

**CHAPEL HILL
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2011**

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CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2011

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CERTIFICATE OF BOARD

Chapel Hill Independent School District
Name of School District

Smith
County

212-909
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2011, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Chapel Hill Independent School District

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chapel Hill Independent School District (District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described in Note Q to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified as other supplementary information identified in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

January 3, 2012
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of School Trustees
Chapel Hill Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chapel Hill Independent School District (District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with the 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Report on Internal Control – Continued

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency and other grantors, and is not intended to be and should not be used by anyone other than these specified parties.

January 3, 2012
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of School Trustees
Chapel Hill Independent School District

Members of the Board:

Compliance

We have audited the Chapel Hill Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. 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 and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance – Continued

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's responses to the findings, if any, identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

January 3, 2012
Greenville, Texas

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2011

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued Unqualified Opinion

Internal Control over Financial Reporting:

Material Weaknesses identified None

Reportable conditions identified that are
not considered to be material weaknesses None reported

Noncompliance material to the financial
statements noted None

Federal Awards –

Internal control over major programs:

Material weaknesses identified None

Reportable conditions identified that are
not considered to be material weaknesses None reported

Type of Auditor's report issued on
compliance for major programs Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of OMB
Circular A-133 No

Identification of major programs Special Education Cluster:
IDEA-B Formula (84.027)
ARRA – IDEA, Part B, Formula (84.391)
IDEA-B Preschool (84.173)
ARRA – IDEA-B Preschool (84.392)
Title I Part A Cluster:
ESEA Title I Part A – Basic Programs (84.010)
ARRA – ESEA Title I Part A (84.389)

Food Service Cluster:
School Breakfast Program (10.553)
National School Lunch Program (10.555)

ARRA – Title XIV State Fiscal Stabilization (84.394)

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

Entity qualified as a low risk auditee Yes

Pass-through Entity Texas Education Agency

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Financial Statement Findings (Section II)

NONE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Federal Award Findings and Questioned Costs (Section III)

NONE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Prior Year Findings (Section IV)

NONE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Corrective Action Plans (Section V)

NONE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

This section of Chapel Hill Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2011. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

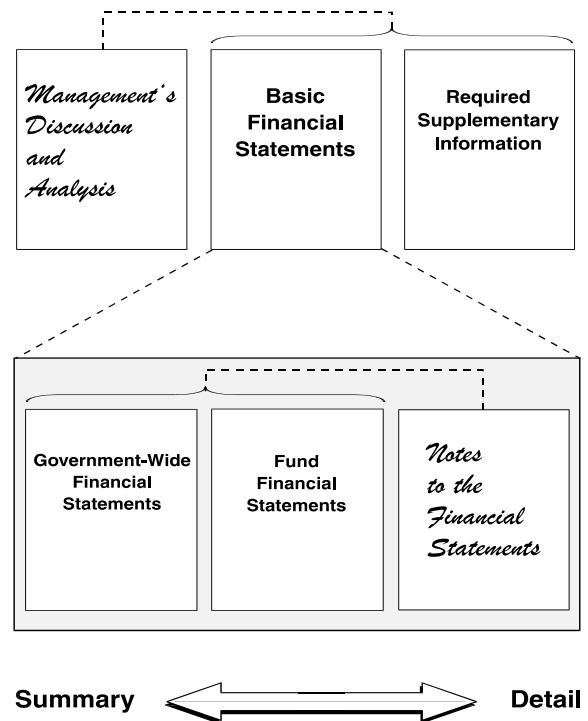
- The District's total combined net assets were \$ 24,084,337 at August 31, 2011.
- During the year, the District's expenses were \$ 736,752 less than the \$ 32,406,140 generated in local property taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 4,433,824 .
- The District issued "Chapel Hill Independent School District Maintenance Tax Notes, Series 2011" in the amount of \$ 2,550,000 to fund renovations and replacements in the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as a print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net

assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explain the relationship (or differences) between them.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$ 24,084,337 at August 31, 2011.

Chapel Hill Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Assets:			
Cash and Investments	\$ 5,567,779	\$ 5,687,236	-2.10%
Other Assets	3,088,816	2,402,696	28.56%
Capital Assets less Accumulated Depreciation	43,048,265	41,486,270	3.77%
Total Assets	\$ 51,704,860	\$ 49,576,202	4.29%
Liabilities:			
Current Liabilities	\$ 1,702,653	\$ 1,756,252	-3.05%
Long-term Liabilities	25,917,870	24,472,365	5.91%
Total Liabilities	\$ 27,620,523	\$ 26,228,617	5.31%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 17,479,557	\$ 17,279,995	1.15%
Restricted	991,108	460,103	115.41%
Unrestricted	5,613,672	5,607,488	0.11%
Total Net Assets	\$ 24,084,337	\$ 23,347,586	3.16%

Approximately \$ 512,346 of the District's restricted net assets represents funds available for debt retirement. These funds are restricted for retirement of tax supported debt. The unrestricted net assets represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 32,406,140 . 43% of the District's revenue comes from local property taxes (See Table A-2). 54% comes from state aid and federal grants, while only 3% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 31,669,388 . 58% of these costs are for instruction and related staff and student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.29%. The total tax rate collections (base tax and penalty and interest) was 101.32%.

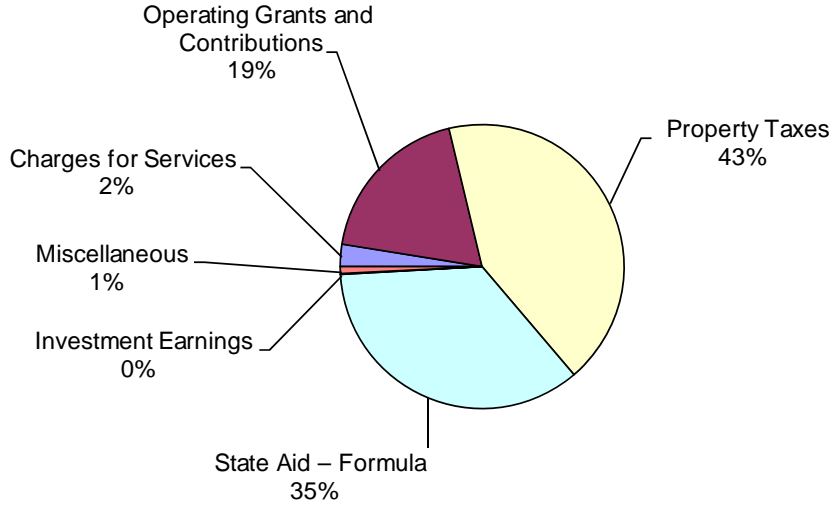
CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

