

**HITCHCOCK
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2009

Introductory Section

Hitchcock Independent School District
Annual Financial Report
For The Year Ended August 31, 2009

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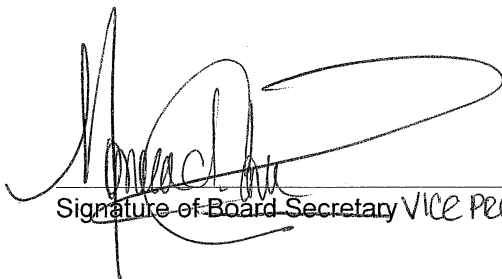
CERTIFICATE OF BOARD

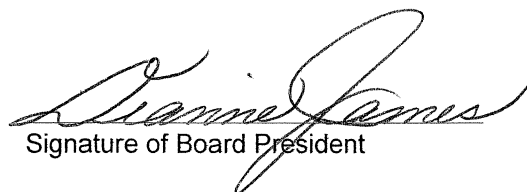
Hitchcock Independent School District
Name of School District

Galveston
County

084-908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2009, at a meeting of the board of trustees of such school district on the 28th day of January, 2010.


Signature of Board Secretary VICE President


Signature of Board President

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

Financial Section

JOHN R. PECHACEK, C.P.A.
P.O. Box 549
Bellville, Texas 77418

Independent Auditor's Report on Financial Statements

Board of Trustees
Hitchcock Independent School District
8117 Highway 6
Hitchcock, Texas 77563

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hitchcock Independent School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 25, 2010, on my consideration of Hitchcock Independent School District's internal control over financial reporting and on my 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 my 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 my audit.

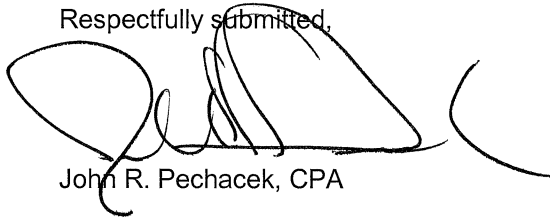
The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Independent Auditor's Report on Financial Statements(continued)

My audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Hitchcock Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Subsequent to the original release of the financial statements on January 25, 2010, as discussed in Note P of the financial statements, certain errors resulting in an overstatement of net assets as of August 31, 2009, were discovered during the current year. Accordingly, the 2009 financial statements have been restated to correct the error.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John R. Pechacek', with a large, stylized flourish extending to the right.

John R. Pechacek, CPA

January 25, 2010

(except for Note P, as to which the date is December 6, 2010)

Management's Discussion and Analysis

Hitchcock

INDEPENDENT SCHOOL DISTRICT

8117 Highway 6, Hitchcock, TX 77563

(409) 986-5514 Office, 409-986-5141 Fax

Michael F. Bergman, Ed.D.
Superintendent
mbergman@hitchcockisd.org

Board of Trustees
Hitchcock Independent School District
Hitchcock, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

Members of the Board:

We are pleased to submit to you the accompanying financial statements for the Hitchcock Independent School District as of and for the fiscal year ended August 31, 2009. These statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34.

This discussion and analysis of the Hitchcock Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2009. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total government-wide combined net assets at August 31, 2009 were \$11,359,969.
- For the fiscal year ended August 31, 2009, the District's total government-wide expenses were \$464,655 greater than the \$17,843,257 of revenues listed in Table 2.
- The General Fund reported a fund balance of \$2,848,935 at August 31, 2009.
- The Debt Service Fund reported a fund balance of \$1,073,350 at August 31, 2009.
- The District had no financial statement findings or questioned costs.
- The District's long-term debt increased by a total of \$20,008,437.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplemental Information*. The basic financial statements include two kinds of statements that present different views of the District.

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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.
- *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 fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL 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 period'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 is the difference between the District's assets and liabilities and 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 non-financial factors such as changes in the District's tax base, staffing patterns, enrollment and attendance.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration and plant operation and maintenance are included in *Governmental activities*. Locally assessed property taxes, together with State Foundation Program entitlements, which are based upon student enrollment and attendance, finance most of the government activities.

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

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 simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District but the District is responsible to properly account for them.

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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds* – the District serves as the trustee, or *fiduciary*, for certain funds such as student activity 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 and a statement of changes in fiduciary net assets.

These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$11,387,477 at August 31, 2009. **Table 1** focuses on the net assets.

Description	Governmental Activities		Total Amount Change	Total Percentage Change
	2009	2008	2009-2008	2009-2008
Current Assets	\$ 16,171,851	\$ 6,920,713	\$ 9,251,138	133.67%
Capital Assets	30,284,161	13,465,437	16,818,724	124.90%
Total Assets	46,456,012	20,386,150	26,069,862	127.88%
Current Liabilities	8,148,562	2,714,496	5,434,066	200.19%
Long-Term Liabilities	26,947,480	5,847,029	21,100,451	360.87%
Total Liabilities	35,096,042	8,561,525	26,534,517	309.93%
Net Assets:				
Invested in Capital Assets	3,485,536	6,634,336	(3,148,800)	-47.46%
Restricted (1)	4,523,749	435,453	4,088,296	938.86%
Unrestricted	3,350,684	4,754,836	(1,404,152)	-29.53%
Total Net Assets	\$ 11,359,969	\$ 11,824,625	\$ (464,656)	-3.93%

Notes to Table 1

(1) Restricted Net Assets are as follows:

	2009	2008
Restricted for Debt Service	\$ 1,073,350	\$ 922,702
Restricted for Capital Projects	3,450,399	(487,249)
Total Restricted Net Assets	\$ 4,523,749	\$ 435,453

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2 shows the revenues and expenses that changed the net asset balance during the fiscal year ended August 31, 2009.

