

**CHAPEL HILL  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2012**

**RUTHERFORD, TAYLOR & COMPANY, P.C.**  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2012

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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 6 approved/ 0 disapproved for the year ended August 31, 2012, at a meeting of the board of school trustees of such school district on January 24, 2013.

Mike Rebo  
Signature of Board Secretary

J. H. Al-  
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

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT

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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013, 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 16, 2013  
Greenville, Texas

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

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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*

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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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2013. 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

Management of the District is responsible for establishing and maintaining effective 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 16, 2013  
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

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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, 2012. 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, 2012.

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of the District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

January 16, 2013  
Greenville, Texas

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COST  
 YEAR ENDED AUGUST 31, 2012

**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
Significant deficiencies 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
Significant deficiencies 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	ESEA Title I Part A – Basic Programs (84.010)  Education Jobs Funds (84.410)
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, 2012

**Financial Statement Findings (Section II)**

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**2012-1**

**Depository Security**

**Criteria:** Per contract, the District's approved depository bank must provide securities with market value in excess of cash on deposit making adjustments for Federal Deposit Insurance Corporation coverage.

**Condition Found:** The Depository failed to provide securities to cover the District's cash balance in the months of January, February and April 2012. The Depository provided securities and an irrevocable letter of credit to secure the District's funds. The combination of the items with the available FDIC insurance did not exceed the amount on deposit. The District's funds were unsecured during these times.

**Questioned Costs/Basis:** None

**Instances/Universe:** The District's deposits were found to be unsecured in three periods out of the twelve periods reviewed.

**Effect:** District depository funds are at risk of loss during periods of inadequate security.

**Recommendation:** The District should request a monthly report from the depository that compares the balances on deposit with the depository with the market value of pledged securities and available FDIC insurance coverage. If amounts are not secured, the depository should provide additional securities to cover the deficit. These monthly reports should be reviewed by the District to ensure appropriate actions are taken by the depository to comply with contractual assurances to secure the District's funds on deposit.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2012

**Federal Award Findings and Questioned Costs (Section III)**

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NONE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2012

**Prior Year Findings (Section IV)**

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NONE

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2012

**Corrective Action Plans (Section V)**

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**2012-1**

**Depository Security**

The District placed funds with the local depository for a short period of time to achieve an increase in the investment earnings. The depository failed to provide adequate coverage on the additional funds. In the future, assurances will be obtained along with a monthly accounting of all District funds under the control of the depository as compared with securities and other available items securing the Districts funds.

Contact Person: Sharon Deason, Executive Director of Finance

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2012

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, 2012. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

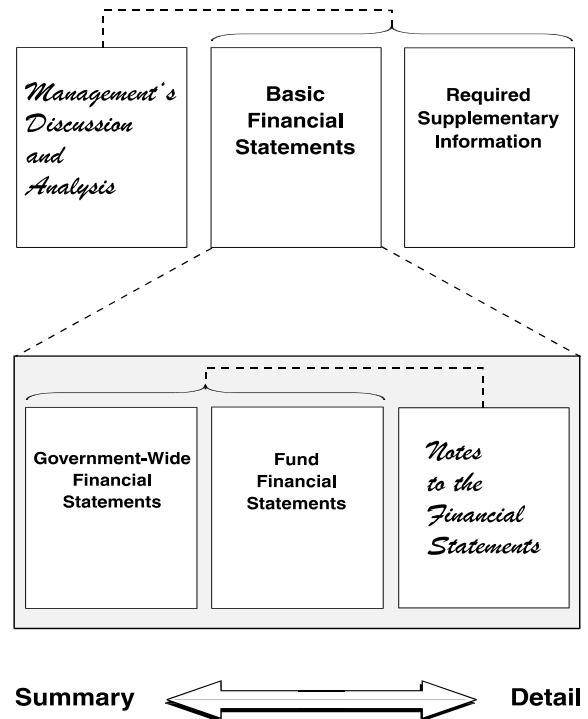
- The District's total combined net assets were \$ 25,097,233 at August 31, 2012.
- During the year, the District's expenses were \$ 1,012,896 less than the \$ 31,917,780 generated in local property taxes and other revenues for governmental activities.
- The total cost of the District's programs was reduced approximately 2.49% from last year and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 5,143,646 .
- The District issued "Chapel Hill Independent School District Unlimited Tax Refunding Bonds, Series 2011" in the amount of \$ 4,485,000 to provide for reduced debt service costs over the life of the debt.

**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, 2012

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

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<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, 2012

- 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 at August 31, 2012.

<b>Chapel Hill Independent School District's Net Assets</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2012	2011	2011-2012
<b>Assets:</b>			
Cash and Investments	\$ 6,964,250	\$ 5,567,779	25.08%
Other Assets	2,448,818	3,088,816	-20.72%
Capital Assets less Accumulated Depreciation	41,843,486	43,048,265	-2.80%
<b>Total Assets</b>	<b>\$ 51,256,554</b>	<b>\$ 51,704,860</b>	<b>-0.87%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 1,437,817	\$ 1,702,653	-15.55%
Long-term Liabilities	24,721,504	25,917,870	-4.62%
<b>Total Liabilities</b>	<b>\$ 26,159,321</b>	<b>\$ 27,620,523</b>	<b>-5.29%</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	\$ 17,512,886	\$ 17,479,557	0.19%
Restricted	1,358,031	991,108	37.02%
Unrestricted	6,226,316	5,613,672	10.91%
<b>Total Net Assets</b>	<b>\$ 25,097,233</b>	<b>\$ 24,084,337</b>	<b>4.21%</b>

Approximately \$ 594,415 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 \$ 31,917,780. 44% of the District's revenue comes from local property taxes (See Table A-2). 53% 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 \$ 30,881,432. 57% 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 99.48%. The total tax rate collections (base tax and penalty and interest) was 101.36%.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2012