GOVERNMENTAL ACTIVITIES

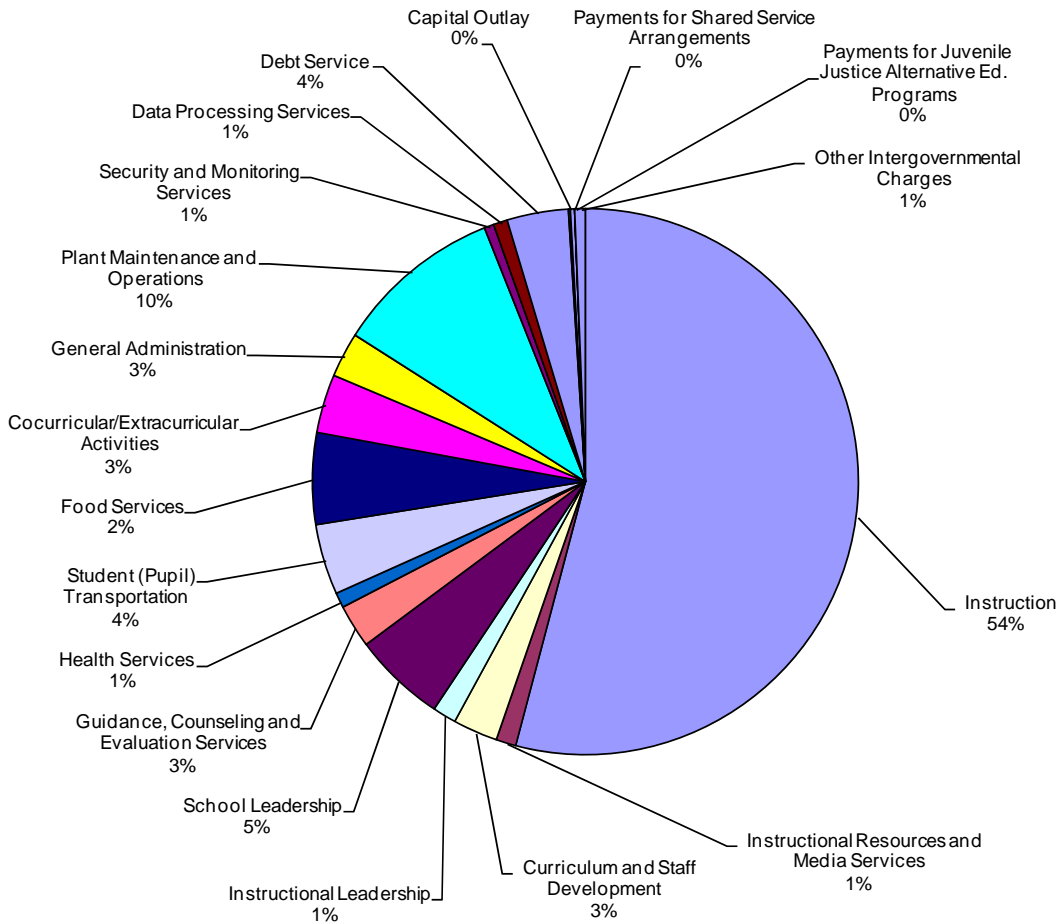
Changes in Chapel Hill Independent School District's Net Assets			Table A-2
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
	<u>2011</u>	<u>2010</u>	
Program Revenues:			
Charges for Services	\$ 818,911	\$ 854,028	-4.11%
Operating Grants and Contributions	6,066,394	5,638,667	7.59%
General Revenues:			
Property Taxes	13,782,122	13,666,956	0.84%
State Aid – Formula	11,449,419	10,940,788	4.65%
Investment Earnings	29,792	15,713	89.60%
Miscellaneous	259,502	188,919	37.36%
Total Revenues	\$ 32,406,140	\$ 31,305,071	3.52%
Expenses:			
Instruction	\$ 17,135,641	\$ 17,140,233	-0.03%
Instructional Resources and Media Services	374,458	370,518	1.06%
Curriculum and Staff Development	839,170	751,881	11.61%
Instructional Leadership	443,972	435,972	1.83%
School Leadership	1,739,585	1,758,955	-1.10%
Guidance, Counseling and Evaluation Services	813,151	850,132	-4.35%
Health Services	281,707	277,190	1.63%
Student (Pupil) Transportation	1,323,315	1,247,882	6.04%
Food Services	1,716,354	1,691,865	1.45%
Cocurricular/Extracurricular Activities	1,098,828	1,008,096	9.00%
General Administration	842,231	778,488	8.19%
Plant Maintenance and Operations	3,153,871	3,508,233	-10.10%
Security and Monitoring Services	178,817	160,092	11.70%
Data Processing Services	263,451	254,303	3.60%
Debt Service	1,151,082	1,168,707	-1.51%
Capital Outlay	36,453	33,308	9.44%
Payments for Shared Service Arrangements	77,873	75,934	2.55%
Payments for Juvenile Justice Alternative Ed. Programs	1,448	3,197	-54.71%
Other Intergovernmental Charges	197,981	192,799	2.69%
Total Expenses	\$ 31,669,388	\$ 31,707,785	-0.12%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 736,752	\$ (402,714)	282.95%
Increase (Decrease) in Net Assets	\$ 736,752	\$ (402,714)	282.95%
Net Assets - Beginning (September 1)	23,347,585	23,750,299	-1.70%
Net Assets - Ending (August 31)	\$ 24,084,337	\$ 23,347,585	3.16%

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2011

Sources of Revenue for Fiscal Year 2011 - See Table A-2



Functional Expenses for Fiscal Year 2011 - See Table A-2



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

- Table A-3 presents the cost of selected functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 31,669,388 .
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 13,782,122 .
- Some of the cost was paid by those who directly benefited from the programs, \$ 818,911 , or
- By grants and contributions, \$ 6,066,394 .

Chapel Hill Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		<u>% Change</u>	<u>Net Cost of Services</u>		<u>% Change</u>	
	2011	2010		2011	2010		
Instruction	17,135,641	17,140,233	-0.03%	13,094,593	13,706,072	-4.46%	
School Leadership	1,739,585	1,758,955	-1.10%	1,594,624	1,615,311	-1.28%	
General Administration	842,231	778,488	8.19%	776,014	725,432	6.97%	
Plant Maintenance and Operations	3,153,871	3,508,233	-10.10%	3,072,486	3,245,371	-5.33%	
Debt Service	1,151,082	1,168,707	-1.51%	1,107,040	1,154,972	-4.15%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 32,534,626. This represents an increase of \$ 1,328,346 from the prior year revenues of \$ 31,206,280. The change represents additional state aid due to increased enrollment and attendance. The change also represents the collection of additional property taxes during the year related to an increased effort to collect delinquent taxes.