Table 2
Changes In Net Assets

Description	Governmental Activities		Total Amount Change	Total Percentage Change
	2009	2008	2009-2008	2009-2008
Program Revenues				
Charges for Service	\$ 123,772	\$ 141,241	\$ (17,469)	-12.37%
Operating Grants and Contributions	6,045,656	5,282,578	763,078	14.45%
General Revenues -				
Property Taxes	5,454,515	5,293,981	160,534	3.03%
Debt Service Taxes	1,978,249	884,187	1,094,062	123.74%
State and Federal Assistance	3,920,855	4,978,097	(1,057,242)	-21.24%
Investment Earnings	244,274	288,797	(44,523)	-15.42%
Other Revenues	75,936	82,101	(6,165)	-7.51%
Total Revenues	17,843,257	16,950,982	892,275	5.26%
Program Expenditures:				
Instruction	\$ 7,746,150	\$ 7,882,392	\$ (136,242)	-1.73%
Instructional Resources and Media Services	160,770	115,152	45,618	39.62%
Curriculum and Staff Development	729,857	480,377	249,480	51.93%
Instructional Leadership	540,665	510,439	30,226	5.92%
School Leadership	850,193	709,023	141,170	19.91%
Guidance and Counseling	642,861	686,416	(43,555)	-6.35%
Social Work Services	73,787	73,788	(1)	0.00%
Health Services	224,378	222,882	1,496	0.67%
Student Transportation	679,290	758,711	(79,421)	-10.47%
Food Services	793,477	748,401	45,076	6.02%
Extracurricular Activities	532,273	535,098	(2,825)	-0.53%
General Administration	747,038	802,378	(55,340)	-6.90%
Plant Operating and Maintenance	1,513,514	2,058,234	(544,720)	-26.47%
Security and Monitoring Services	124,720	124,731	(11)	-0.01%
Data Processing Services	228,188	184,133	44,055	23.93%
Community Services	118,800	74,151	44,649	60.21%
Interest on Debt	1,302,552	287,731	1,014,821	352.70%
Bond Costs	2,378	1,878	500	26.62%
Payments Related to SSA	1,218,183	815,477	402,706	49.38%
Payments to Juvenile Justice Programs	22,999	18,576	4,423	23.81%
Other Intergovernmental Charges	55,839	-	55,839	100.00%
Total Expenses	18,307,912	17,089,968	1,217,944	7.13%
Excess (Deficiency) Before Other Resources and Uses and Transfers	(464,655)	(138,986)	(325,669)	234.32%
Other Resources (Uses)	-	-	-	0.00%
Transfers In (Out)	-	-	-	0.00%
Increase (Decrease) in Net Assets	\$ (464,655)	\$ (138,986)	\$ (325,669)	234.32%

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Significant factors affecting the decrease of \$464,655 in net assets included:

- Revenues for the District increased by approximately \$892,000, or 5.26%.
- The District raised the property tax rate by \$0.195 or 16% for 2009 for every \$100 of assessed valuation. At the same time, the total taxable valuation increased by a total of \$26,476,932. The net result of the increase in tax rates, together with the decrease in taxable valuation was that total taxes assessed increased by approximately \$1.6 million.
- The net result of the increase in operating grants and the decrease in State Foundation Program revenues was a net decrease of approximately \$295,000.
- Instructional costs decreased by approximately \$136,000 in 2008-2009 compared to 2007-2008.
- Interest on Debt increased by approximately \$1,014,821 in 2008-2009 compared to 2007-2008.

Cost of District's Functions

The District records its expenses in various cost centers of "functions" in accordance with the requirements of the Texas Education Agency. *Table 3* presents the cost of each of the functions with the largest expense totals with that function's net costs (total cost less fees and grants that are directly attributable to that function). The net cost of each function reflects what was funded primarily from state foundation program and tax revenues.

Table 3
Total and Net Cost of Selected District Functions

Description	Total Cost of Services		Net Cost of Services		
	2009	2008	2009	2008	% Change
Instruction	\$ 7,746,150	\$ 7,882,392	\$ 5,309,664	\$ 5,558,208	-4.47%
Plant Main. and Operation	1,513,514	2,058,234	1,247,126	1,850,496	-32.61%
General Administration	747,038	802,378	692,607	760,902	-8.98%
Student Transportation	679,290	758,711	516,598	640,009	-19.28%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2009, the District's combined governmental funds (as presented in the balance sheet, Exhibit C-1 on page 16 this report) reported a combined fund balance of \$7,387,227. This compares to a combined fund balance of \$4,435,558 at August 31, 2008. The \$1.1 million decrease in the General Fund was offset by residual balances still available for the completion of those projects associated with the Series 2008 bond issue realized during the 2009 fiscal year.

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the General Fund, the Food Service Special Revenue Fund, and for the Debt Service Fund. The District budgets the Capital Projects Fund for each *project*, which normally cover multiple years. Special Revenue Funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2009, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. District officials have adopted a conservative approach to budgeting anticipated revenues.

To implement this conservative approach, expenditure budgets include provisions in order to provide for unexpected contingencies.

There were significant State and local revenue budget variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or valued (if donated) of an amount determined by the Board.

The District follows the policy of capitalizing purchases and gifts of capital type assets that had an initial purchase price or value of \$5,000 or more. District capital assets (except Land and Construction in Progress) are depreciated on a straight-line basis over the anticipated life of the asset with annual depreciation expense charged to the functional categories based upon the relative use of the asset.

At August 31, 2009, the District had a total of \$38,926,045 invested in capital assets such as land, buildings, vehicles and equipment (see *Table 4*). This total includes \$17,317,658 invested during the fiscal year ended August 31, 2009.

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 4 shows the classifications of capital assets together with the District's accumulated cost and depreciation of those assets.

Table 4
Capital Assets and Depreciation

Asset Description	Governmental		Total	Total
	Activities		Amount	Percentage
	2009	2008	Change	Change
	2009	2008	2009-2008	2009-2008
Land	\$ 1,674,919	\$ 992,578	682,341	68.74%
Construction in Progress	17,102,308	557,897	16,544,411	2965.50%
Buildings and Improvements	18,436,489	18,436,489	-	0.00%
Equipment	1,712,329	1,621,423	90,906	5.61%
Total Historical Cost	38,926,045	21,608,387	17,317,658	80.14%
Accumulated Depreciation	8,641,885	8,142,950	498,935	6.13%
Net Capital Assets	\$ 30,284,160	\$ 13,465,437	16,818,723	124.90%

Long-Term Debt

At August 31, 2009, the District had two bond issues, one Q-ZAB note and one maintenance tax note outstanding, of which the unpaid principal totaled \$26,771,116. The District issued \$23,855,000 during the current fiscal year of which \$2,855,000 was used to fully refund the Series 1997 issue.