**GOVERNMENTAL ACTIVITIES**

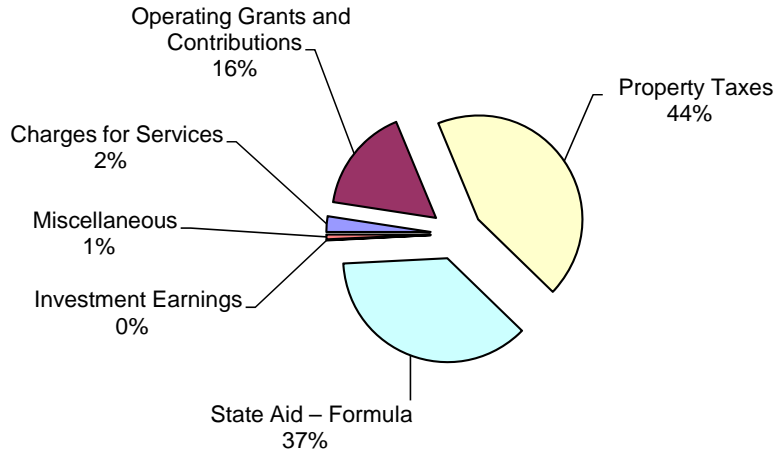
**Table A-2**

**Changes in Chapel Hill Independent School District's Net Assets**

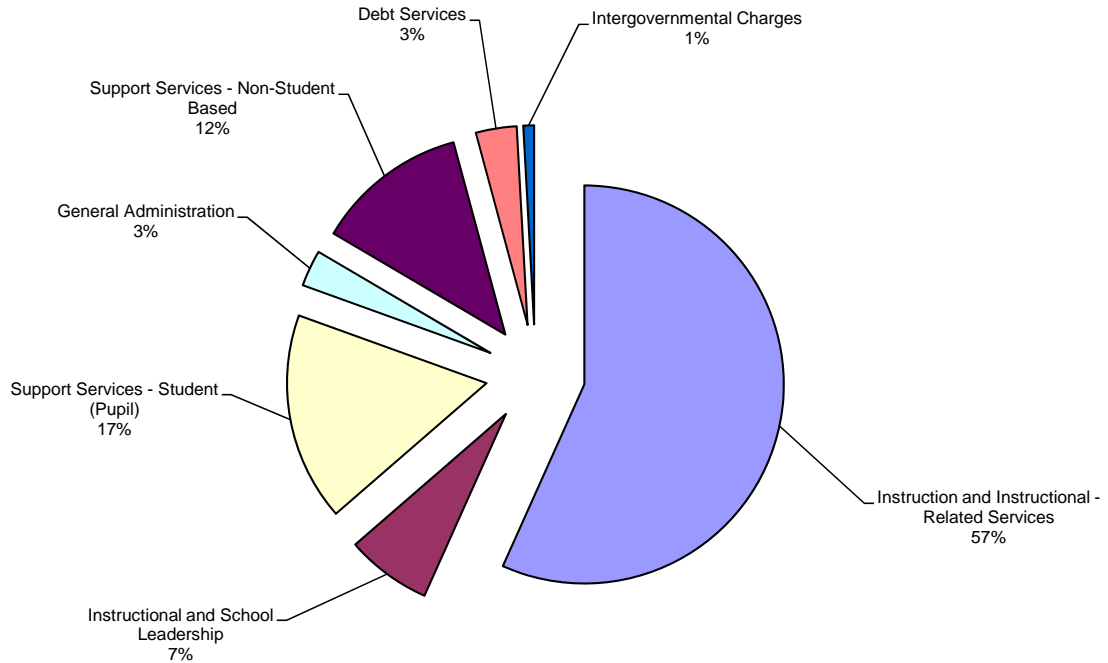
	Governmental Activities		Total Percentage Change 2011-2012
	2012	2011	
Program Revenues:			
Charges for Services	\$ 775,632	\$ 818,911	-5.28%
Operating Grants and Contributions	5,209,432	6,066,394	-14.13%
General Revenues:			
Property Taxes	13,893,671	13,782,122	0.81%
State Aid – Formula	11,783,293	11,449,419	2.92%
Investment Earnings	22,443	29,792	-24.67%
Miscellaneous	233,309	259,502	-10.09%
Total Revenues	<u>\$ 31,917,780</u>	<u>\$ 32,406,140</u>	-1.51%
Expenses:			
Instruction	\$ 16,595,538	\$ 17,135,641	-3.15%
Instructional Resources and Media Services	378,373	374,458	1.05%
Curriculum and Staff Development	533,135	839,170	-36.47%
Instructional Leadership	490,859	443,972	10.56%
School Leadership	1,646,467	1,739,585	-5.35%
Guidance, Counseling and Evaluation Services	814,839	813,151	0.21%
Health Services	275,150	281,707	-2.33%
Student (Pupil) Transportation	1,302,146	1,323,315	-1.60%
Food Services	1,739,796	1,716,354	1.37%
Cocurricular/Extracurricular Activities	1,091,525	1,098,828	-0.66%
General Administration	910,569	842,231	8.11%
Plant Maintenance and Operations	3,398,382	3,153,871	7.75%
Security and Monitoring Services	181,871	178,817	1.71%
Data Processing Services	231,253	263,451	-12.22%
Debt Service	1,021,760	1,151,082	-11.23%
Capital Outlay	-	36,453	-100.00%
Payments for Shared Service Arrangements	73,732	77,873	-5.32%
Payments for Juvenile Justice Programs	-	1,448	-100.00%
Other Intergovernmental Charges	196,037	197,981	-0.98%
Total Expenses	<u>\$ 30,881,432</u>	<u>\$ 31,669,388</u>	-2.49%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 1,036,348	\$ 736,752	-40.66%
Special Item Outflow	(23,452)	-	100.00%
Increase (Decrease) in Net Assets	<u>\$ 1,012,896</u>	<u>\$ 736,752</u>	-37.48%
Net Assets - Beginning (September 1)	24,084,337	23,347,585	3.16%
Net Assets - Ending (August 31)	<u>\$ 25,097,233</u>	<u>\$ 24,084,337</u>	4.21%

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2012

**Sources of Revenue for Fiscal Year 2012 - See Table A-2**



**Functional Expenses for Fiscal Year 2012 - See Table A-2**



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2012

- 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 \$ 30,881,432.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 13,893,671 .
- Some of the cost was paid by those who directly benefited from the programs, \$ 775,632 , or
- By grants and contributions, \$ 5,209,432 .

