>	<u>\$19,350,000</u>	<u>\$2,979,389</u>	<u>\$ 19,616,080</u>

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, 2006.

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**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, 2006, as follows:

Year Ending August 31,	
2007	\$ 16,252
2008	16,252
2009	11,400
2010	2,885
2011	-
Total Minimum Rentals	<u>\$ 46,789</u>

Rental expenditures in fiscal year 2006 were \$9,750

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

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

Debt service requirements for bonds are as follows:

	<u>BONDED INDEBTEDNESS</u>		<b>Total</b>
Year Ending August 31,	Principal	Interest	<b>Requirements</b>
2007	\$ 170,000	\$ 982,572	\$ <b>1,152,572</b>
2008	185,000	899,162	<b>1,084,162</b>
2009	425,000	886,200	<b>1,311,200</b>
2010	490,000	866,757	<b>1,356,757</b>
2011	620,000	843,169	<b>1,463,169</b>
Thereafter	<u>17,460,000</u>	<u>11,757,363</u>	<u><b>29,217,363</b></u>
Totals	<u>\$ 19,350,000</u>	<u>\$ 16,235,223</u>	<u><b>\$ 35,585,223</b></u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**J. Debt Service Requirements - Bonds, Long-Term Loans, and Capital Leases (continued)**

Debt service requirements for loans are as follows:

Year Ending August 31,	LOANS		Total Requirements
	Principal	Interest	
2007	\$ -	\$ 13,969	\$ <b>13,969</b>
2008	-	13,969	<b>13,969</b>
2009	-	13,969	<b>13,969</b>
2010	-	13,969	<b>13,969</b>
2011	-	13,969	<b>13,969</b>
Thereafter	266,080	41,907	<b>307,987</b>
Totals	<u>\$ 266,080</u>	<u>\$ 111,752</u>	<u>\$ <b>377,832</b></u>

**Capital Leases**

The District had no capital leases.

**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. 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](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** State law provides for fiscal years 2004, 2005, and 2006, a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances, the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the state funding policy: (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 10.0% of the aggregate annual compensation of all members of the system during that

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**K. Defined Benefit Pension Plan** (continued)

fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's 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 contributions to TRS made on behalf of Dalhart Independent School District's employees for the years ended August 31, 2004, 2005, and 2006, were \$422,297, \$408,423, and \$429,842, respectively. Dalhart Independent School District paid additional state contributions for the years ended August 31, 2004, 2005, and 2006, in the amount of \$45,083, \$91,216, and \$92,731, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

**L. Health Care Coverage**

During the year ended August 31, 2006, 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, 2005, 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.

Changes in claims liability amounts for the Workers' Compensation Self-Insurance Fund, for the year ended August 31, 2006, were as follows:

Unpaid Claims 8/31/05	Changes in Estimates	Claim Payments	Unpaid Claims 8/31/06
<u>\$ 117,596</u>	<u>\$ 17,840</u>	<u>\$ (54,372)</u>	<u>\$ 81,064</u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**N. Changes in Long-Term Liabilities**

Long-term activity, for the year ended August 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General obligation bonds	\$ -	\$ 19,350,000	\$ -	\$ 19,350,000	\$ 170,000
Long-term loans and notes	3,245,469	-	2,979,389	266,080	-
Less deferred amount on refunding	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Bonds, Long-Term Loans, and Notes Payable	<u>3,245,469</u>	<u>19,350,000</u>	<u>2,979,389</u>	<u>19,616,080</u>	<u>170,000</u>
Other Liabilities:					
Capital leases	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,245,469</u>	<u>\$ 19,350,000</u>	<u>\$ 2,979,389</u>	<u>\$ 19,616,080</u>	<u>\$ 170,000</u>

**O. Deferred Revenue**

Deferred revenue, for the year ended August 31, 2006, consisted of the following:

	General Fund	Capital Projects Fund	Other Nonmajor Funds	Total
<b>Governmental Activities:</b>				
Net tax revenue	\$ 109,810	\$ -	\$ -	\$ 109,810
Employee health insurance	-	-	11,940	11,940
Ready to read	-	-	25	25
Technology grant	-	-	4,902	4,902
	<u>-</u>	<u>-</u>	<u>4,902</u>	<u>4,902</u>
Total Deferred Revenue	<u>\$ 109,810</u>	<u>\$ -</u>	<u>\$ 16,867</u>	<u>\$ 126,677</u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**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, 2006, 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	\$ 702,438	\$ -	\$ 1,435	\$ 703,873
Capital Projects Fund	-	-	-	-
Other Nonmajor Funds	31,530	103,103	-	134,633
Total Governmental Activities	<u>\$ 733,968</u>	<u>\$ 103,103</u>	<u>\$ 1,435</u>	<u>\$ 838,506</u>

**Business-Type Activities:**

Enterprise Fund	<u>\$ 1,219</u>	<u>\$ 29,734</u>	<u>\$ -</u>	<u>\$ 30,953</u>
Total Business-Type Activities	<u>\$ 1,219</u>	<u>\$ 29,734</u>	<u>\$ -</u>	<u>\$ 30,953</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
<b>Governmental Activities:</b>					
Property taxes	\$ 5,577,536	\$ -	\$ -	\$ -	\$ 5,577,536
Penalties, interest, and other tax-related income	51,952	-	-	-	51,952
Investment income	109,477	34,660	81,125	4,937	230,199
Food sales	-	-	-	-	-
Cocurricular student activities	27,373	-	-	-	27,373
Other	49,096	-	2,246	113,355	164,697
Total Governmental Activities	<u>\$ 5,815,434</u>	<u>\$ 34,660</u>	<u>\$ 83,371</u>	<u>\$ 118,292</u>	<u>\$ 6,051,757</u>

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**Q. Revenue From Local and Intermediate Sources (continued)**

	Enterprise Fund	Total
<b>Business-Type Activities:</b>		
Food service	\$ 157,445	\$ 157,445
Total Business-Type Activities	<u>\$ 157,445</u>	<u>\$ 157,445</u>

**R. Joint Venture - Shared Services Arrangements**

*[GASB 2300.107i]* The District is the fiscal agent for a shared services arrangement ("SSA") which accounts for funds granted to provide career and technology education to develop new and/or improved career and technology education programs for paid and unpaid employment. Full participation in the basic grant is from individuals who are members of special populations. In addition to the District, other members include Hartley Independent School District and Channing Independent School District. All services are provided by the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 331, Shared Services Arrangements - Vocational Education - Basic Grant. The District's participation is 87%.

Revenues and expenditures of the SSA are summarized as follows:

Fund 331 - Shared Services Arrangements - Vocational Education - Basic Grant

Revenues:

Federal Program Revenues	\$ 20,540
Total Revenues	<u>\$ 20,540</u>

Expenditures:

<u>Function</u>	
0010 - Instruction and instructional - related services	\$ 17,901
0090 - Intergovernmental charges	<u>2,639</u>
Total Expenditures	<u>\$ 20,540</u>



**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2006

**S. 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 Medicaid Administrative Claims Program (93.778) in the amount of \$59,607 that is not considered federal financial assistance for inclusion in the Schedule of Federal Awards.

**T. 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, 2006, the District purchased commercial 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.

**U. Debt Issuances and Defeasance of Debt**

The District issued the Series 2006 Unlimited Tax Refunding Bonds (\$3,150,000) in August 2006, to refund in whole the Series 2003 Maintenance Tax Notes in the original amount of \$3,004,918. (See Note H for additional details.) The Series 2006 Unlimited Tax Refunding Bonds will mature in February 2016. The interest rate on these bonds ranges from 4.25% to 4.3%.

There was no defeasance of debt for the year ended August 31, 2006.

The District issued the Series 2006 Unlimited Tax School Building Bonds (\$16,200,000) in August 2006, in accordance with the constitution and laws of the State of Texas. The purpose of these bonds is 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 interest rate ranges from 4.25% to 5.125%. This bond issue is expected to be repaid in February 2036 from interest and sinking taxes. (See Note H for additional details.)

There were no other new debt issuances for the year ended August 31, 2006.

**V. Litigation**

At August 31, 2006, the Dalhart Independent School District had no known or threatened pending litigations which would materially affect the District's financial condition.