Table 5 summarizes the District's outstanding debt at August 31, 2009. More detailed information regarding the District's debt obligations is presented in the notes to the financial statements on page 29.

Table 5
Analysis of Debt

Description of Debt Outstanding	Governmental		Total	Total
	Activities		Amount	Percentage
	2009	2008	Change	Change
	2009	2008	2009-2008	2009-2008
Bonds - Series 1997	\$ -	\$ 2,855,000	(2,855,000)	-100.00%
Bonds - Series 2002	2,545,019	2,545,000	19	0.00%
Bonds - Series 2008	23,165,000	-	23,165,000	100.00%
Maintenance Tax Bonds - Series 2005	165,000	325,000	(160,000)	-49.23%
QZAB - 2005	896,097	977,555	(81,458)	-8.33%
Capital Lease - 2005	-	87,573	(87,573)	-100.00%
Total Debt Outstanding	\$ 26,771,116	\$ 6,790,128	19,980,988	294.27%

Hitchcock Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS

Economic Factors

The following factors were considered in establishing the District's budget for 2009-2010:

- Student enrollment will remain approximately the same.
- Property values for ad valorem tax purposes are expected to increase with an additional increase to the Interest and Sinking Fund to pay for new debt on the 2008 Bond Program.
- The Trustees have adopted a salary schedule to ensure the District is competitively recruiting and retaining highly qualified staff. Most teachers will receive a 2%-3% increase.
- The District's M&O tax rate will remain the same for 2008-2009 as required by House Bill 1. The District's I&S tax rate will increase \$0.03 cents to facilitate payment of new debt on the 2008 Bond Program.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2009-2010.
- District officials anticipate a fund balance reduction during the 2009-2010 fiscal year of approximately \$1.4 million due in part to salary increases, as well as increased costs in transportation and custodial contracted services. The District is held at a revenue stream equal to the 2006-2007 actual revenue earned.

Next Year's Budget

- The District's general fund operating expenditures are budgeted to stay approximately the same as expenditures incurred in 2008-2009.
- The District's general fund revenues are budgeted to stay approximately the same as actual revenues earned in 2008-2009.
- The District's Food Service Fund is budgeted to stay approximately the same as budgeted during 2008-2009. The Debt Service Fund (I&S) budget is expected to increase by approximately \$60,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students and creditors with a general fund overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administration Office at 409-986-5514.

Basic Financial Statements

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

AUGUST 31, 2009

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS:		
1110	Cash and Cash Equivalents	\$ 14,239,042
1225	Property Taxes Receivable (Net)	672,190
1240	Due from Other Governments	862,794
1290	Other Receivables (Net)	10,392
1300	Inventories	63,439
1410	Deferred Expenses	323,994
Capital Assets:		
1510	Land	1,674,917
1520	Buildings and Improvements, Net	10,938,453
1530	Furniture and Equipment, Net	568,482
1580	Construction in Progress	17,102,308
1000	Total Assets	<u>46,456,011</u>
LIABILITIES:		
2110	Accounts Payable	6,940,937
2140	Interest Payable	41,604
2165	Accrued Liabilities	238,052
2180	Due to Other Governments	308,331
2300	Unearned Revenue	619,638
Noncurrent Liabilities:		
2501	Due Within One Year	1,076,470
2502	Due in More Than One Year	25,871,010
2000	Total Liabilities	<u>35,096,042</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	3,485,536
Restricted For:		
3850	Debt Service	1,073,350
3860	Capital Projects	3,450,399
3900	Unrestricted	3,350,684
3000	Total Net Assets	<u>\$ 11,359,969</u>

The accompanying notes are an integral part of this statement.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			Governmental Activities
		Expenses	Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 7,746,150	\$ --	\$ 2,436,486	\$ (5,309,664)
12	Instructional Resources and Media Services	160,770	--	11,751	(149,019)
13	Curriculum and Staff Development	729,857	--	423,395	(306,462)
21	Instructional Leadership	540,665	--	402,655	(138,010)
23	School Leadership	850,193	--	118,672	(731,521)
31	Guidance, Counseling, & Evaluation Services	642,861	--	472,562	(170,299)
32	Social Work Services	73,787	--	73,787	--
33	Health Services	224,378	--	85,130	(139,248)
34	Student Transportation	679,290	--	162,692	(516,598)
35	Food Service	793,477	104,842	638,782	(49,853)
36	Cocurricular/Extracurricular Activities	532,273	17,790	38,684	(475,799)
41	General Administration	747,038	--	54,431	(692,607)
51	Plant Maintenance and Operations	1,513,514	--	266,388	(1,247,126)
52	Security and Monitoring Services	124,720	--	33,095	(91,625)
53	Data Processing Services	228,188	--	19,812	(208,376)
61	Community Services	118,800	1,140	28,944	(88,716)
72	Interest on Long-term Debt	1,302,552	--	1,309	(1,301,243)
73	Bond Issuance Costs and Fees	2,378	--	--	(2,378)
93	Payments Related to Shared Services Arrangements	1,218,183	--	771,318	(446,865)
95	Payments to Juvenile Justice Alternative Ed. Programs	22,999	--	1,681	(21,318)
99	Other Intergovernmental Charges	55,839	--	4,082	(51,757)
TG	Total Governmental Activities	18,307,912	123,772	6,045,656	(12,138,484)
TP	Total Primary Government	\$ 18,307,912	\$ 123,772	\$ 6,045,656	(12,138,484)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				5,454,515
DT	Property Taxes, Levied for Debt Service				1,978,249
IE	Investment Earnings				244,274
GC	Grants and Contributions Not Restricted to Specific Programs				3,920,855
MI	Miscellaneous				75,936
TR	Total General Revenues				11,673,829
CN	Change in Net Assets				(464,655)
NB	Net Assets - Beginning				11,824,624
NE	Net Assets - Ending				\$ 11,359,969

The accompanying notes are an integral part of this statement.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2009