<b>Chapel Hill Independent School District's Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2012	2011		Change	2012		2011
Instruction	\$ 16,595,538	\$ 17,135,641	-3.15%	\$ 13,504,177	\$ 13,094,593	3.13%	
School Leadership	1,646,467	1,739,585	-5.35%	1,564,724	1,594,624	-1.88%	
General Administration	910,569	842,231	8.11%	879,496	776,014	13.34%	
Plant Maintenance and Operations	3,398,382	3,153,871	7.75%	3,350,988	3,072,486	9.06%	
Debt Service	1,021,760	1,151,082	-11.23%	907,786	1,107,040	-18.00%	

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 31,841,855. This represents a decrease of \$ 692,771 from the prior year revenues of \$ 32,534,626. The change represents reduced federal funds due to the expiring Recovery Act programs. Also state foundation aid was reduced from the prior year due to changes at the legislative level.

Expenditures in the governmental funds totaled \$ 31,022,685. This represents a decrease of \$ 3,451,620 from the prior year expenditures of \$ 34,474,305. The change represents the completion of improvements and renovations to District facilities in the prior year. In addition, the District continued to review and reduce operating expenditures to reduce overall costs where available.

## 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 \$ 531,837 below final General Fund budget amounts. The most significant positive variance resulted from less than anticipated costs in the instruction and instructional resources functional expenditure categories.

Resources available matched the final General Fund budgeted amounts. This lack of a variance indicates managements diligence in monitoring and adjusting for changes in students' average daily attendance and property tax collections throughout the year.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2012

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At the end of 2012, the District had invested \$ 64,290,880 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

<b>Chapel Hill Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total
	2012	2011	Percentage
			Change
			<u>2011-2012</u>
Land	\$ 445,633	\$ 445,633	0.00%
Construction in Progress	-	2,401,676	-100.00%
Buildings and Improvements	57,933,009	55,376,923	4.62%
Vehicles	3,040,342	2,973,669	2.24%
Equipment	<u>2,871,896</u>	<u>2,593,743</u>	10.72%
Totals at Historical Cost	\$ 64,290,880	\$ 63,791,644	0.78%
Less Accumulated Depreciation	<u>(22,447,394)</u>	<u>(20,743,377)</u>	8.21%
Net Capital Assets	<u>\$ 41,843,486</u>	<u>\$ 43,048,267</u>	-2.80%

**DEBT**

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

At year-end, the District had \$ 24,721,504 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.

<b>Chapel Hill Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total
	2012	2011	Percentage
			Change
			<u>2011-2012</u>
Loans Payable	\$ 3,137,000	\$ 3,327,000	-5.71%
Bonds Payable	21,345,000	22,455,000	-4.94%
Other Debt Payable	<u>239,504</u>	<u>135,870</u>	76.27%
Total Debt Payable	<u>\$ 24,721,504</u>	<u>\$ 25,917,870</u>	-4.62%

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2012

## **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.

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.

The District has joined numerous districts across the state in challenging the funding formula used by the State to provide for a public school system. The challenge is one of several proceeding through the legal system. The various cases are expected to be presented to the court in the 2013 fiscal year. Once a decision is made, the following years will likely bring challenges to arriving at a new equitable and sound financial support system. Until the challenges are resolved, expenditures will be monitored to ensure funding sources will provide for anticipated costs.

During the 2012 fiscal year, the State issued two charters to organizations intent on establishing charter schools within the boundary of the District. The two charter schools were opened in the fall of 2012 with varying grade levels offered. The charters have intentions of expanding the grade levels offered in the future. With this development, the District will monitor changes in its enrollment to determine potential losses in state funding. Because of these losses, the District will be required to evaluate costs in the affected areas and potentially make necessary reductions in future expenditures.

## **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 ACTIVITIES  
YEAR ENDED AUGUST 31, 2012

Data Control Codes Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:				
11 Instruction	\$ 16,595,538	\$ 217,857	\$ 2,873,504	\$ (13,504,177)
12 Instructional Resources and Media Services	378,373	-	119,922	(258,451)
13 Curriculum and Staff Development	533,135	-	150,945	(382,190)
21 Instructional Leadership	490,859	-	30,523	(460,336)
23 School Leadership	1,646,467	-	81,743	(1,564,724)
31 Guidance, Counseling and Evaluation Services	814,839	-	106,452	(708,387)
33 Health Services	275,150	-	14,616	(260,534)
34 Student (Pupil) Transportation	1,302,146	-	49,985	(1,252,161)
35 Food Services	1,739,796	405,856	1,490,279	156,339
36 Cocurricular/Extracurricular Activities	1,091,525	146,458	20,898	(924,169)
41 General Administration	910,569	-	31,073	(879,496)
51 Plant Maintenance and Operations	3,398,382	5,461	41,933	(3,350,988)
52 Security and Monitoring Services	181,871	-	24,765	(157,106)
53 Data Processing Services	231,253	-	2,310	(228,943)
72 Interest on Long-term Debt	989,952	-	113,974	(875,978)
73 Debt Issuance Costs and Fees	31,808	-	-	(31,808)
93 Payments for Shared Service Arrangements	73,732	-	56,510	(17,222)
99 Other Intergovernmental Charges	196,037	-	-	(196,037)
TG Total Governmental Activities	<u>\$ 30,881,432</u>	<u>\$ 775,632</u>	<u>\$ 5,209,432</u>	<u>\$ (24,896,368)</u>
Total Primary Government	<u>\$ 30,881,432</u>	<u>\$ 775,632</u>	<u>\$ 5,209,432</u>	<u>\$ (24,896,368)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 11,903,688
DT Property Taxes, Levied for Debt Service				1,989,983
IE Investment Earnings				22,443
GC Grant and Contributions Not Restricted to Specific Programs				11,783,293
MI Miscellaneous				233,309
Special and Extraordinary Items:				
S1 Special Item Outflow				<u>(23,452)</u>
TR Total General Revenues				<u>\$ 25,909,264</u>
CN Change in Net Assets				\$ 1,012,896
NB Net Assets - Beginning (September 1)				24,084,337
NE Net Assets - Ending (August 31)				<u>\$ 25,097,233</u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	Total Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Investments	\$ 5,392,655	\$ 1,288,561	\$ 6,681,216
1225	Property Taxes Receivable, Net	1,077,269	181,071	1,258,340
1240	Due from Other Governments	657,738	191,907	849,645
1260	Due from Other Funds	128,812	-	128,812
1290	Other Receivables	22,968	2,619	25,587
1300	Inventories	-	45,788	45,788
1800	Restricted Assets	-	450	450
<b>1000</b>	<b>Total Assets</b>	<b>\$ 7,279,442</b>	<b>\$ 1,710,396</b>	<b>\$ 8,989,838</b>
<b>LIABILITIES</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 90,908	\$ 322	\$ 91,230
2160	Accrued Wages Payable	944,167	21,869	966,036
2170	Due to Other Funds	-	128,812	128,812
2180	Due to Other Governments	23,452	-	23,452
2300	Deferred Revenues	1,077,269	237,122	1,314,391
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 2,135,796</b>	<b>\$ 388,125</b>	<b>\$ 2,523,921</b>
<b>FUND BALANCES</b>				
Nonspendable Fund Balances:				
3410	Inventories	\$ -	\$ 17,729	\$ 17,729
Restricted Fund Balances:				
3450	Federal/State Funds Grants	-	745,437	745,437
3480	Retirement of Long-Term Debt	-	450,884	450,884
3490	Other Restrictions of Fund Balance	-	450	450
Committed Fund Balances:				
3545	Other Committed Fund Balance	-	107,771	107,771
Assigned Fund Balances:				
3590	Other Assigned Fund Balance	825,000	-	825,000
3600	Unassigned	4,318,646	-	4,318,646
<b>3000</b>	<b>Total Fund Balances</b>	<b>\$ 5,143,646</b>	<b>\$ 1,322,271</b>	<b>\$ 6,465,917</b>
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,279,442</b>	<b>\$ 1,710,396</b>	<b>\$ 8,989,838</b>