**W. Subsequent Events**

The District plans to use the proceeds from the \$16,200,000 Unlimited Tax School Building Bonds received in August 2006 for the construction of a new high school and renovations at other school facilities, which should begin in the spring of 2007. The \$16,200,000 construction and renovation projects are expected to be completed in the summer of 2008.

## **COMBINING SCHEDULES**

DALHART INDEPENDENT SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
August 31, 2006

Data Control Codes		204	205	211	212
		ESEA Title IV A-Safe & Drug Free Schools	Head Start	ESEA I, A Improving Basic Program	ESEA Title I Part C Migrant
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	-	2,041	1,793
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,041</u>	<u>\$ 1,793</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2170	Due to Other Funds	\$ -	\$ -	\$ 2,041	\$ 1,793
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>2,041</u>	<u>1,793</u>
Fund Balances:					
Unreserved and Undesignated:					
3640	Reported in Debt Service Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,041</u>	<u>\$ 1,793</u>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	255 ESEA II, A Training and Recruiting	261 Reading First	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, A Innovative Programs	331 SSA Vocational Ed Basic Grant
\$ - 10,809	\$ - -	\$ - -	\$ - 88,460	\$ - -	\$ - -	\$ - -	\$ - -
<u>\$ 10,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 10,809 -	\$ - -	\$ - -	\$ 88,460 -	\$ - -	\$ - -	\$ - -	\$ - -
<u>10,809</u>	<u>-</u>	<u>-</u>	<u>88,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DALHART INDEPENDENT SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
August 31, 2006

Data Control Codes		394	401	404	411
		Pregnancy, Education and Parenting	Optional Extended Year Program	Student Success Initiative	Technology Allotment
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 4,902
1240	Due from Other Governments	915	-	30,615	-
1000	Total Assets	<u>\$ 915</u>	<u>\$ -</u>	<u>\$ 30,615</u>	<u>\$ 4,902</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2170	Due to Other Funds	\$ 915	\$ -	\$ 30,615	\$ -
2300	Deferred Revenues	-	-	-	4,902
2000	Total Liabilities	<u>915</u>	<u>-</u>	<u>30,615</u>	<u>4,902</u>
Fund Balances:					
Unreserved and Undesignated:					
3640	Reported in Debt Service Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 915</u>	<u>\$ -</u>	<u>\$ 30,615</u>	<u>\$ 4,902</u>

418 Employee Health Insurance	429 Ready to Read	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 11,940	\$ 25	\$ -	\$ 16,867	\$ 97,117	\$ 113,984
-	-	-	134,633	-	134,633
<u>\$ 11,940</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 151,500</u>	<u>\$ 97,117</u>	<u>\$ 248,617</u>
\$ -	\$ -	\$ -	\$ 134,633	\$ -	\$ 134,633
11,940	25	-	16,867	-	16,867
<u>11,940</u>	<u>25</u>	<u>-</u>	<u>151,500</u>	<u>-</u>	<u>151,500</u>
-	-	-	-	97,117	97,117
-	-	-	-	97,117	97,117
<u>\$ 11,940</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 151,500</u>	<u>\$ 97,117</u>	<u>\$ 248,617</u>

DALHART INDEPENDENT SCHOOL DISTRICT  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended August 31, 2006

Data Control Codes		204 ESEA Title IV A-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	10,348	160,883	378,950	88,170
5020	Total Revenues	10,348	160,883	378,950	88,170
EXPENDITURES:					
Current:					
0011	Instruction	-	160,883	341,597	64,305
0012	Instructional Resources and Media Services	-	-	3,558	-
0013	Curriculum and Instructional Staff Development	-	-	20,415	564
0021	Instructional Leadership	-	-	13,380	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	23,301
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	8,348	-	-	-
0041	General Administration	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	2,000	-	-	-
0061	Community Services	-	-	-	-
Debt Service:					
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:					
0093	Payments to Member Districts of SSA	-	-	-	-
6030	Total Expenditures	10,348	160,883	378,950	88,170
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915	Transfers In	-	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-	-
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)	\$ -	\$ -	\$ -	\$ -

## EXHIBIT H-2 (Cont'd)

[illegible]



DALHART INDEPENDENT SCHOOL DISTRICT  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended August 31, 2006