Data Control Codes		10 General Fund	Special Education COOP
ASSETS:			
1110	Cash and Cash Equivalents	\$ 2,800,054	\$ 283,419
1225	Taxes Receivable, Net	511,293	--
1240	Due from Other Governments	134,209	3,260
1260	Due from Other Funds	580,034	47,615
1290	Other Receivables	1,872	--
1300	Inventories	63,439	--
1410	Deferred Expenditures	321,475	--
1000	Total Assets	<u>\$ 4,412,376</u>	<u>\$ 334,294</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 183,739	\$ 964
2160	Accrued Wages Payable	236,976	--
2170	Due to Other Funds	165,064	21,928
2180	Due to Other Governments	--	305,597
2200	Accrued Expenditures	43	--
2300	Unearned Revenue	977,619	--
2000	Total Liabilities	<u>1,563,441</u>	<u>328,489</u>
FUND BALANCES:			
Reserved Fund Balances:			
3420	Debt Service	--	--
3450	Reserve for Food Service	--	--
3490	Other Reserves of Fund Balance	--	5,805
Designated Fund Balance:			
3510	Construction	--	--
3600	Unreserved	2,848,935	--
Unreserved, Reported in Nonmajor:			
3610	Special Revenue Funds	--	--
3000	Total Fund Balances	<u>2,848,935</u>	<u>5,805</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,412,376</u>	<u>\$ 334,294</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,132,098	\$ 9,918,061	\$ 105,410	\$ 14,239,042
160,897	--	--	672,190
--	--	725,325	862,794
83,316	--	34,133	745,098
--	--	8,520	10,392
--	--	--	63,439
--	--	2,519	323,994
<u>\$ 1,376,311</u>	<u>\$ 9,918,061</u>	<u>\$ 875,907</u>	<u>\$ 16,916,949</u>
\$ --	\$ 6,470,974	\$ 285,260	\$ 6,940,937
--	--	1,018	237,994
--	--	558,106	745,098
--	--	2,734	308,331
--	--	15	58
302,961	--	16,724	1,297,304
<u>302,961</u>	<u>6,470,974</u>	<u>863,857</u>	<u>9,529,722</u>
1,073,350	--	--	1,073,350
--	--	2,060	2,060
--	--	237	6,042
--	3,447,087	--	3,447,087
--	--	--	2,848,935
--	--	9,753	9,753
<u>1,073,350</u>	<u>3,447,087</u>	<u>12,050</u>	<u>7,387,227</u>
<u>\$ 1,376,311</u>	<u>\$ 9,918,061</u>	<u>\$ 875,907</u>	<u>\$ 16,916,949</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2009

Total fund balances - governmental funds balance sheet	\$ 7,387,227
--	--------------

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not reported in the funds.	30,284,162
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	677,666
Payables for bond principal which are not due in the current period are not reported in the funds.	(25,710,019)
Payables for bond interest which are not due in the current period are not reported in the funds.	(41,604)
Payables for notes which are not due in the current period are not reported in the funds.	(1,061,097)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(176,364)
Rounding difference	(2)

Net assets of governmental activities - Statement of Net Assets	\$ <u>11,359,969</u>
---	----------------------

The accompanying notes are an integral part of this statement.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		10 General Fund	Special Education COOP
REVENUES:			
5700	Local and Intermediate Sources	\$ 5,717,330	\$ 4,362
5800	State Program Revenues	4,387,874	391,440
5900	Federal Program Revenues	338,826	21,633
5020	Total Revenues	10,444,030	417,435
EXPENDITURES:			
Current:			
0011	Instruction	5,394,874	131,585
0012	Instructional Resources and Media Services	160,770	--
0013	Curriculum and Staff Development	330,637	2,130
0021	Instructional Leadership	149,675	206,715
0023	School Leadership	773,158	--
0031	Guidance, Counseling, & Evaluation Services	182,777	69,502
0032	Social Work Services	--	--
0033	Health Services	150,229	--
0034	Student Transportation	527,043	--
0035	Food Service	5,544	--
0036	Cocurricular/Extracurricular Activities	502,940	--
0041	General Administration	744,665	--
0051	Plant Maintenance and Operations	1,285,047	1,698
0052	Security and Monitoring Services	98,850	--
0053	Data Processing Services	224,808	--
0061	Community Services	89,716	--
0071	Principal on Long-term Debt	327,573	--
0072	Interest on Long-term Debt	16,227	--
0073	Bond Issuance Costs and Fees	1,678	--
0081	Capital Outlay	--	--
0093	Payments to Shared Service Arrangements	482,104	--
0095	Payments to Juvenile Justice Alternative		
0095	Education Programs	22,999	--
0099	Other Intergovernmental Charges	55,839	--
6030	Total Expenditures	11,527,153	411,630
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(1,083,123)	5,805
Other Financing Sources and (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	--	--
7915	Transfers In	--	--
7917	Prepaid Interest	--	--
8949	Other Uses	--	--
7080	Total Other Financing Sources and (Uses)	(34,133)	--
EXTRAORDINARY ITEM:			
7919	Extraordinary Item (Resource)	--	--
8913	Extraordinary Item (Use)	--	--
1200	Net Change in Fund Balances	(1,117,256)	5,805
0100	Fund Balances - Beginning	3,966,191	--
3000	Fund Balances - Ending	\$ 2,848,935	\$ 5,805

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,951,351	\$ 161,089	\$ 118,912	\$ 7,953,044
--	--	419,668	5,198,982
--	--	4,407,070	4,767,529
<u>1,951,351</u>	<u>161,089</u>	<u>4,945,650</u>	<u>17,919,555</u>
--	--	1,927,219	7,453,678
--	--	--	160,770
--	--	397,090	729,857
--	--	184,275	540,665
--	--	77,035	850,193
--	--	390,582	642,861
--	--	73,787	73,787
--	--	74,149	224,378
--	--	131,857	658,900
--	--	778,645	784,189
--	--	1,922	504,862
--	--	--	744,665
--	--	171,229	1,457,974
--	--	25,870	124,720
--	--	3,380	228,188
--	--	28,529	118,245
690,041	--	--	1,017,614
1,258,818	--	--	1,275,045
700	--	--	2,378
--	17,226,752	--	17,226,752
--	--	736,079	1,218,183
--	--	--	22,999
--	--	--	55,839
<u>1,949,559</u>	<u>17,226,752</u>	<u>5,001,648</u>	<u>36,116,742</u>
<u>1,792</u>	<u>(17,065,663)</u>	<u>(55,998)</u>	<u>(18,197,187)</u>
2,855,000	21,000,000	--	23,855,000
--	--	34,133	34,133
148,856	--	--	148,856
(2,855,000)	--	--	(2,855,000)
<u>148,856</u>	<u>21,000,000</u>	<u>34,133</u>	<u>21,148,856</u>
--	--	553,262	553,262
--	--	(553,262)	(553,262)
<u>150,648</u>	<u>3,934,337</u>	<u>(21,865)</u>	<u>2,951,669</u>
922,702	(487,250)	33,915	4,435,558
<u>\$ 1,073,350</u>	<u>\$ 3,447,087</u>	<u>\$ 12,050</u>	<u>\$ 7,387,227</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009*