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, 2012

Total fund balances - Balance Sheet (governmental funds)	\$	6,465,917
<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.		41,843,486
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,258,340
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		22,046
Payables for bond principal which are not due in the current period are not reported in the funds.		(21,345,000)
Payables for debt interest which are not due in the current period are not reported in the funds.		(40,060)
Payables for notes which are not due in the current period are not reported in the funds.		(3,137,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(239,504)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>269,008</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$</u>	<u>25,097,233</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, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>			
5700	\$ 12,247,571	\$ 2,654,739	\$ 14,902,310
5800	12,833,628	560,254	13,393,882
5900	26,870	3,518,793	3,545,663
<b>5020</b>	<b>\$ 25,108,069</b>	<b>\$ 6,733,786</b>	<b>\$ 31,841,855</b>
<b>EXPENDITURES</b>			
Current:			
0011	\$ 13,249,417	\$ 2,290,914	\$ 15,540,331
0012	243,075	112,025	355,100
0013	397,455	135,680	533,135
0021	483,179	7,680	490,859
0023	1,627,620	1,520	1,629,140
0031	738,866	68,506	807,372
0033	267,869	-	267,869
0034	1,275,778	-	1,275,778
0035	7,854	1,606,003	1,613,857
0036	867,358	54,371	921,729
0041	916,375	-	916,375
0051	3,418,201	-	3,418,201
0052	170,704	19,438	190,142
0053	236,604	-	236,604
0071	190,000	1,110,000	1,300,000
0072	71,005	928,862	999,867
0073	500	101,646	102,146
0081	3,780	150,631	154,411
0093	17,222	56,510	73,732
0099	196,037	-	196,037
<b>6030</b>	<b>\$ 24,378,899</b>	<b>\$ 6,643,786</b>	<b>\$ 31,022,685</b>
<b>1100</b>	<b>\$ 729,170</b>	<b>\$ 90,000</b>	<b>\$ 819,170</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
7911	\$ -	\$ 4,485,000	\$ 4,485,000
7912	4,104	172	4,276
7916	-	299,416	299,416
8949	-	(4,681,404)	(4,681,404)
<b>7080</b>	<b>\$ 4,104</b>	<b>\$ 103,184</b>	<b>\$ 107,288</b>
<b>SPECIAL ITEM</b>			
8912	\$ (23,452)	\$ -	\$ (23,452)
<b>1200</b>	<b>\$ 709,822</b>	<b>\$ 193,184</b>	<b>\$ 903,006</b>
0100	4,433,824	1,129,087	5,562,911
<b>3000</b>	<b>\$ 5,143,646</b>	<b>\$ 1,322,271</b>	<b>\$ 6,465,917</b>

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, 2012

Net change in fund balances - total governmental funds	\$	903,006
Amounts reported for governmental activities in the statement of activities are different because:		
Capital asset purchases are not reported as expenses in the SOA.		625,507
The depreciation of capital assets not used in governmental activities is not reported in the funds.		(1,830,288)
Trade-in or disposal of capital assets decreases net assets in the SOA but not in the funds.		(4,276)
The gain or loss on the sale of capital assets is not reported in the funds.		4,276
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		71,649
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		4,685,723
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,110,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		190,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		70,339
The accretion of interest on capital appreciation bonds is not reported in the funds.		(4,941)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		10,537
The net revenue (expense) of internal service funds is reported with governmental activities.		(34,220)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(4,485,000)
Bond premiums are reported in the funds but not in the SOA.		(299,416)
		<hr style="border-top: 1px solid black;"/>
Change in net assets of governmental activities - Statement of Activities	\$	<u>1,012,896</u>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS  
AUGUST 31, 2012

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	<u>\$ 283,034</u>
<b>Total Current Assets</b>	<b><u>\$ 283,034</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 260,988</u>
<b>2000 Total Liabilities</b>	<b><u>\$ 260,988</u></b>
<b>NET ASSETS</b>	
3900 Unrestricted Net Assets	<u>\$ 22,046</u>
<b>3000 Total Net Assets</b>	<b><u><u>\$ 22,046</u></u></b>

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, 2012

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	<u>\$ 180,442</u>
<b>5020 Total Operating Revenues</b>	<b><u>\$ 180,442</u></b>
<b>OPERATING EXPENSES</b>	
6100 Payroll Costs	<u>\$ 214,662</u>
<b>6030 Total Operating Expenses</b>	<b><u>\$ 214,662</u></b>
1300 Change in Net Assets	\$ (34,220)
0100 Total Net Assets - Beginning (September 1)	<u>56,266</u>
<b>3000 Total Net Assets - Ending (August 31)</b>	<b><u><u>\$ 22,046</u></u></b>