Data Control Codes		394 Pregnancy, Education and Parenting	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	14,578	845	76,168	40,176
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	14,578	845	76,168	40,176
EXPENDITURES:					
Current:					
0011	Instruction	-	845	76,168	39,526
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	650
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	14,578	-	-	-
Debt Service:					
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:					
0093	Payments to Member Districts of SSA	-	-	-	-
6030	Total Expenditures	14,578	845	76,168	40,176
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-	-
7915	Transfers In	-	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-	-
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)	\$ -	\$ -	\$ -	\$ -

418 Employee Health Insurance	429 Ready to Read	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,246	\$ 2,246	\$ 81,125	\$ 83,371
117,384	-	28	249,179	-	249,179
-	-	-	1,400,601	-	1,400,601
117,384	-	2,274	1,652,026	81,125	1,733,151
82,919	-	896	1,294,859	-	1,294,859
4,478	-	-	8,036	-	8,036
57	-	-	76,860	-	76,860
1,535	-	-	59,526	-	59,526
3,757	-	-	4,802	-	4,802
3,300	-	-	131,232	-	131,232
469	-	-	23,770	-	23,770
1,554	-	-	4,683	-	4,683
675	-	-	675	-	675
8,365	-	-	8,365	-	8,365
2,357	-	1,378	12,083	-	12,083
1,962	-	-	1,962	-	1,962
9,695	-	-	9,695	-	9,695
-	-	-	2,000	-	2,000
-	-	-	14,578	-	14,578
-	-	-	-	328,708	328,708
-	-	-	2,639	-	2,639
121,123	-	2,274	1,655,765	328,708	1,984,473
(3,739)	-	-	(3,739)	(247,583)	(251,322)
-	-	-	-	3,150,000	3,150,000
3,739	-	-	3,739	-	3,739
-	-	-	-	246,272	246,272
-	-	-	-	(3,051,572)	(3,051,572)
3,739	-	-	3,739	344,700	348,439
-	-	-	-	97,117	97,117
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ 97,117	\$ 97,117

## **TEA REQUIRED SCHEDULES**

DALHART INDEPENDENT SCHOOL DISTRICT  
Schedule of Delinquent Taxes Receivable  
Fiscal Year Ended August 31, 2006

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1997 and prior years	Various	Various	\$ 280,598,548
1998	1.078900	0.161100	274,105,965
1999	1.232800	0.117200	292,001,407
2000	1.260000	0.090000	303,284,444
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 (School year under audit)	1.420000	0.000000	390,901,620
1000 TOTALS			

(10) Beginning Balance 9/1/2005	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2006
\$ 12,099	\$ -	\$ 356	\$ -	\$ -	\$ 11,743
689	-	-	-	-	689
1,754	-	-	-	-	1,754
13,048	-	323	-	-	12,725
3,970	-	467	-	-	3,503
7,489	-	420	-	-	7,069
5,153	-	2,584	-	-	2,569
38,120	-	31,031	-	-	7,089
70,313	-	47,114	-	(3,185)	20,014
-	5,550,803	5,495,241	-	(5,898)	49,664
<u>\$ 152,635</u>	<u>\$ 5,550,803</u>	<u>\$ 5,577,536</u>	<u>\$ -</u>	<u>\$ (9,083)</u>	<u>\$ 116,819</u>

DALHART INDEPENDENT SCHOOL DISTRICT  
Schedule of Expenditures for Computations of Indirect Cost for 2007-2008  
General and Special Revenue Funds  
For the Year Ended August 31, 2006