Net change in fund balances - total governmental funds \$ 2,951,669

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

Capital outlays are not reported as expenses in the SOA.	17,317,658
The depreciation of capital assets used in governmental activities is not reported in the funds.	(498,935)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(76,297)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	2,855,000
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	690,042
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	87,573
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	240,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(27,508)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(23,855,000)
Bond premiums are reported in the funds but not in the SOA.	(148,856)

Change in net assets of governmental activities - Statement of Activities \$ (464,655)

The accompanying notes are an integral part of this statement.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET ASSETS**FIDUCIARY FUNDS**AUGUST 31, 2009*

		Agency Fund
Data Control Codes		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 33,151
1000	Total Assets	\$ 33,151
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 33,151
2000	Total Liabilities	33,151
	NET ASSETS	
3000	Total Net Assets	\$ --

The accompanying notes are an integral part of this statement.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund is used to account for resources accumulated from the proceeds of the sale of bond issues which have been sold to provide resources for the acquisition, construction and / or the equipping of school buildings and facilities. This fund is budgeted on a project basis which may cover multiple years. In addition, the District reports the following fund types:

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

Debt Service Fund. This fund is used to account for tax revenues and for the payment of principal, interest and related costs on long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met. In addition, the District reports the following fund types:

Shared Services Arrangements: This fund accounts for expenditure of federal revenues related to a shared services arrangement providing special education services to other districts.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2009

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

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

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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,097,922 and the bank balance was \$2,409,333. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2009 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 924,062
TexSTAR	N/A	260,955
Texas Class - MBIA	N/A	10,989,252
Total Investments		<u>\$ 12,174,270</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2009, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
Lone Star	AAA	Standard & Poors
TexSTAR	Baa1	Standard & Poors
Texas Class - MBIA	AAAm	Standard & Poors

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2009

D. Capital Assets

Capital asset activity for the year ended August 31, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 992,578	\$ 682,341	\$ --	\$ 1,674,919
Construction in progress	557,897	16,544,411	--	17,102,308
Total capital assets not being depreciated	<u>1,550,475</u>	<u>17,226,752</u>	<u>--</u>	<u>18,777,227</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	18,436,490	--	--	18,436,490
Equipment	382,243	6,500	--	388,743
Vehicles	1,239,180	84,406	--	1,323,586
Total capital assets being depreciated	<u>20,057,913</u>	<u>90,906</u>	<u>--</u>	<u>20,148,819</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,103,530)	(394,507)	--	(7,498,037)
Equipment	(206,024)	(26,452)	--	(232,476)
Vehicles	(833,397)	(77,975)	--	(911,371)
Total accumulated depreciation	<u>(8,142,951)</u>	<u>(498,935)</u>	<u>--</u>	<u>(8,641,885)</u>
Total capital assets being depreciated, net	<u>11,914,962</u>	<u>(408,029)</u>	<u>--</u>	<u>11,506,934</u>
Governmental activities capital assets, net	<u>\$ 13,465,437</u>	<u>\$ 16,818,723</u>	<u>\$ --</u>	<u>\$ 30,284,161</u>

Depreciation was charged to functions as follows:

Instruction	\$ 292,472
Student Transportation	104,796
Food Services	9,288
Extracurricular Activities	27,411
General Administration	2,373
Plant Maintenance and Operations	62,040
Community Services	555
	<u>\$ 498,935</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2009, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 580,034	Short-term loans
Special Revenue Funds	General Fund	81,748	For transfer of federal receipts
Debt Service Fund	General Fund	83,316	Short-term loans
	Total	<u>\$ 745,098</u>	

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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2009, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Food Service Funds	\$ 34,133	Supplement other funds sources

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2009, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 5,400,059	\$ 23,855,000	\$ 3,545,040	\$ 25,710,019	\$ 830,012
Capital Leases	87,573	--	87,573	--	--
Maintenance Tax Notes(2.75%)	325,000	--	160,000	165,000	165,000
Q-ZAB Notes (0.00%)	977,555	--	81,458	896,097	81,458
Accreted Interest on CAB's	--	27,508	--	27,508	--
Uamortized Bond Premiums	--	148,856	--	148,856	--
Total governmental activities	<u>\$ 6,790,187</u>	<u>\$ 24,031,364</u>	<u>\$ 3,874,071</u>	<u>\$ 26,947,480</u>	<u>\$ 1,076,470</u>

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as school building or refunding bonds and the interest rates on the bonds ranged from 3.25% to 5.00%. Interest expense was \$41,604 for the year ended August 31, 2009.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2009, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,076,470	\$ 1,177,628	\$ 2,254,098
2011	1,036,463	1,146,360	2,182,823
2012	1,176,460	1,111,682	2,288,142
2013	1,271,458	1,076,346	2,347,804
2014	1,381,458	1,026,836	2,408,294
2015-2019	4,502,291	4,392,574	8,894,865
2020-2024	4,246,516	3,531,122	7,777,637
2025-2029	5,265,000	2,434,944	7,699,944
2030-2034	6,815,000	887,163	7,702,163
Totals	<u>\$ 26,771,116</u>	<u>\$ 16,784,654</u>	<u>\$ 43,555,770</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. During the year ended August 31, 2009, the District issued \$23,855,000 in Unlimited Tax School Building and Refunding Bonds, Series 2008, of which \$2,855,000 will be used to refund the remaining outstanding balance of the District's Unlimited Tax Refunding Bonds, Series 1997. With this refunding the District will be able to realize \$84,699 (\$77, 831 NPV). As of August 31, 2009, there was no outstanding balances of bond issues that have been refunded and defeased in-substance.

4. Capital Leases

The District had no future commitments under capitalized lease agreements for facilities and equipment as of August 31, 2009.