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, 2012

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Receipts from Operating Interest	\$ 418
Cash Receipts from Quasi-External Operating Transfers	180,024
Cash Payments for Claims	(130,596)
Cash Payments for Reinsurance and Administration	(68,379)
Net Cash Provided by (Used for) Operating Activities	\$ (18,533)
 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	\$ (18,533)
Cash and Investments - Beginning (September 1)	301,567
<b>Cash and Investments - Ending (August 31)</b>	<b>\$ 283,034</b>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (34,220)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Interfund Receivables	
Increase (Decrease) in Claims Liability	15,687
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (18,533)</b>

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, 2012

Data Control Codes		Private-Purpose Trust Funds	Agency Fund
		Bloodsworth Scholarship	Student Activity
<b>ASSETS</b>			
1110	Cash and Investments	\$ -	\$ 92,969
1800	Restricted Assets	1,417	-
<b>1000</b>	<b>Total Assets</b>	<b>\$ 1,417</b>	<b>\$ 92,969</b>
<b>LIABILITIES</b>			
Current Liabilities:			
2190	Due to Student Groups	\$ -	\$ 92,969
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 92,969</b>
<b>NET ASSETS</b>			
3800	Held in Trust	\$ 1,417	-
<b>3000</b>	<b>Total Net Assets</b>	<b>\$ 1,417</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
YEAR ENDED AUGUST 31, 2012

Data Control Codes	Private-purpose Trust Funds <u>Bloodsworth Scholarship</u>
<b>REVENUES</b>	
5742 Investment Earnings	\$ <u>4</u>
5030 <b>Total Revenues</b>	<b>\$ <u>4</u></b>
<b>EXPENSES</b>	
6400 Scholarship Payments	\$ <u>500</u>
6050 <b>Total Expenses</b>	<b>\$ <u>500</u></b>
1200 <b>Changes in Net Assets</b>	\$ (496)
3800 Net Assets - Beginning (September 1)	<u>1,913</u>
3800 <b>Net Assets - Ending (August 31)</b>	<b>\$ <u><u>1,417</u></u></b>

The accompanying notes are an integral part of this statement.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

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, 2012

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.

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

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.

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.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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. 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-
Total	\$	<u>-0-</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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.

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.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable			
Inventories	\$ -	\$ 17,729	\$ 17,729
Restricted			
Child Nutrition Program	-	745,437	745,437
Retirement of Long Term Debt	-	450,884	450,884
Scholarships	-	450	450
Committed			
Textbook Fund	-	607	607
Campus Activity Funds	-	107,164	107,164
Assigned			
Construction	825,000	-	825,000
Unassigned	4,318,646	-	4,318,646
Totals	<u>\$ 5,143,646</u>	<u>\$ 1,322,271</u>	<u>\$ 6,465,917</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.

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.

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

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.



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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.

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.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

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, all District cash deposits appear to have not been properly covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. At August 31, 2012, all District cash deposits appear to be properly secured.

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.

Investments of the District at August 31, 2012 are as follows:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAM	\$ 6,774,723

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 \$ 3,717,151.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 4,774,567, and occurred during the month of April, 2012.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

B. Deposits, Securities and Investments (Continued)

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.

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.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

C. Property Taxes (Continued)

The District levied taxes on property within the District at \$ 1.08 to fund general operations and \$ 0.18 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 1,082,254,841.

D. Capital Assets

Capital asset activities during the year ended August 31, 2012 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	2,401,676	-	2,401,676	-
Total Capital Assets not being Depreciated	\$ 2,847,309	\$ -	\$ 2,401,676	\$ 445,633
Capital Assets being Depreciated:				
Building and Improvements	\$ 55,376,923	\$ 2,556,086	\$ -	\$ 57,933,009
Equipment	2,593,743	287,802	9,649	2,871,896
Vehicles	2,973,669	183,295	116,622	3,040,342
Total Capital Assets being Depreciated	\$ 60,944,335	\$ 3,027,183	\$ 126,271	\$ 63,845,247
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 17,701,232	\$ 1,373,685	\$ -	\$ 19,074,917
Equipment	1,039,863	247,321	9,649	1,277,535
Vehicles	2,002,282	209,282	116,622	2,094,942
Total Accumulated Depreciation	\$ 20,743,377	\$ 1,830,288	\$ 126,271	\$ 22,447,394
Total Capital Assets being Depreciated, Net	\$ 40,200,958	\$ 1,196,895	\$ -	\$ 41,397,853
Governmental Activities Capital Assets, Net	\$ 43,048,267	\$ 1,196,895	\$ 2,401,676	\$ 41,843,486

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,154,220
Instructional Resources and Media Services	23,273
School Leadership	17,327
Guidance, Counseling and Evaluation Services	7,467
Health Services	7,281
Student (Pupil) Transportation	194,623
Food Services	125,939
Cocurricular/Extracurricular Activities	175,245
General Administration	5,209
Plant Maintenance and Operations	61,085
Security and Monitoring Services	6,769
Data Processing	51,850
Total	\$ 1,830,288

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

E. Long Term Obligations

Long-Term Obligations Activity

Long-term obligation activities during the year ended August 31, 2012 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 22,455,000	\$ 4,485,000	\$ 5,595,000	\$ 21,345,000	\$ 980,000
Loans Payable	3,327,000	-	190,000	3,137,000	202,000
Unamortized Premium (Discount)	135,870	182,461	35,006	283,325	-
Accreted Interest Payable	-	121,896	-	121,896	-
Refunding Gain (Loss)	-	(196,404)	(30,687)	(165,717)	-
Total Governmental Activities	<u>\$ 25,917,870</u>	<u>\$ 4,592,953</u>	<u>\$ 5,789,319</u>	<u>\$ 24,721,504</u>	<u>\$ 1,182,000</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 District issued "Chapel Hill Independent School District Unlimited Tax Refunding Bonds, Series 2011," totaling \$ 4,485,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building Bonds, Series 2002

The bonds are dated October 1, 2011 and were issued October 27, 2011. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2012.

As a result of the refunding, the District decreased its debt service requirements by \$ 371,826. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 341,541.