Expenditures in the governmental funds totaled \$ 34,474,305. This represents an increase of \$ 1,676,238 from the prior year expenditures of \$ 32,798,067. The change represents the District's expenditures incurred for the facilities and other costs related to new debt issued.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 519,373 below final General Fund budget amounts. The most significant positive variance resulted from plant maintenance and operation.

Resources available were \$ 46 below the final General Fund budgeted amount. This is negligible, and indicates that students' average daily attendance and property tax collections occurred as management planned and budgeted for.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2011, the District had invested \$ 63,791,644 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

Chapel Hill Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2011	2010	<u>2010-2011</u>
Land	\$ 445,633	\$ 445,633	0.00%
Construction in Progress	2,401,676	771,625	211.25%
Buildings and Improvements	55,376,923	54,156,787	2.25%
Vehicles	2,973,669	2,922,753	1.74%
Equipment	<u>2,593,743</u>	<u>2,446,070</u>	6.04%
Totals at Historical Cost	\$ 63,791,644	\$ 60,742,868	5.02%
Less Accumulated Depreciation	<u>(20,743,377)</u>	<u>(19,256,598)</u>	7.72%
Net Capital Assets	<u>\$ 43,048,267</u>	<u>\$ 41,486,270</u>	3.77%

LONG TERM DEBT

Bond Ratings -
The District's bonds presently carry "AAA" ratings.

At year-end, the District had \$ 25,917,870 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Chapel Hill Independent School District's Long Term Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2011	2010	<u>2010-2011</u>
Loans Payable	\$ 3,327,000	\$ 915,000	263.61%
Bonds Payable	22,455,000	23,415,000	-4.10%
Other Debt Payable	<u>135,870</u>	<u>142,365</u>	-4.56%
Total Debt Payable	<u>\$ 25,917,870</u>	<u>\$ 24,472,365</u>	5.91%

ECONOMIC FACTORS

The District's property valuation continues to increase as it has in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes continue to impact the District's financial operations, including cash flows.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

Changes in the student population will continue to affect state funding. Property values and student enrollments have increased slightly over the last three years. Any gain or loss in appraised property values will not change the total revenue received by the District under the current state funding formula; they will simply cause a shift between State and local funding with the total revenue remaining the same. Only increases in student enrollment and attendance will increase the District's overall funding.

Student attendance rates have remained fairly steady throughout the recent periods and are expected to remain at the same level moving forward. The economic outlook for the area is for growth to continue at a relatively slow pace. While property values continue to rise at minimum levels, housing has not expanded at the rate similar to the north central Texas region. This growth pattern has allowed the District to provide resources and staff at levels consistent with the economic growth rate.

The State has reduced funding levels for the 2011-2013 biennium which will affect the revenue levels of the District. With these reductions in funding, the District has taken action to reduce expenditures for future periods. The cuts in operations as well as staff positions are expected to resolve the effects of reduced funding levels. However, some potential cash flow delays could require the District to use its available cash reserves. At period end, the District believes present cash balances are in place to withstand any potential delays.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Deason, Executive Director of Finance for the District.

BASIC FINANCIAL STATEMENTS

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

1

Data Control Codes	Governmental Activities
<u> </u>	<u> </u>
ASSETS	
1110 Cash and Investments	\$ 5,567,779
1225 Property Taxes Receivable, Net	1,186,693
1240 Due from Other Governments	1,630,697
1290 Other Receivables, Net	44,741
1300 Inventories, at Cost	28,016
1420 Capitalized Bond and Other Debt Issuance Costs, Net	198,669
Capital Assets:	
1510 Land	445,633
1520 Buildings and Improvements, Net	37,675,691
1530 Furniture and Equipment, Net	2,525,265
1580 Construction in Progress	2,401,676
1000 Total Assets	\$ 51,704,860
LIABILITIES	
2110 Accounts Payable	\$ 700,153
2140 Interest Payable	50,597
2165 Accrued Liabilities	925,304
2300 Unearned Revenue	26,599
Noncurrent Liabilities:	
2501 Due within one year	1,195,000
2502 Due in more than one year	24,722,870
2000 Total Liabilities	\$ 27,620,523
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	\$ 17,479,557
Restricted For:	
3820 Federal and State Programs	478,762
3850 Debt Service	512,346
3900 Unrestricted	5,613,672
3000 Total Net Assets	\$ 24,084,337

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	3	4	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs	Expenses	Program Revenues		Governmental Activities	
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
11	Instruction	\$ 17,135,641	\$ 225,843	\$ 3,815,205	\$ (13,094,593)
12	Instructional Resources and Media Services	374,458	-	26,808	(347,650)
13	Curriculum and Staff Development	839,170	-	352,827	(486,343)
21	Instructional Leadership	443,972	-	90,506	(353,466)
23	School Leadership	1,739,585	-	144,961	(1,594,624)
31	Guidance, Counseling and Evaluation Services	813,151	-	49,288	(763,863)
33	Health Services	281,707	-	22,042	(259,665)
34	Student (Pupil) Transportation	1,323,315	-	65,289	(1,258,026)
35	Food Services	1,716,354	410,423	1,204,863	(101,068)
36	Cocurricular/Extracurricular Activities	1,098,828	148,995	25,526	(924,307)
41	General Administration	842,231	-	66,217	(776,014)
51	Plant Maintenance and Operations	3,153,871	33,650	47,735	(3,072,486)
52	Security and Monitoring Services	178,817	-	5,520	(173,297)
53	Data Processing Services	263,451	-	6,963	(256,488)
72	Interest on Long-term Debt	1,139,664	-	44,042	(1,095,622)
73	Debt Issuance Costs and Fees	11,418	-	-	(11,418)
81	Capital Outlay	36,453	-	-	(36,453)
93	Payments for Shared Service Arrangements	77,873	-	98,602	20,729
95	Payments for Juvenile Justice Alternative Ed. Prgm.	1,448	-	-	(1,448)
99	Other Intergovernmental Charges	197,981	-	-	(197,981)
TG	Total Governmental Activities	<u>\$ 31,669,388</u>	<u>\$ 818,911</u>	<u>\$ 6,066,394</u>	<u>\$ (24,784,083)</u>
	Total Primary Government	<u>\$ 31,669,388</u>	<u>\$ 818,911</u>	<u>\$ 6,066,394</u>	<u>\$ (24,784,083)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose			\$ 11,717,723	
DT	Property Taxes, Levied for Debt Service			2,064,399	
IE	Investment Earnings			29,792	
GC	Grant and Contributions Not Restricted to Specific Programs			11,449,419	
MI	Miscellaneous			<u>259,502</u>	
TR	Total General Revenues and Transfers			<u>\$ 25,520,835</u>	
CN	Change in Net Assets			\$ 736,752	
NB	Net Assets - Beginning (September 1)			<u>23,347,585</u>	
NE	Net Assets - Ending (August 31)			<u>\$ 24,084,337</u>	