Rental Expenditures in 2009	\$ <u>95,904</u>
-----------------------------	------------------

The effective interest rate on capital leases was 5.30%.

G. Commitments Under Noncapitalized Leases

The District had no future commitments under operating (noncapitalized) lease agreements for facilities and equipment as of August 31, 2009.

Rental Expenditures in 2009	\$ <u>73,272</u>
-----------------------------	------------------

H. Risk Management

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

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (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 issues 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.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2009

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2009, 2008 and 2007 were \$557,242, \$560,500 and \$496,000, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2009, 2008 and 2007 were \$173,400, \$175,406 and \$112,000, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$458,832 for the year ended August 31, 2009.

J. Retiree Health Care Plan

1. Plan Description

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

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 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$17,366, \$58,257, and \$50,368, respectively, the active member contributions were \$56,595, \$51,623, and \$50,225, respectively, and the District's contributions were \$47,888, \$43,681, and \$42,498, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the District were \$19,678, \$17,740, and \$16,506, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2009, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2009, and terms of coverage and premium costs are included in the contractual provisions.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2009.

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

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

Member Districts	Special Education COOP			Head Start Program		
	Fund	Expenditures	District %	Fund	Expenditures	District %
Hitchcock ISD	313/314/315	\$ 335,716	37.50%	294	\$ 1,373,630	65.10%
Kendleton ISD	313/314	47,296	5.30%			
Danbury ISD	313/314	116,424	13.00%			
Needville ISD	313/314/315	350,977	39.20%			
Damon ISD	313/314	45,651	5.00%			
Texas City ISD				294	736,079	34.90%
Total		\$ 896,064			\$ 2,109,709	

N. Workers' Compensation Insurance

During the year ended August 31, 2009, the District met its statutory workers' compensation obligations 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 Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claims in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2009, the Fund carries a discounted reserve of \$72,996,132 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2009, the fund anticipates no additional liability to members beyond their contractual obligations for payment of annual contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. This audit is reviewed and approved by the Fund's Board of Trustees in February of the following year. The fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2009

O. Unemployment Compensation

During the year ended August 31, 2009, 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 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 obligations 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. This audit is reviewed and approved by the Fund's Board of Trustees in February of the following year. The fund's audited financial statements as of August 31, 2008, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

P. Accumulated Accretion Payable

Subsequent to the release of financial statements, additional information was discovered relating to the recording of accumulated accretion payable related to the District's bonded debt. The cumulative effect of recording this payable resulted in a decrease in net assets of \$27,508.

Q. Extraordinary Item

During the year ended August 31, 2009, the District realized additional costs and revenues associated with the landfall of Hurricane Ike during September 2008. Revenues and expenditures totaling \$553,262 were accounted for in a federal special revenue fund (Fund 288) and were recognized as extraordinary items.

Required Supplementary Information

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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 6,522,558	\$ 6,222,558	\$ 5,717,330	\$ (505,228)
5800	State Program Revenues	4,565,856	4,565,856	4,387,874	(177,982)
5900	Federal Program Revenues	180,000	180,000	338,826	158,826
5020	Total Revenues	11,268,414	10,968,414	10,444,030	(524,384)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	5,567,112	5,467,112	5,394,874	72,238
0012	Instructional Resources and Media Services	167,650	187,650	160,770	26,880
0013	Curriculum and Staff Development	399,896	399,896	330,637	69,259
	Total Instruction & Instr. Related Services	6,134,658	6,054,658	5,886,281	168,377
	Instructional and School Leadership:				
0021	Instructional Leadership	160,543	180,543	149,675	30,868
0023	School Leadership	850,723	790,723	773,158	17,565
	Total Instructional & School Leadership	1,011,266	971,266	922,833	48,433
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	194,744	214,744	182,777	31,967
0033	Health Services	163,975	163,975	150,229	13,746
0034	Student (Pupil) Transportation	525,000	555,000	527,043	27,957
0035	Food Services	10,000	10,000	5,544	4,456
0036	Cocurricular/Extracurricular Activities	536,301	536,301	502,940	33,361
	Total Support Services - Student (Pupil)	1,430,020	1,480,020	1,368,533	111,487
	Administrative Support Services:				
0041	General Administration	819,363	819,363	744,665	74,698
	Total Administrative Support Services	819,363	819,363	744,665	74,698
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,396,455	1,396,455	1,285,047	111,408
0052	Security and Monitoring Services	127,400	127,400	98,850	28,550
0053	Data Processing Services	197,300	247,300	224,808	22,492
	Total Support Services - Nonstudent Based	1,721,155	1,771,155	1,608,705	162,450
	Ancillary Services:				
0061	Community Services	100,427	115,427	89,716	25,711
	Total Ancillary Services	100,427	115,427	89,716	25,711
	Debt Service:				
0071	Principal on Long-Term Debt	--	330,800	327,573	3,227
0072	Interest on Long-Term Debt	346,000	13,200	16,227	(3,027)
0073	Bond Issuance Costs and Fees	--	2,000	1,678	322
	Total Debt Service	346,000	346,000	345,478	522
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	625,500	610,500	482,104	128,396
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	20,000	25,000	22,999	2,001
0099	Other Intergovernmental Charges	45,600	60,600	55,839	4,761
	Total Intergovernmental Charges	691,100	696,100	560,942	135,158
6030	Total Expenditures	12,253,989	12,253,989	11,527,153	726,836
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(985,575)	(1,285,575)	(1,083,123)	202,452
	Other Financing Sources (Uses):				
8911	Transfers Out	--	--	(34,133)	(34,133)
7080	Total Other Financing Sources and (Uses)	--	--	(34,133)	(34,133)
1200	Net Change in Fund Balance	(985,575)	(1,285,575)	(1,117,256)	168,319
0100	Fund Balance - Beginning	3,966,191	3,966,191	3,966,191	--
3000	Fund Balance - Ending	\$ 2,980,616	\$ 2,680,616	\$ 2,848,935	\$ 168,319