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION**

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	\$ -	\$ -	\$ 111,524	\$ 261,706	\$ -	\$ 1	\$ 373,231
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	1,800	-	-	1,800
6149	Leave - Separating Employees not in 41 & 53	-	-	-	15,663	-	-	15,663
6211	Legal Services	56,937	-	-	-	-	-	56,937
6212	Audit Services	-	-	-	13,100	-	-	13,100
6213	Tax Appraisal and Collection	-	137,571	-	-	-	-	137,571
621X	Other Professional Services	2,092	-	-	11,365	-	-	13,457
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	2,304	-	-	2,304
6240	Contr., Maint., and Repair	-	-	-	-	5,289	-	5,289
6250	Utilities	-	-	-	-	2,468	-	2,468
6260	Rentals	675	-	2,175	4,350	1,500	-	8,700
6290	Miscellaneous Contr.	-	-	-	20	-	-	20
6320	Textbooks and Reading	-	-	-	20	-	-	20
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,513	-	1,332	13,715	756	-	18,316
6410	Travel, Subsistence, Stipends	6,703	-	5,356	2,516	-	-	14,575
6420	Ins. and Bonding Costs	4,000	-	1,000	1,284	-	-	6,284
6430	Election Costs	2,526	-	-	-	-	-	2,526
6490	Miscellaneous Operating	8,251	-	1,048	7,223	2,495	-	19,017
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 83,697	\$ 137,571	\$ 122,435	\$ 335,066	\$ 12,508	\$ 1	\$ 691,278

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise (9) \$ 15,524,505

LESS: Deductions of Unallowable Costs

## FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 43,490
Total Debt & Lease(6500)	(11) 3,215,541
Plant Maintenance (Function 51, 6100-6400)	(12) 1,195,202
Food (Function 35, 6341 and 6499)	(13) 246,522
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	335,066

SubTotal:

5,035,821

Net Allowed Direct Cost

\$ 10,488,684

## CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 15,487,690
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) \$ 1,563,686
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: \$16,895 in Function 53 expenditures are included in this report on administrative costs.

DALHART INDEPENDENT SCHOOL DISTRICT  
Fund Balance and Cash Flow Calculation Worksheet  
For the Year Ended August 31, 2006

**UNAUDITED**

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1	Total General Fund Balance as of 8/31/06 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 1,445,342
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 34,749
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.)	591,000
5	Estimate of one month's average cash disbursements during the regular school session (9/1/06-5/31/07).	875,000
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>1,500,749</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u><u>\$ (55,407)</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, 2006

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	\$ 172,275	\$ 157,447	\$ 157,445	\$ (2)
5800 State Program Revenues	19,947	15,407	15,385	(22)
5020 Total Revenues	192,222	172,854	172,830	(24)
EXPENDITURES:				
0035 Food Services	663,136	626,186	640,443	(14,257)
6030 Total Expenditures	663,136	626,186	640,443	(14,257)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(470,914)	(453,332)	(467,613)	(14,281)
OTHER FINANCING SOURCES (USES):				
7952 National School Breakfast Program	100,750	132,377	132,375	(2)
7953 National School Lunch Program	288,750	305,518	305,517	(1)
7954 Donated Commodities (USDA)	28,830	33,961	37,327	3,366
7080 Total Other Financing Sources (Uses)	418,330	471,856	475,219	3,363
1200 Change in Net Assets	(52,584)	18,524	7,606	(10,918)
0100 Total Net Assets - September 1 (Beginning)	28,670	28,670	28,670	-
3000 Total Net Assets - August 31 (Ending)	\$ (23,914)	\$ 47,194	\$ 36,276	\$ (10,918)



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, 2006

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	\$ -	\$ 81,125	\$ 81,125	\$ -
5020	Total Revenues	-	81,125	81,125	-
EXPENDITURES:					
Debt Service:					
0073	Debt Service - Bond Issuance Cost and Fees	-	328,708	328,708	-
6030	Total Expenditures	-	328,708	328,708	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(247,583)	(247,583)	-
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	3,150,000	3,150,000	-
7916	Premium or Discount on Issuance of Bonds	-	246,272	246,272	-
8911	Transfers Out (Use)	-	(3,051,572)	(3,051,572)	-
7080	Total Other Financing Sources (Uses)	-	344,700	344,700	-
1200	Net Change in Fund Balances	-	97,117	97,117	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 97,117	\$ 97,117	\$ -

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

**KEENEY, HEMBREE & COMPANY, L. L. P.**

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**

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

Board of Trustees  
Dalhart Independent School District  
315 Rock Island  
Dalhart, Texas 79022

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, 2006. These collectively comprise the District's basic financial statements. We have issued our report on them dated November 1, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the administration of Dalhart Independent School District in a separate letter dated November 1, 2006.

#### 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, contracts, other matters, 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 that are required to be reported under *Government Auditing Standards*.