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 3,863,909	\$ 490,334	\$ 911,969	\$ 5,266,212
1225 Property Taxes Receivable, Net	1,019,170	-	167,523	1,186,693
1240 Due from Other Governments	1,468,821	-	161,876	1,630,697
1260 Due from Other Funds	66,947	-	-	66,947
1290 Other Receivables, Net	41,507	-	3,234	44,741
1300 Inventories, at Cost	-	-	28,016	28,016
1000 Total Assets	<u>\$ 6,460,354</u>	<u>\$ 490,334</u>	<u>\$ 1,272,618</u>	<u>\$ 8,223,306</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 111,359	\$ 339,843	\$ 3,650	\$ 454,852
2150 Payroll Deductions and Withholdings	1,422	-	-	1,422
2160 Accrued Wages Payable	894,579	-	29,303	923,882
2170 Due to Other Funds	-	-	66,947	66,947
2300 Unearned Revenues	1,019,170	-	194,122	1,213,292
2000 Total Liabilities	<u>\$ 2,026,530</u>	<u>\$ 339,843</u>	<u>\$ 294,022</u>	<u>\$ 2,660,395</u>
FUND BALANCES				
Nonspendable Fund Balances:				
3410 Inventories	\$ -	\$ -	\$ 17,274	\$ 17,274
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	-	-	461,488	461,488
3480 Retirement of Long-Term Debt	-	-	393,653	393,653
3490 Other Restrictions of Fund Balance	-	150,491	-	150,491
Committed Fund Balances:				
3545 Other Committed Fund Balance	-	-	106,181	106,181
Assigned Fund Balances:				
3590 Other Assigned Fund Balance	606,250	-	-	606,250
3600 Unassigned	3,827,574	-	-	3,827,574
3000 Total Fund Balances	<u>\$ 4,433,824</u>	<u>\$ 150,491</u>	<u>\$ 978,596</u>	<u>\$ 5,562,911</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,460,354</u>	<u>\$ 490,334</u>	<u>\$ 1,272,618</u>	<u>\$ 8,223,306</u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2011

Total fund balances - Balance Sheet (governmental funds)	\$	5,562,911
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		43,048,265
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,186,693
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		56,266
Payables for bond principal which are not due in the current period are not reported in the funds.		(22,455,000)
Payables for debt interest which are not due in the current period are not reported in the funds.		(50,597)
Payables for notes which are not due in the current period are not reported in the funds.		(3,327,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(135,870)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>198,669</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$</u>	<u>24,084,337</u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES					
5700	Local and Intermediate Sources	\$ 12,298,033	\$ 1,853	\$ 2,768,087	\$ 15,067,973
5800	State Program Revenues	12,580,056	-	556,458	13,136,514
5900	Federal Program Revenues	<u>38,676</u>	<u>-</u>	<u>4,291,463</u>	<u>4,330,139</u>
5020	Total Revenues	<u>\$ 24,916,765</u>	<u>\$ 1,853</u>	<u>\$ 7,616,008</u>	<u>\$ 32,534,626</u>
EXPENDITURES					
Current:					
0011	Instruction	\$ 13,163,739	\$ -	\$ 3,010,978	\$ 16,174,717
0012	Instructional Resources and Media Services	334,940	-	19,675	354,615
0013	Curriculum and Staff Development	514,536	-	324,634	839,170
0021	Instructional Leadership	376,323	-	67,649	443,972
0023	School Leadership	1,671,123	-	53,118	1,724,241
0031	Guidance, Counseling and Evaluation Services	799,077	-	7,714	806,791
0033	Health Services	268,278	-	7,006	275,284
0034	Student (Pupil) Transportation	1,288,036	-	12,164	1,300,200
0035	Food Services	8,326	-	1,747,914	1,756,240
0036	Cocurricular/Extracurricular Activities	882,971	-	54,790	937,761
0041	General Administration	838,123	-	-	838,123
0051	Plant Maintenance and Operations	3,129,154	1,823	-	3,130,977
0052	Security and Monitoring Services	173,341	-	-	173,341
0053	Data Processing Services	225,371	-	-	225,371
0071	Principal on Long-term Debt	138,000	-	960,000	1,098,000
0072	Interest on Long-term Debt	44,130	-	1,103,851	1,147,981
0073	Debt Issuance Cost and Fees	30,000	51,000	1,089	82,089
0081	Capital Outlay	51,501	2,836,629	-	2,888,130
0093	Payments for Shared Service Arrangements	14,309	-	63,564	77,873
0095	Payments for Juvenile Justice Alternative Ed. Prgm.	1,448	-	-	1,448
0099	Other Intergovernmental Services	<u>197,981</u>	<u>-</u>	<u>-</u>	<u>197,981</u>
6030	Total Expenditures	<u>\$ 24,150,707</u>	<u>\$ 2,889,452</u>	<u>\$ 7,434,146</u>	<u>\$ 34,474,305</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 766,058</u>	<u>\$ (2,887,599)</u>	<u>\$ 181,862</u>	<u>\$ (1,939,679)</u>
OTHER FINANCING SOURCES (USES)					
7912	Sale of Real or Personal Property	\$ 9,669	\$ -	\$ 2,265	\$ 11,934
7914	Non-Current Loan Proceeds	-	2,550,000	-	2,550,000
7915	Transfers In	-	350,000	-	350,000
8911	Transfers Out	<u>(350,000)</u>	<u>-</u>	<u>-</u>	<u>(350,000)</u>
7080	Net Other Financing Sources (Uses)	<u>\$ (340,331)</u>	<u>\$ 2,900,000</u>	<u>\$ 2,265</u>	<u>\$ 2,561,934</u>
1200	Net Changes in Fund Balances	<u>\$ 425,727</u>	<u>\$ 12,401</u>	<u>\$ 184,127</u>	<u>\$ 622,255</u>
0100	Fund Balances - Beginning (September 1)	<u>4,008,097</u>	<u>138,090</u>	<u>794,469</u>	<u>4,940,656</u>
3000	Fund Balances - Ending (August 31)	<u><u>\$ 4,433,824</u></u>	<u><u>\$ 150,491</u></u>	<u><u>\$ 978,596</u></u>	<u><u>\$ 5,562,911</u></u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2011

Net change in fund balances - total governmental funds	\$	622,255
Amounts reported for governmental activities in the statement of activities are different because:		
Capital asset purchases are not reported as expenses in the SOA.		3,273,344
The depreciation of capital assets not used in governmental activities is not reported in the funds.		(1,697,706)
Trade-in or disposal of capital assets decreases net assets in the SOA but not in the funds.		(11,934)
The gain or loss on the sale of capital assets is not reported in the funds.		(1,709)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(130,751)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		6,495
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		960,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		138,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		70,671
(Increase) decrease in accrued interest expense from beginning of period to end of period.		1,822
The net revenue (expense) of internal service funds is reported with governmental activities.		56,266
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(2,550,000)
		(2,550,000)
Change in net assets of governmental activities - Statement of Activities	\$	736,753