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2009

Data Control Codes		205 Head Start	211 ESEA Title I Improving Basic Programs	222 National and Community Service Trust	240 National School Breakfast/Lunch Program
ASSETS:					
1110	Cash and Cash Equivalents	\$ 2,991	\$ 61,642	\$ --	\$ 6,936
1240	Due from Other Governments	252,597	24,031	16,429	32,728
1260	Due from Other Funds	--	--	--	7,714
1290	Other Receivables	--	--	--	2,625
1410	Deferred Expenditures	--	--	--	--
1000	Total Assets	\$ 255,588	\$ 85,673	\$ 16,429	\$ 50,003
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 51,287	\$ 61,642	\$ 978	\$ 38,466
2160	Accrued Wages Payable	--	--	--	--
2170	Due to Other Funds	204,301	24,031	15,451	9,477
2180	Due to Other Governments	--	--	--	--
2200	Accrued Expenditures	--	--	--	--
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	255,588	85,673	16,429	47,943
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	--	--	2,060
3490	Other Reserves of Fund Balance	--	--	--	--
Unreserved, Reported in Nonmajor:					
3610	Special Revenue Funds	--	--	--	--
3000	Total Fund Balances	--	--	--	2,060
4000	Total Liabilities and Fund Balances	\$ 255,588	\$ 85,673	\$ 16,429	\$ 50,003

242 Summer Feeding Program	261 Reading First	263 English Language Acquisition and Enhancement	280 Education for Homeless Children & Youth-ARRA	288 Hurricane Ike Relief
\$ --	\$ --	\$ --	\$ --	\$ --
4,312	4,396	--	1,090	244,600
26,419	--	--	--	--
--	--	5,895	--	--
--	--	--	--	--
<u>\$ 30,731</u>	<u>\$ 4,396</u>	<u>\$ 5,895</u>	<u>\$ 1,090</u>	<u>\$ 244,600</u>
\$ 30,731	\$ --	\$ 1,402	\$ --	\$ 6,095
--	--	--	--	--
--	4,396	4,493	1,090	238,505
--	--	--	--	--
--	--	--	--	--
<u>30,731</u>	<u>4,396</u>	<u>5,895</u>	<u>1,090</u>	<u>244,600</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 30,731</u>	<u>\$ 4,396</u>	<u>\$ 5,895</u>	<u>\$ 1,090</u>	<u>\$ 244,600</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2009

Data Control Codes		289 SIP Academy Grant	294 Head Start	313 IDEA-B Formula	314 IDEA-B Preschool
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240	Due from Other Governments	53,734	61,872	--	--
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	--	--
1410	Deferred Expenditures	--	--	2,448	71
1000	Total Assets	<u>\$ 53,734</u>	<u>\$ 61,872</u>	<u>\$ 2,448</u>	<u>\$ 71</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 24,944	\$ 61,872	\$ --	\$ --
2160	Accrued Wages Payable	--	--	--	--
2170	Due to Other Funds	28,790	--	2,448	71
2180	Due to Other Governments	--	--	--	--
2200	Accrued Expenditures	--	--	--	--
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>53,734</u>	<u>61,872</u>	<u>2,448</u>	<u>71</u>
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	--	--	--
3490	Other Reserves of Fund Balance	--	--	--	--
Unreserved, Reported in Nonmajor:					
3610	Special Revenue Funds	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 53,734</u>	<u>\$ 61,872</u>	<u>\$ 2,448</u>	<u>\$ 71</u>

315 IDEA-B Discretionary	394 Life Skills Program	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment
\$ --	\$ --	\$ --	\$ --	\$ 2,106
10,287	4,132	5,692	3,593	716
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 10,287</u>	<u>\$ 4,132</u>	<u>\$ 5,692</u>	<u>\$ 3,593</u>	<u>\$ 2,822</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	1,018	--	--	--
7,553	3,099	5,692	3,593	--
2,734	--	--	--	--
--	15	--	--	--
--	--	--	--	--
<u>10,287</u>	<u>4,132</u>	<u>5,692</u>	<u>3,593</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	2,822
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,822</u>
<u>\$ 10,287</u>	<u>\$ 4,132</u>	<u>\$ 5,692</u>	<u>\$ 3,593</u>	<u>\$ 2,822</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2009

Data Control Codes		423 LEP Student Success Initiative	428 High School Allotment	429 Rural School Technology
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ 7,349	\$ --
1240	Due from Other Governments	538	--	4,578
1260	Due from Other Funds	--	--	--
1290	Other Receivables	--	--	--
1410	Deferred Expenditures	--	--	--
1000	Total Assets	\$ 538	\$ 7,349	\$ 4,578
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ 418	\$ --
2160	Accrued Wages Payable	--	--	--
2170	Due to Other Funds	538	--	4,578
2180	Due to Other Governments	--	--	--
2200	Accrued Expenditures	--	--	--
2300	Unearned Revenue	--	--	--
2000	Total Liabilities	538	418	4,578
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	--	--	--
3490	Other Reserves of Fund Balance	--	--	--
Unreserved, Reported in Nonmajor:				
3610	Special Revenue Funds	--	6,931	--
3000	Total Fund Balances	--	6,931	--
4000	Total Liabilities and Fund Balances	\$ 538	\$ 7,349	\$ 4,578

491 Mainland United Way	492 Lowe's Grant	493 Walmart Foundation Grant	494 TASB Risk Management Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 19,649	\$ 1,000	\$ 237	\$ 3,500	\$ 105,410
--	--	--	--	725,325
--	--	--	--	34,133
--	--	--	--	8,520
--	--	--	--	2,519
<u>\$ 19,649</u>	<u>\$ 1,000</u>	<u>\$ 237</u>	<u>\$ 3,500</u>	<u>\$ 875,907</u>
\$ 7,425	\$ --	\$ --	\$ --	\$ 285,260
--	--	--	--	1,018
--	--	--	--	558,106
--	--	--	--	2,734
--	--	--	--	15
12,224	1,000	--	3,500	16,724
<u>19,649</u>	<u>1,000</u>	<u>--</u>	<u>3,500</u>	<u>863,857</u>
--	--	--	--	2,060
--	--	237	--	237
--	--	--	--	9,753
<u>--</u>	<u>--</u>	<u>237</u>	<u>--</u>	<u>12,050</u>
<u>\$ 19,649</u>	<u>\$ 1,000</u>	<u>\$ 237</u>	<u>\$ 3,500</u>	<u>\$ 875,907</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV SDFSC	205 Head Start	211 ESEA Title I Improving Basic Programs	222 National and Community Service Trust
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	6,206	1,373,630	465,450	21,890
5020 <i>Total Revenues</i>	6,206	1,373,630	465,450	21,890
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,151	699,552	316,399	21,803
0013 <i>Curriculum and Staff Development</i>	261	12,911	135,846	--
0021 <i>Instructional Leadership</i>	--	184,275	--	--
0023 <i>School Leadership</i>	--	9,329	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0032 <i>Social Work Services</i>	--	73,787	--	--
0033 <i>Health Services</i>	--	74,149	--	--
0034 <i>Student Transportation</i>	--	114,072	9,779	87
0035 <i>Food Service</i>	--	6,267	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	171,229	--	--
0052 <i>Security and Monitoring Services</i>	4,794	21,076	--	--
0053 <i>Data Processing Services</i>	--	3,380	--	--
0061 <i>Community Services</i>	--	3,603	3,426	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 <i>Total Expenditures</i>	6,206	1,373,630	465,450	21,890
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	--
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	--
7080 <i>Total Other Financing Sources and (Uses)</i>	--	--	--	--
EXTRAORDINARY ITEM:				
7919 <i>Extraordinary Item (Resource)</i>	--	--	--	--
8913 <i>Extraordinary Item (Use)</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	\$ --	\$ --	\$ --	\$ --