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, L. L. P.*  
(Original signature on file with TEA)

November 1, 2006

**KEENEY, HEMBREE & COMPANY, L. L. P.**

CERTIFIED PUBLIC ACCOUNTANTS

116 EAST SEVENTH

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

DUMAS, TEXAS 79029

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PRACTICE SECTION

TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

Board of Trustees  
Dalhart Independent School District  
315 Rock Island  
Dalhart, Texas 79022

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, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, other matters, 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, 2006.

#### 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, contracts, other matters, and grants 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, other matters, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, L. L. P.*  
(Original signature on file with TEA)

November 1, 2006

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
August 31, 2006

**I. Summary of the Auditor's Results:**

<b><u>PROGRAM</u></b>	<b><u>DESCRIPTION</u></b>
Type of Report on Financial Statements	Unqualified Opinion
Reportable Conditions	None
Material Weaknesses Involving Reportable Conditions	None
Noncompliance Material to the Financial Statements	None
Reportable Conditions in Internal Control Over Major Programs	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low-Risk Auditee Statements	The District was classified as a low-risk auditee in the context of OMB Circular A-133.
Major Federal Programs	CFDA 84.010A ESEA Title I, Part A – Improving Basic Programs CFDA 10.555 National School Lunch Program CFDA 10.550 USDA Donated Commodities CFDA 10.553 National School Breakfast Program
Pass-through Entity	Texas Education Agency

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
August 31, 2006

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

Criteria	None
Condition Found	None
Questioned Costs Basis	None
Instances/Universe	None
Effect	None
Recommendations	None
Total All Questioned Costs	None

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

**FINDINGS**

None

**QUESTIONED COSTS**

None



**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Status of Prior Audit Findings**  
August 31, 2006

<b>FINDING</b>	<b>PROGRAM</b>	<b>STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE</b>
None	None	None

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Corrective Action Plan**  
August 31, 2006

<b><u>FINDING</u></b>	<b><u>PROGRAM</u></b>	<b><u>CORRECTIVE ACTION PLAN</u></b>
None	None	None

## DALHART INDEPENDENT SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2006

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	07610101056901	\$ 2,041
ESEA, Title I, Part A - Improving Basic Programs	84.010A	06610101056901	376,909
Total CFDA Number 84.010A			378,950
ESEA, Title I, Part C - Migratory Children	84.011A	07615024056901	1,793
ESEA, Title I, Part C - Migratory Children	84.011A	06615024056901	86,377
Total CFDA Number 84.011A			88,170
IDEA - Part B, Formula	84.027A	076600010569016600	13,830
IDEA - Part B, Formula	84.027A	066600010569016600	308,507
Total CFDA Number 84.027A			322,337
Reading First	84.357A	056455017110016	1,725
Reading First	84.357A	066455017110016	294,678
Total CFDA Number 84.357A			296,403
SSA - Vocational Education - Basic Grant	84.048A	0642000605690116	20,540
IDEA - Part B, Preschool	84.173A	066610010569016610	8,610
ESEA Title IV - Safe and Drug-Free Schools	84.186A	06691001056901	10,348
Title V, Part A - Innovative Programs	84.298A	06685001056901	5,249
Title II, Part D -Enhancing Ed. Through Technology	84.318X	06630001056901	6,558
Title III, Part A - English Language Acquisition	84.365A	06671001056901	12,638
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	06694501056901	89,915
Total Passed Through State Department of Education			\$ 1,239,718
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 1,239,718</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Regional Education Service Center</u>			
Head Start	93.600	6-056901	\$ 160,883
Total Passed Through Regional Education Service Center			\$ 160,883
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 160,883</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
National School Lunch Program*	10.555	6-056901	\$ 305,517
USDA Commodities	10.550	N/A	37,327
National School Breakfast Program*	10.553	6-056901	132,375
Total Passed Through the State Department of Agriculture			\$ 475,219
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 475,219</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,875,820</b>

\*Clustered Programs as required by Compliance Supplement March, 2006

**DALHART INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
For the Year Ended August 31, 2006

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 and Agency Funds. 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.

## SCHOOLS FIRST QUESTIONNAIRE

Dalhart Independent School District

Fiscal Year 2006

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	0