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
 AUGUST 31, 2011

Data Control <u>Codes</u>	Internal Service <u>Fund</u>
 ASSETS	
Current Assets:	
1110 Cash and Investments	<u>\$ 301,567</u>
2000 Total Current Assets	<u>\$ 301,567</u>
 LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 245,301</u>
2000 Total Liabilities	<u>\$ 245,301</u>
 NET ASSETS	
3900 Unrestricted Net Assets	<u>\$ 56,266</u>
3000 Total Net Assets	<u><u>\$ 56,266</u></u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2011

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	<u>\$ 213,297</u>
5020 Total Operating Revenues	<u>\$ 213,297</u>
OPERATING EXPENSES	
6100 Payroll Costs	<u>\$ 157,031</u>
6030 Total Operating Expenses	<u>\$ 157,031</u>
1300 Change in Net Assets	\$ 56,266
0100 Total Net Assets - Beginning (September 1)	<u>-</u>
3000 Total Net Assets - Ending (August 31)	<u>\$ 56,266</u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2011

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Receipts from Operating Interest	\$ 382
Cash Receipts from Quasi-External Operating Transfers	212,915
Cash Payments for Claims	(59,981)
Cash Payments for Reinsurance and Administration	(68,417)
Net Cash Provided by (Used for) Operating Activities	\$ 84,899
 Cash Flows from Capital and Other Related Financing Activities	
NONE	
 Cash Flows for Noncapital Financing Activities	
NONE	
 Cash Flows from Investing Activities	
NONE	
 Net Increase (Decrease) in Cash and Investments	\$ 84,899
 Cash and Investments - Beginning (September 1)	216,668
Cash and Investments - Ending (August 31)	\$ 301,567
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 56,266
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Interfund Receivables	83,263
Increase (Decrease) in Claims Liability	(54,630)
Net Cash Provided by (Used for) Operating Activities	\$ 84,899

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2011

Data Control Codes		Private-Purpose Trust Funds	Agency Fund
		Scholarship Funds	Student Activity
ASSETS			
1110	Cash and Investments	\$ -	\$ 50,702
1800	Restricted Assets	1,913	
1000	Total Assets	\$ 1,913	\$ 50,702
LIABILITIES			
Current Liabilities:			
2190	Due to Student Groups	\$ -	\$ 50,702
2000	Total Liabilities	\$ -	\$ 50,702
NET ASSETS			
3800	Held in Trust	\$ 1,913	\$ -
3000	Total Net Assets	\$ 1,913	\$ -

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity."

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

Capital Projects Fund – This fund accounts for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

In addition, the District reports the following fund types:

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

b. Measurement Focus – Basis of Accounting

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

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are approved before a functional category is exceeded and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
		<hr/>
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

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

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable				
Inventories	\$ -	\$ -	\$ 17,274	\$ 17,274
Restricted				
Child Nutrition Program	-	-	461,486	461,486
AP Incentive Program	-	-	2	2
Retirement of Long Term Debt	-	-	393,653	393,653
Capital Projects	-	150,491	-	150,491
Committed				
Campus Activity Funds	-	-	106,181	106,181
Assigned				
Construction	606,250	-	-	606,250
Unassigned	3,827,574	-	-	3,827,574
Totals	<u>\$ 4,433,824</u>	<u>\$ 150,491</u>	<u>\$ 978,596</u>	<u>\$ 5,562,911</u>

Inventories

The purchase method is used to account for inventories of school supplies and athletic equipment. Under this method, supplies and materials are debited as expenditures when purchased.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

On government-wide financial statements, inventories are presented at cost using the weighted average method and are expensed when used. On fund financial statements, inventories of governmental funds are valued at cost. For all funds, cost is determined using the weighted average method, and are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of use. Reported inventories in these funds are offset by a fund balance reserve, which indicates they do not represent available spendable resources.

Debt Issuance Costs

Debt issuance costs are included in noncurrent assets. Unamortized premium or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debt related costs are amortized over the lives of the related debt issues using the straight line method.

Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

6. Receivable and Payable Balances

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

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

7. Interfund Activities

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

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

9. Use of Estimates

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

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. During the year and at August 31, 2011, all District cash deposits appear to have been properly covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in Lone Star Investment Pool. All Lone Star Investment Pool investments are reported at share price (fair value) and are presented as cash and investments.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Deposits, Securities and Investments (Continued)

Investments of the District at August 31, 2011 are as follows:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAm	\$ 5,305,598

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: American State Bank, Tyler, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 2,594,220.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 774,414, and occurred during the month of July, 2011.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 774,414.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

C. Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.080 to fund general operations and \$ 0.19 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 1,081,214,854.

D. Capital Assets

Capital asset activities during the year ended August 31, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not being Depreciated:				
Land	\$ 445,633	\$ -	\$ -	\$ 445,633
Construction in Progress	771,624	2,401,676	771,624	2,401,676
Total Capital Assets not being Depreciated	\$ 1,217,257	\$ 2,401,676	\$ 771,624	\$ 2,847,309
Capital Assets being Depreciated:				
Building and Improvements	\$ 54,156,791	\$ 1,220,132	\$ -	\$ 55,376,923
Equipment	2,446,071	249,674	102,002	2,593,743
Vehicles	2,922,754	180,484	129,569	2,973,669
Total Capital Assets being Depreciated	\$ 59,525,616	\$ 1,650,290	\$ 231,571	\$ 60,944,335
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 16,431,952	\$ 1,269,280	\$ -	\$ 17,701,232
Equipment	898,546	222,674	81,357	1,039,863
Vehicles	1,926,099	205,752	129,569	2,002,282
Total Accumulated Depreciation	\$ 19,256,597	\$ 1,697,706	\$ 210,926	\$ 20,743,377
Total Capital Assets being Depreciated, Net	\$ 40,269,019	\$ (47,416)	\$ 20,645	\$ 40,200,958
Governmental Activities Capital Assets, Net	\$ 41,486,276	\$ 2,354,260	\$ 792,269	\$ 43,048,267

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

D. Capital Assets

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,059,963
Instructional Resources and Media Services	19,843
School Leadership	15,344
Guidance, Counseling and Evaluation Services	6,360
Health Services	6,423
Student (Pupil) Transportation	193,733
Food Services	112,787
Cocurricular/Extracurricular Activities	178,248
General Administration	4,108
Plant Maintenance and Operations	50,816
Security and Monitoring Services	5,476
Data Processing	<u>44,605</u>
 Total	 <u><u>\$ 1,697,706</u></u>