The following bonded debt issues are outstanding at August 31, 2012:

Description	Interest Rate	Original Balance	Outstanding Balance
Unlimited Tax Refunding Bonds, Series 2011	0.96%	\$ 4,485,000	\$ 4,380,000
Unlimited Tax School Building Bonds, Series 2007	4.62%	18,000,000	<u>16,965,000</u>
Totals			<u>\$ 21,345,000</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at August 31, 2012 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2013	\$ 980,000	\$ 1,025,963	\$ 2,005,963
2014	1,120,000	884,694	2,004,694
2015	1,155,000	853,475	2,008,475
2016	1,185,000	820,325	2,005,325
2017	1,220,000	786,000	2,006,000
2018-2022	4,130,000	3,395,375	7,525,375
2023-2027	5,155,000	2,265,375	7,420,375
2028-2032	6,400,000	897,050	7,297,050
Totals	<u>\$ 21,345,000</u>	<u>\$ 10,928,257</u>	<u>\$ 32,273,257</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, 2012.

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, 2012 are as follows:

Description	Interest Rate	Original Balance	Outstanding Balance
Maintenance Tax Notes - Series 2011	1.000%	\$ 2,550,000	\$ 2,400,000
Maintenance Tax Notes - Series 2010	4.950%	815,000	737,000
Total			<u>\$ 3,137,000</u>

Maturity requirements on loans at August 31, 2012 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
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	215,000	43,059	258,059
2018-2022	1,155,000	148,609	1,303,609
2023-2027	938,000	30,687	968,687
Totals	<u>\$ 3,137,000</u>	<u>\$ 434,180</u>	<u>\$ 3,571,180</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

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](http://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 during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances, the reporting district is required to make all or a portion of the state's 6.4% contribution, increased to 6.644% for the 2011 and 2010 fiscal years. The District's employees' contributions to the System for the periods ended August 31, 2012, 2011 and 2010 were \$ 1,104,338, \$ 1,132,240 and \$ 1,110,979, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2012, 2011 and 2010 were \$ 231,649, \$ 272,168 and \$ 262,584 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 \$ 898,554 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 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](http://www.trs.state.tx.us), under the TRS publication heading.

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

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 2012, 2011 and 2010. 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 \$ 149,759 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 85,736 for subsidies for Medicare Part D and participation in the Early Retirement and Reinsurance Program.

H. Risk Management

Health Care

During the year ended August 31, 2012, 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, 2011 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, 2012, 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, 2011, 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, 2012

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 \$ 201,104 for the 11-12 fiscal year. Additionally, the District incurred fixed costs of \$ 63,503 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 \$ 258,320 includes \$ 129,338 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 2012 and 2011 are represented below:

	<u>2012</u>	<u>2011</u>
Beginning Claims Liability	\$ 244,231	\$ 297,986
Claims Incurred (Reduced)	144,685	83,048
Claim Payments	<u>(130,596)</u>	<u>(136,803)</u>
Ending Claims Liability	<u>\$ 258,320</u>	<u>\$ 244,231</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 2012, 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, 2012.

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, 2012, 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, 2012

K. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Title I Part A	\$ 69,396
General	Title III, Part A	1,576
General	Teacher Instruction and Mentoring	57,840
Total		<u>\$ 128,812</u>

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	Tyler Independent School District	JJAEP Services

M. Revenue from Local and Intermediate Sources

During the year ended August 31, 2012, the District received revenue from local and intermediate sources consisting of the following:

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Property Tax Collections	\$ 11,845,589	\$ 1,976,433	\$ 13,822,022
Rent	980	-	980
Tuition & Fees	4,000	-	4,000
Investment Income	17,030	5,413	22,443
Food Service Income	-	405,856	405,856
Gifts and Bequests	-	53,179	53,179
Co-curricular/Extracurricular Activities	146,458	213,251	359,709
Other	233,514	607	234,121
Total Local Revenue	<u>\$ 12,247,571</u>	<u>\$ 2,654,739</u>	<u>\$ 14,902,310</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

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 \$ 18,311 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	\$ 15,738
IDEA-B Formula	84.027	7,588
ESEA Title II Part A	84.367	2,209
ESEA Title III Part A	84.365	986
Vocational Education – Basic Grant	84.048	94
ESEA Title VI Part A	84.358	<u>255</u>
Total		<u>\$ 26,870</u>

P. Receivables

Receivables at August 31, 2012 for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Other Nonmajor	Total
Due from Other Governments	\$ 657,738	\$ 191,907	\$ 849,645
Property Taxes Receivable	1,207,534	204,533	1,412,067
Less: Allowance for Uncollectible			
Property Taxes	(130,265)	(23,462)	(153,727)
Other Receivables	<u>22,968</u>	<u>2,619</u>	<u>25,587</u>
Net Receivables	<u>\$ 1,757,975</u>	<u>\$ 375,597</u>	<u>\$ 2,133,572</u>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2012

Q. Subsequent Events

The District's management has evaluated subsequent events through January 16, 2013, the date which the financial statements were available for use.

R. Special Item Outflow

The District was notified of its failure to comply with the maintenance of effort requirements related to federal special education programs. After much correspondence, the District recorded a \$ 23,452 liability due to the Texas Education Agency to settle the disputed discrepancy. The repayment of funds, while infrequent, is not unusual thus requiring a special item presentation.

S. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settleup with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allotment based on prior year enrollment; 2) Foundation – annual allotment based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these presented are the major sources of funding.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 777,622	\$ 11,181,526	\$ 40,323	\$ 73,735
Prior Year Settle Ups	-	11,571	(14)	(70)
August Instructional Days Change	<u>(908)</u>	<u>(186,518)</u>	<u>-</u>	<u>-</u>
Financial Statement Earnings	<u>\$ 776,714</u>	<u>\$ 11,006,579</u>	<u>\$ 40,309</u>	<u>\$ 73,665</u>
Financial Statement Amounts				
SOF Receivable (Overpayment) *		314,916	9,145	16,722
August Instructional Days Receivable	35,176	307,646		

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide) or Deferred Revenue (governmental).