E. Long Term Obligations

Long-Term Obligations Activity

Long-term obligation activities during the year ended August 31, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 23,415,000	\$ -	\$ 960,000	\$ 22,455,000	\$ 1,005,000
Loans Payable	915,000	2,550,000	138,000	3,327,000	190,000
Unamortized Premium	142,365	-	6,495	135,870	-
Total Governmental Activities	<u>\$ 24,472,365</u>	<u>\$ 2,550,000</u>	<u>\$ 1,104,495</u>	<u>\$ 25,917,870</u>	<u>\$ 1,195,000</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at August 31, 2011:

Description	Interest Rate	Original Balance	Outstanding Balance
Unlimited Tax School Building Bonds, Series 2002	4.31%	\$ 8,000,000	\$ 5,260,000
Unlimited Tax School Building Bonds, Series 2008	4.62%	18,000,000	<u>17,195,000</u>
Totals			<u><u>\$ 22,455,000</u></u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at August 31, 2011 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2012	\$ 1,005,000	\$ 1,062,770	\$ 2,067,770
2013	1,050,000	1,019,483	2,069,483
2014	1,100,000	974,258	2,074,258
2015	1,150,000	924,815	2,074,815
2016	1,205,000	872,685	2,077,685
2017 - 2021	4,490,000	3,615,935	8,105,935
2022 - 2026	4,930,000	2,511,875	7,441,875
2027 - 2031	6,120,000	1,183,900	7,303,900
2032 - 2036	1,405,000	63,225	1,468,225
Totals	<u>\$ 22,455,000</u>	<u>\$ 12,228,946</u>	<u>\$ 34,683,946</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of August 31, 2011.

Loans

The District issued various agreements identified here as loans. These loans include notes payable from Maintenance and Operations (M&O) Tax Revenue, or Maintenance Tax Notes.

The loans outstanding at August 31, 2011 are as follows:

Description	Interest Rate	Original Balance	Outstanding Balance
Maintenance Tax Notes - Series 2011	1.000%	\$ 2,550,000	\$ 2,550,000
Maintenance Tax Notes - Series 2010	4.950%	815,000	<u>777,000</u>
Total			<u>\$ 3,327,000</u>

Maturity requirements on loans at August 31, 2011 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2012	\$ 190,000	\$ 71,005	\$ 261,005
2013	202,000	58,642	260,642
2014	203,000	54,938	257,938
2015	211,000	51,111	262,111
2016	213,000	47,134	260,134
2017 - 2021	1,130,000	171,390	1,301,390
2022 - 2026	1,178,000	50,965	1,228,965
Totals	<u>\$ 3,327,000</u>	<u>\$ 505,185</u>	<u>\$ 3,832,185</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

F. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined, but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010 and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period September through December 2009. The District's employees' contributions to the System for the periods ended August 31, 2011, 2010 and 2009 were \$ 1,132,240, \$ 1,110,979, and \$ 1,040,456, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2011, 2010 and 2009 were \$ 272,168, \$ 262,584, and \$ 247,260, respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 972,358 are reflected in the basic financial statements, as applicable.

G. School District Retiree Health Plan

1. Plan Description

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

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

G. School District Retiree Health Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 140,331 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 46,946 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the year ended August 31, 2011, employees of the Chapel Hill Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee, and employees, at their opinion, authorized payroll withholdings to provide dependents' coverage under the Plan. All premiums were paid to Teacher Retirement System of Texas (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Chapel Hill Independent School District and Teacher Retirement System of Texas (Blue Cross/Blue Shield) is renewable September 1 of each year, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2010 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

H. Risk Management (Continued)

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 203,508 for the 10-11 fiscal year. Additionally, the District incurred fixed costs of \$ 68,417 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges. Any additional charge has been recorded as a fund liability.

The accrued liability for workers' compensation self insurance of \$ 244,231 includes \$ 106,487 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in the workers' compensation claims liability amounts for the periods of 2011 and 2010 are represented below:

	2011	2010
Beginning Claims Liability	\$ 297,986	\$ 178,355
Claims Incurred (Reduced)	83,048	229,902
Claim Payments	(136,803)	(110,271)
Ending Claims Liability	<u>\$ 244,231</u>	<u>\$ 297,986</u>

Other 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 fiscal year 2011, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District does not appear to be involved in any litigation as of August 31, 2011.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

K. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Title I Part A	\$ 12,728
General	IDEA-B, Formula	12,293
General	Title II, Part A	3,877
General	Title III, Part A	924
General	ARRA – Title XIV, SFSF	7,564
General	ARRA – IDEA-B, Formula	6,744
General	ARRA – Title I, Part A	2,021
General	Education Jobs Fund	9,079
General	Summer School LEP	4,260
General	Student Success Initiative	3,520
General	Technology Allotment	3,937
Total		<u>\$ 66,947</u>

Transfers To and From Other Funds

Transfer to and from other funds during the year ended August 31, 2011 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General	Capital Projects	\$ 350,000	Construction Projects

L. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Virtual Schools	Whitehouse Independent School District	On-line Education
Head Start	Region VII - ESC	Head Start
Supernet	Whitehouse Independent School District	Telecommunications
Regional Day School for the Deaf	Tyler Independent School District	Deaf Education
Smith County Juvenile	Smith County	JJAEP Services

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

M. Revenue from Local and Intermediate Sources

During the year ended August 31, 2011, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total
Property Tax Collections	\$ 11,830,021	\$ -	\$ 2,082,852	\$ 13,912,873
Rent	2,340	-	-	2,340
Tuition & Fees	1,825	-	-	1,825
Investment Income	20,374	1,853	7,567	29,794
Food Service Income	-	-	410,423	410,423
Gifts and Bequests	2,931	-	46,229	49,160
Co-curricular/Extracurricular Activities	148,995	-	115,080	264,075
Other	291,547	-	105,936	397,483
Total Local Revenue	<u>\$ 12,298,033</u>	<u>\$ 1,853</u>	<u>\$ 2,768,087</u>	<u>\$ 15,067,973</u>

N. Accumulated Unpaid Vacation and Sick Leave Benefits

All District employees earn up to a maximum of five days annually of state sick/personal leave. Of the state leave days, all may be used as sick leave or personal. Professional employees also earn five days of local sick leave per school year. Local sick leave can accumulate to a maximum of twenty days. All professional employees who retire from the District will be paid at the substitute's rate of pay for all local sick leave days accumulated, to a maximum of twenty days. Paraprofessional and auxiliary employees of the District also earn two days of local sick leave per year. This leave can accumulate up to a maximum of ten days. Para-professional and auxiliary employees who retire from the District will be paid at the aide substitute rate of pay for all local sick leave days accumulated , to a maximum of ten days.

Full time auxiliary employees of the District earn ten days of vacation time and may accumulate up to ten days of vacation time at year end. A liability of \$ 12,475 is recorded in wages payable for the accumulated unpaid vacation time.

O. General Fund Federal Revenue Sources

The District recorded federal revenue in the General Fund from the following federal programs or services:

Indirect Costs:		
ESEA Title I Part A	84.010	\$ 9,179
IDEA-B Formula	84.027	10,213
IDEA-B Preschool	84.173	82
ESEA Title II Part A	84.367	3,142
ESEA Title III Part A	84.365	924
Vocational Education – Basic Grant	84.048	868
ARRA – Title XIV State Fiscal Stabilization Fund	84.394	6,840
ARRA – IDEA-B Formula	84.391	5,938
ARRA – ESEA Title I Part A	84.389	<u>1,490</u>
Total		<u>\$ 38,676</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

P. Receivables

Receivables at August 31, 2011 for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Capital Projects Fund	Other Nonmajor	Total
Due from Other Governments	\$ 1,468,821	\$ -	\$ 161,876	\$ 1,630,697
Property Taxes Receivable	1,140,086	-	193,787	1,333,873
Less: Allowance for Uncollectible				
Property Taxes	(120,916)	-	(26,264)	(147,180)
Other Receivables	41,506	-	3,234	44,740
Net Receivables	<u>\$ 2,529,497</u>	<u>\$ -</u>	<u>\$ 332,633</u>	<u>\$ 2,862,130</u>

Q. Change in Accounting Principle

The District implemented Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year. The Statement applies to the governmental fund types and reclassifies the beginning of year fund balances to reflect the appropriate nonspendable, restricted, committed, assigned and unassigned classifications. Note A provides the definitions and disclosures required by the new pronouncement.

R. Subsequent Events

The District's management has evaluated subsequent events through January 3, 2012, the date which the financial statements were available for use.

REQUIRED SUPPLEMENTARY INFORMATION

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 11,978,520	\$ 12,298,033	\$ 12,298,033	\$ -
5800	State Program Revenues	12,107,501	12,580,102	12,580,056	(46)
5900	Federal Program Revenues	25,000	38,676	38,676	-
5020	Total Revenues	\$ 24,111,021	\$ 24,916,811	\$ 24,916,765	\$ (46)
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 13,103,761	\$ 13,229,680	\$ 13,163,739	\$ 65,941
0012	Instructional Resources and Media Services	339,490	343,883	334,940	8,943
0013	Curriculum and Staff Development	564,306	536,187	514,536	21,651
	Total Instruction and Instr. Related Services	<u>\$ 14,007,557</u>	<u>\$ 14,109,750</u>	<u>\$ 14,013,215</u>	<u>\$ 96,535</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 377,621	\$ 390,581	\$ 376,323	\$ 14,258
0023	School Leadership	1,711,105	1,708,972	1,671,123	37,849
	Total Instructional and School Leadership	<u>\$ 2,088,726</u>	<u>\$ 2,099,553</u>	<u>\$ 2,047,446</u>	<u>\$ 52,107</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 820,580	\$ 819,670	\$ 799,077	\$ 20,593
0033	Health Services	276,228	274,253	268,278	5,975
0034	Student (Pupil) Transportation	1,366,417	1,351,873	1,288,036	63,837
0035	Food Services	10,377	8,327	8,326	1
0036	Cocurricular/Extracurricular Activities	794,177	899,944	882,971	16,973
	Total Support Services - Student (Pupil)	<u>\$ 3,267,779</u>	<u>\$ 3,354,067</u>	<u>\$ 3,246,688</u>	<u>\$ 107,379</u>
Administrative Support Services:					
0041	General Administration	\$ 815,171	\$ 867,513	\$ 838,123	\$ 29,390
	Total Administrative Support Services	<u>\$ 815,171</u>	<u>\$ 867,513</u>	<u>\$ 838,123</u>	<u>\$ 29,390</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 3,123,103	\$ 3,252,691	\$ 3,129,154	\$ 123,537
0052	Security and Monitoring Services	167,311	177,319	173,341	3,978
0053	Data Processing Services	232,508	230,242	225,371	4,871
	Total Support Services - Nonstudent Based	<u>\$ 3,522,922</u>	<u>\$ 3,660,252</u>	<u>\$ 3,527,866</u>	<u>\$ 132,386</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 88,000	\$ 138,000	\$ 138,000	\$ -
0072	Interest on Long-term Debt	44,295	44,295	44,130	165
0073	Bond Issuance Costs and Fees	-	30,000	30,000	-
	Total Debt Service	<u>\$ 132,295</u>	<u>\$ 212,295</u>	<u>\$ 212,130</u>	<u>\$ 165</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 150,000	\$ 51,501	\$ 98,499
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 51,501</u>	<u>\$ 98,499</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 20,000	\$ 17,000	\$ 14,309	\$ 2,691
0095	Payments for Juvenile Justice Alternative Ed. Prgm.	25,000	1,650	1,448	202
0099	Other Intergovernmental Charges	198,000	198,000	197,981	19
	Total Intergovernmental Charges	<u>\$ 243,000</u>	<u>\$ 216,650</u>	<u>\$ 213,738</u>	<u>\$ 2,912</u>
6030	Total Expenditures	\$ 24,077,450	\$ 24,670,080	\$ 24,150,707	\$ 519,373
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 33,571	\$ 246,731	\$ 766,058	\$ 519,327
OTHER FINANCING SOURCES (USES)					
7912	Sale of Real or Personal Property	\$ -	\$ 9,669	\$ 9,669	\$ -
8911	Transfers Out	-	(350,000)	(350,000)	-
7080	Net Other Financing Sources (Uses)	\$ -	\$ (340,331)	\$ (340,331)	\$ -
1200	Net Change in Fund Balance	\$ 33,571	\$ (93,600)	\$ 425,727	\$ 519,327
0100	Fund Balance - Beginning (September 1)	4,008,097	4,008,097	4,008,097	-
3000	Fund Balance - Ending (August 31)	\$ 4,041,668	\$ 3,914,497	\$ 4,433,824	\$ 519,327