REQUIRED SUPPLEMENTARY INFORMATION

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 12,210,207	\$ 12,247,571	\$ 12,247,571	\$ -
5800	State Program Revenues	12,192,393	12,833,628	12,833,628	-
5900	Federal Program Revenues	5,000	26,870	26,870	-
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 24,407,600</b>	<b>\$ 25,108,069</b>	<b>\$ 25,108,069</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 13,335,093	\$ 13,500,172	\$ 13,249,417	\$ 250,755
0012	Instructional Resources and Media Services	228,816	249,394	243,075	6,319
0013	Curriculum and Staff Development	408,290	416,215	397,455	18,760
	Total Instruction and Instr. Related Services	<u>\$ 13,972,199</u>	<u>\$ 14,165,781</u>	<u>\$ 13,889,947</u>	<u>\$ 275,834</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 491,806	\$ 494,389	\$ 483,179	\$ 11,210
0023	School Leadership	1,647,381	1,649,696	1,627,620	22,076
	Total Instructional and School Leadership	<u>\$ 2,139,187</u>	<u>\$ 2,144,085</u>	<u>\$ 2,110,799</u>	<u>\$ 33,286</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 749,516	\$ 752,539	\$ 738,866	\$ 13,673
0033	Health Services	273,899	272,197	267,869	4,328
0034	Student (Pupil) Transportation	1,382,069	1,333,732	1,275,778	57,954
0035	Food Services	10,000	7,925	7,854	71
0036	Cocurricular/Extracurricular Activities	793,290	888,115	867,358	20,757
	Total Support Services - Student (Pupil)	<u>\$ 3,208,774</u>	<u>\$ 3,254,508</u>	<u>\$ 3,157,725</u>	<u>\$ 96,783</u>
Administrative Support Services:					
0041	General Administration	\$ 889,646	\$ 941,838	\$ 916,375	\$ 25,463
	Total Administrative Support Services	<u>\$ 889,646</u>	<u>\$ 941,838</u>	<u>\$ 916,375</u>	<u>\$ 25,463</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 2,894,700	\$ 3,490,108	\$ 3,418,201	\$ 71,907
0052	Security and Monitoring Services	142,990	179,022	170,704	8,318
0053	Data Processing Services	206,443	243,059	236,604	6,455
	Total Support Services - Nonstudent Based	<u>\$ 3,244,133</u>	<u>\$ 3,912,189</u>	<u>\$ 3,825,509</u>	<u>\$ 86,680</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 190,000	\$ 190,000	\$ 190,000	\$ -
0072	Interest on Long-term Debt	71,005	71,005	71,005	-
0073	Bond Issuance Costs and Fees	-	500	500	-
	Total Debt Service	<u>\$ 261,005</u>	<u>\$ 261,505</u>	<u>\$ 261,505</u>	<u>\$ -</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 3,780	\$ 3,780	\$ -
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 3,780</u>	<u>\$ 3,780</u>	<u>\$ -</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 16,000	\$ 19,000	\$ 17,222	\$ 1,778
0095	Payments for Juvenile Justice Alternative Ed. Prgm.	15,000	12,000	-	12,000
0099	Othet Intergovernmental Charges	196,050	196,050	196,037	13
	Total Intergovernmental Charges	<u>\$ 227,050</u>	<u>\$ 227,050</u>	<u>\$ 213,259</u>	<u>\$ 13,791</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 23,941,994</b>	<b>\$ 24,910,736</b>	<b>\$ 24,378,899</b>	<b>\$ 531,837</b>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 465,606</u>	<u>\$ 197,333</u>	<u>\$ 729,170</u>	<u>\$ 531,837</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of Real or Personal Property	\$ -	\$ 4,104	\$ 4,104	\$ -
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ 4,104</u>	<u>\$ 4,104</u>	<u>\$ -</u>
<b>SPECIAL ITEM</b>					
8912	Special Item Outflow	\$ -	\$ (23,451)	\$ (23,452)	\$ (1)
1200	Net Change in Fund Balance	\$ 465,606	\$ 177,986	\$ 709,822	\$ 531,836
0100	Fund Balance - Beginning (September 1)	4,433,824	4,433,824	4,433,824	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 4,899,430</b>	<b>\$ 4,611,810</b>	<b>\$ 5,143,646</b>	<b>\$ 531,836</b>

OTHER SUPPLEMENTARY INFORMATION

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED AUGUST 31, 2012

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2011	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2012
		Maintenance	2 Debt Service							
XXXX	2002 and Prior Years	Various	Various	Various	\$ 240,962	\$ -	\$ 15,385	\$ 5,102	\$ (16,537)	\$ 203,938
2003	2004	1.4800	0.1100	624,668,069	40,062	-	3,165	235	(3,737)	32,925
2004	2005	1.4780	0.1120	681,005,476	57,639	-	4,756	360	(4,626)	47,897
2005	2006	1.5000	0.0900	766,242,664	68,078	-	8,011	481	(4,667)	54,919
2006	2007	1.3700	0.1100	856,999,952	81,594	-	15,537	1,248	(1,359)	63,450
2007	2008	1.0400	0.2000	927,882,312	93,732	-	20,986	4,036	7,213	75,923
2008	2009	1.0800	0.1600	1,039,881,749	129,145	-	38,013	5,632	8,100	93,600
2009	2010	1.0800	0.1850	1,060,813,618	206,352	-	61,333	10,506	15,060	149,573
2010	2011	1.0800	0.1900	1,081,214,854	416,309	-	154,030	27,098	13,967	249,148
2011	2012	1.0800	0.1800	1,082,254,841	-	13,636,411	11,305,185	1,884,197	(6,335)	440,694
<b>1000</b>	<b>TOTALS</b>				<b>\$ 1,333,873</b>	<b>\$ 13,636,411</b>	<b>\$ 11,626,401</b>	<b>\$ 1,938,895</b>	<b>\$ 7,079</b>	<b>\$ 1,412,067</b>



CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED AUGUST 31, 2012

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

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	\$ -	\$ -	\$ 194,081	\$ 575,323	\$ -	\$ -	\$ 769,404
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	34,958						34,958
6212	Audit Services				21,250			21,250
6213	Tax Appraisal and Collection		209,551					209,551
621X	Other Prof. Services							-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	250		600	7,723			8,573
6240	Contr. Maint. And Repair					49,550		49,550
6250	Utilities							-
6260	Rentals			1,788	9,759			11,547
6290	Miscellaneous Contr.	745		527	72,456			73,728
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading	40		140				180
6330	Testing Materials							-
63XX	Other Supplies, Materials	4,238		1,187	27,679			33,104
6410	Travel, Subsistence, Stipends	6,180		4,580	6,361			17,121
6420	Ins. And Bonding Costs	6,381	125					6,506
6430	Election Costs	3,454						3,454
6490	Miscellaneous Operating	8,528		1,162	14,075			23,765
6500	Debt Service							-
6600	Capital Outlay						11,015	11,015
<b>TOTAL</b>		<b>\$ 64,774</b>	<b>\$ 209,676</b>	<b>\$ 204,065</b>	<b>\$ 734,626</b>	<b>\$ 49,550</b>	<b>\$ 11,015</b>	<b>\$ 1,273,706</b>

Total expenditures for General and Special Revenue Funds: (9) \$ 28,731,546

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 474,877
Total Debt & Lease (6500)	(11) 261,505
Plant Maintenance (Function 51, 6100-6400)	(12) 3,337,297
Food (Function XX, 6341 and 6499)	(13) 772,791
Stipend (6413)	(14) -
Column 4 (above) - Total Indirect Cost	734,626
Subtotal	5,581,096
Net Allowed Direct Cost	\$ 23,150,450

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 57,933,009
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) 5,912,238
Historical Cost of Furniture & Equipment over 16 years old	(19) 230,422
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) 925,123

(8) Note A - \$ 161,294 in Function 53 expenditures and \$ 196,037 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, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 398,650	\$ 406,790	\$ 406,791	\$ 1
5800	State Program Revenues	11,850	12,154	12,154	-
5900	Federal Program Revenues	1,437,500	1,471,200	1,471,200	-
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 1,848,000</b>	<b>\$ 1,890,144</b>	<b>\$ 1,890,145</b>	<b>\$ 1</b>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 1,848,000	\$ 1,829,644	\$ 1,605,912	\$ 223,732
	Total Support Services - Student (Pupil)	\$ 1,848,000	\$ 1,829,644	\$ 1,605,912	\$ 223,732
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 1,848,000</b>	<b>\$ 1,829,644</b>	<b>\$ 1,605,912</b>	<b>\$ 223,732</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ 60,500	\$ 284,233	\$ 223,733
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of Real or Personal Property	\$ -	\$ 172	\$ 172	\$ -
<b>7080</b>	<b>Net Other Financing Sources and (Uses)</b>	<b>\$ -</b>	<b>\$ 172</b>	<b>\$ 172</b>	<b>\$ -</b>
1200	Net Change in Fund Balance	\$ -	\$ 60,672	\$ 284,405	\$ 223,733
0100	Fund Balance - Beginning (September 1)	478,760	478,760	478,760	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 478,760</b>	<b>\$ 539,432</b>	<b>\$ 763,165</b>	<b>\$ 223,733</b>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 1,990,452	\$ 1,980,753	\$ 1,980,754	\$ 1
5800	State Program Revenues	52,858	113,974	113,974	-
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 2,043,310</b>	<b>\$ 2,094,727</b>	<b>\$ 2,094,728</b>	<b>\$ 1</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,005,000	\$ 1,110,000	\$ 1,110,000	\$ -
0072	Interest on Long-term Debt	1,062,770	934,799	928,862	5,937
0073	Debt Issuance Costs and Fees	1,200	102,307	101,646	661
	Total Debt Service	<u>\$ 2,068,970</u>	<u>\$ 2,147,106</u>	<u>\$ 2,140,508</u>	<u>\$ 6,598</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 2,068,970</b>	<b>\$ 2,147,106</b>	<b>\$ 2,140,508</b>	<b>\$ 6,598</b>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (25,660)</u>	<u>\$ (52,379)</u>	<u>\$ (45,780)</u>	<u>\$ 6,599</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Capital Related Debt Issued (Regular Bonds)	\$ -	\$ 4,485,000	\$ 4,485,000	\$ -
7916	Premium or Discount on Issuance of Bonds	-	299,416	299,416	-
7917	Prepaid Interest	-	5,936	-	(5,936)
8949	Other Uses	-	(4,681,404)	(4,681,404)	-
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ 108,948</u>	<u>\$ 103,012</u>	<u>\$ (5,936)</u>
1200	Net Change in Fund Balance	\$ (25,660)	\$ 56,569	\$ 57,232	\$ 663
0100	Fund Balance - Beginning (September 1)	<u>393,653</u>	<u>393,653</u>	<u>393,653</u>	<u>-</u>
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b><u>\$ 367,993</u></b>	<b><u>\$ 450,222</u></b>	<b><u>\$ 450,885</u></b>	<b><u>\$ 663</u></b>

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2012

<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?	\$ 121,897

FEDERAL AWARDS SECTION

CHAPEL HILL INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
IDEA-B Formula	84.027	126600012129096600	\$ 423,478
IDEA-B Preschool	84.173	126610012129096610	7,010
ESEA Title I Part A - Improving Basic Programs *	84.010	12610101212909	743,756
ESEA Title II Part A - Teacher & Principal Training Recruiting	84.367	12694501212909	133,766
Carl D. Perkins - Vocational Education	84.048	12420006212909	44,537
ESEA Title III Part A - LEP	84.365	12671001212909	50,206
Education Jobs Fund *	84.410	11550101212909	570,004
ESEA Title VI Part B - Rural Education Program	84.358	12696001212909	74,836
<b>Total Department of Education</b>			<b>\$ 2,047,593</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71401201	\$ 325,657
National School Lunch Program	10.555	71301201	1,044,800
Commodity Food Distribution	10.565	212006A	100,743
<b>Total Department of Agriculture</b>			<b>\$ 1,471,200</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 3,518,793</b>

\* 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, 2012

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, 2012.

C. Reconciliations of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grants as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$	3,518,793
Federal Program Indirect Cost:		
ESEA Title I Part A (84.010)	\$	15,738
IDEA-B Formula (84.027)		7,588
Carl D Perkins – Voc Ed (84.048)		94
ESEA Title II Part A (84.367)		2,209
ESEA Title III Part A (84.358)		986
ESEA Title VI Part A (84.358)		255
Total Federal Program Indirect Cost		<u>26,870</u>
Federal Revenue (Exhibit C-3)	\$	<u>3,545,663</u>