OTHER SUPPLEMENTARY INFORMATION

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2011

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2010	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2011
		Maintenance	2 Debt Service							
XXXX	2002 and Prior Years	Various	Various	Various	\$ 258,344	\$ -	\$ 21,109	\$ 8,764	\$ (20,528)	\$ 207,943
2002	2003	1.4650	0.1250	573,680,537	40,433	-	3,630	310	(3,474)	33,019
2003	2004	1.4800	0.1100	624,668,069	49,937	-	5,957	443	(3,475)	40,062
2004	2005	1.4780	0.1120	681,005,476	68,280	-	6,188	469	(3,984)	57,639
2005	2006	1.5000	0.0900	766,242,664	87,922	-	16,118	967	(2,759)	68,078
2006	2007	1.3700	0.1100	856,999,952	112,015	-	28,852	2,317	748	81,594
2007	2008	1.0400	0.2000	927,882,312	127,911	-	32,813	6,310	4,944	93,732
2008	2009	1.0800	0.1600	1,039,881,749	203,788	-	69,610	10,313	5,280	129,145
2009	2010	1.0800	0.1850	1,060,813,618	492,017	-	172,835	29,606	(83,224)	206,352
2010	2011	1.0800	0.1900	1,081,214,854	-	13,731,429	11,240,090	1,977,424	(97,606)	416,309
1000	TOTALS				\$ 1,440,647	\$ 13,731,429	\$ 11,597,202	\$ 2,036,923	\$ (204,078)	\$ 1,333,873

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 175,615	\$ 494,720	\$ -	\$ -	\$ 670,335
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services	78,741						78,741
6212	Audit Services				21,250			21,250
6213	Tax Appraisal and Collection		211,402					211,402
621X	Other Prof. Services							-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers			600	8,002			8,602
6240	Contr. Maint. And Repair					52,914		52,914
6250	Utilities							-
6260	Rentals			1,638	10,371			12,009
6290	Miscellaneous Contr.	853			50,106			50,959
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading			253				253
6330	Testing Materials							-
63XX	Other Supplies, Materials			1,481	57,996			59,477
6410	Travel, Subsistence, Stipends	4,849		7,032	11,862			23,743
6420	Ins. And Bonding Costs	9,317	125					9,442
6430	Election Costs							-
6490	Miscellaneous Operating	8,313		1,888	13,410			23,611
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 102,073	\$ 211,527	\$ 188,507	\$ 667,717	\$ 52,914	\$ -	\$ 1,222,738

Total expenditures for General and Special Revenue Funds: (9) \$ 29,519,913

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 473,168
Total Debt & Lease (6500)	(11) 212,130
Plant Maintenance (Function 51, 6100-6400)	(12) 3,097,258
Food (Function XX, 6341 and 6499)	(13) 742,924
Stipend (6413)	(14) -
Column 4 (above) - Total Indirect Cost	667,717
Subtotal	5,193,197
Net Allowed Direct Cost	\$ 24,326,716

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 55,376,923
Historical Cost of Buildings over 50 years old	(16) 122,317
Amount of Federal Money in Building Cost (Net of # 16)	(17) -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) 5,567,412
Historical Cost of Furniture & Equipment over 16 years old	(19) 300,836
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) 787,260

(8) Note A - \$ 186,634 in Function 53 expenditures and \$ 197,981 in Function 99 expenditures are included in this report on administrative costs.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 390,800	\$ 411,134	\$ 411,132	\$ (2)
5800	State Program Revenues	11,835	11,429	11,429	-
5900	Federal Program Revenues	1,262,000	1,423,436	1,421,938	(1,498)
5020	Total Revenues	\$ 1,664,635	\$ 1,845,999	\$ 1,844,499	\$ (1,500)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 1,664,635	\$ 1,784,255	\$ 1,747,914	\$ 36,341
	Total Support Services - Student (Pupil)	\$ 1,664,635	\$ 1,784,255	\$ 1,747,914	\$ 36,341
6030	Total Expenditures	\$ 1,664,635	\$ 1,784,255	\$ 1,747,914	\$ 36,341
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 61,744	\$ 96,585	\$ 34,841
OTHER FINANCING SOURCES (USES)					
7912	Sale of Real or Personal Property	\$ -	\$ 2,265	\$ 2,265	\$ -
7080	Net Other Financing Sources and (Uses)	\$ -	\$ 2,265	\$ 2,265	\$ -
1200	Net Change in Fund Balance	\$ -	\$ 64,009	\$ 98,850	\$ 34,841
0100	Fund Balance - Beginning (September 1)	379,910	379,910	379,910	-
3000	Fund Balance - Ending (August 31)	\$ 379,910	\$ 443,919	\$ 478,760	\$ 34,841

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 2,056,573	\$ 2,089,708	\$ 2,089,709	\$ 1
5800	State Program Revenues	12,553	44,042	44,042	-
5020	Total Revenues	\$ 2,069,126	\$ 2,133,750	\$ 2,133,751	\$ 1
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 960,000	\$ 960,000	\$ 960,000	\$ -
0072	Interest on Long-term Debt	1,103,852	1,103,852	1,103,851	1
0073	Debt Issuance Costs and Fees	1,199	1,199	1,089	110
	Total Debt Service	\$ 2,065,051	\$ 2,065,051	\$ 2,064,940	\$ 111
6030	Total Expenditures	\$ 2,065,051	\$ 2,065,051	\$ 2,064,940	\$ 111
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 4,075	\$ 68,699	\$ 68,811	\$ 112
1200	Net Change in Fund Balance	\$ 4,075	\$ 68,699	\$ 68,811	\$ 112
0100	Fund Balance - Beginning (September 1)	324,842	324,842	324,842	-
3000	Fund Balance - Ending (August 31)	\$ 328,917	\$ 393,541	\$ 393,653	\$ 112

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2011

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -0-

FEDERAL AWARDS SECTION

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
IDEA-B Formula*	84.027	116600012129096600	\$ 545,059
IDEA-B Preschool*	84.173	116610012129096610	8,088
ESEA Title I Part A - Improving Basic Programs *	84.010	11610101212909	727,483
ESEA Title II Part A - Teacher & Principal Training Recruiting	84.367	11694501212909	156,855
Carl D. Perkins - Vocational Education	84.048	1142000621290907	41,992
Title III Part A - LEP	84.365	11671001212909	47,146
Education Jobs Fund	84.410	11550101212909	9,079
ARRA - Title XIV State Fiscal Stabilization Fund*	84.394	11557001212909	885,547
ARRA - ESEA Title II Part D - Enhancing Education through Technology	84.386	10553001212909	350
ARRA - IDEA-B Formula*	84.391	10554001212909	298,883
ARRA - IDEA-B Preschool*	84.392	10555001212909	875
ARRA - ESEA Title I Part A - Improving Basic Programs*	84.389	10551001212909	182,584
Summer School LEP Grant	84.369	69551002	4,260
Total Department of Education			\$ 2,908,201
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program*	10.553	71401101	\$ 295,212
National School Lunch Program*	10.555	71301101	1,009,105
Commodity Food Distribution	10.565	190901A	117,621
Total Department of Agriculture			\$ 1,421,938
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,330,139

* Denotes Major Program

The accompanying notes to the schedule of federal awards are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Chapel Hill Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2011.