240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	261 Reading First
\$ 106,135	\$ --	\$ --	\$ --	\$ --
4,464	--	--	--	--
616,229	4,312	16,993	103,309	93,196
726,828	4,312	16,993	103,309	93,196
--	--	14,543	92,034	90,729
--	--	528	11,275	2,467
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
734,542	30,731	--	--	--
--	--	1,922	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
734,542	30,731	16,993	103,309	93,196
(7,714)	(26,419)	--	--	--
7,714	26,419	--	--	--
7,714	26,419	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
2,060	--	--	--	--
\$ 2,060	\$ --	\$ --	\$ --	\$ --

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		262 Enhancing Education through Technology	263 English Language Acquisition and Enhancement	280 Education for Homeless Children & Youth-ARRA	288 Hurricane Ike Relief
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	4,536	6,585	7,105	--
5020	Total Revenues	4,536	6,585	7,105	--
EXPENDITURES:					
Current:					
0011	Instruction	2,724	4,346	--	--
0013	Curriculum and Staff Development	1,812	2,239	--	--
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0032	Social Work Services	--	--	--	--
0033	Health Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	7,105	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0053	Data Processing Services	--	--	--	--
0061	Community Services	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	4,536	6,585	7,105	--
1100	Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
EXTRAORDINARY ITEM:					
7919	Extraordinary Item (Resource)	--	--	--	553,262
8913	Extraordinary Item (Use)	--	--	--	(553,262)
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

289 SIP Academy Grant	294 Head Start	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
55,486	736,079	855,979	29,798	10,287
55,486	736,079	855,979	29,798	10,287
--	--	356,510	29,798	10,287
55,486	--	92,511	--	--
--	--	--	--	--
--	--	--	--	--
--	--	385,458	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	21,500	--	--
--	736,079	--	--	--
55,486	736,079	855,979	29,798	10,287
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	394 Life Skills Program	401 Optional Extended Year Program	404 Student Success Initiative	409 Texas High School Project
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	15,014	5,692	38,450	1,720
5900 Federal Program Revenues	--	--	--	--
5020 Total Revenues	15,014	5,692	38,450	1,720
EXPENDITURES:				
Current:				
0011 Instruction	15,014	4,692	15,450	1,720
0013 Curriculum and Staff Development	--	--	23,000	--
0021 Instructional Leadership	--	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--	--
0032 Social Work Services	--	--	--	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	1,000	--	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0051 Plant Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	--	--	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	15,014	5,692	38,450	1,720
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100 Expenditures	--	--	--	--
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
EXTRAORDINARY ITEM:				
7919 Extraordinary Item (Resource)	--	--	--	--
8913 Extraordinary Item (Use)	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

411 Technology Allotment	414 Reading, Math and Science Initiative	415 Kindergarten and Prekindergarten Grants	423 LEP Student Success Initiative	428 High School Allotment
\$ --	\$ --	\$ --	\$ --	\$ --
31,137	18,749	61,817	62,039	83,211
--	--	--	--	--
31,137	18,749	61,817	62,039	83,211
29,569	17,697	61,817	55,858	26,895
--	1,052	--	6,181	--
--	--	--	--	--
--	--	--	--	67,706
--	--	--	--	5,124
--	--	--	--	--
--	--	--	--	--
--	--	--	--	6,919
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
29,569	18,749	61,817	62,039	106,644
1,568	--	--	--	(23,433)
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
1,568	--	--	--	(23,433)
1,254	--	--	--	30,364
\$ 2,822	\$ --	\$ --	\$ --	\$ 6,931

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	429 Rural School Technology	491 Mainland United Way	493 Walmart Foundation Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ 12,777	\$ --	\$ 118,912
5800 State Program Revenues	97,375	--	--	419,668
5900 Federal Program Revenues	--	--	--	4,407,070
5020 Total Revenues	97,375	12,777	--	4,945,650
EXPENDITURES:				
Current:				
0011 Instruction	45,854	12,777	--	1,927,219
0013 Curriculum and Staff Development	51,521	--	--	397,090
0021 Instructional Leadership	--	--	--	184,275
0023 School Leadership	--	--	--	77,035
0031 Guidance, Counseling, & Evaluation Services	--	--	--	390,582
0032 Social Work Services	--	--	--	73,787
0033 Health Services	--	--	--	74,149
0034 Student Transportation	--	--	--	131,857
0035 Food Service	--	--	--	778,645
0036 Cocurricular/Extracurricular Activities	--	--	--	1,922
0051 Plant Maintenance and Operations	--	--	--	171,229
0052 Security and Monitoring Services	--	--	--	25,870
0053 Data Processing Services	--	--	--	3,380
0061 Community Services	--	--	--	28,529
0093 Payments to Shared Service Arrangements	--	--	--	736,079
6030 Total Expenditures	97,375	12,777	--	5,001,648
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	(55,998)
1100 Expenditures	--	--	--	--
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	--	34,133
7080 Total Other Financing Sources and (Uses)	--	--	--	34,133
EXTRAORDINARY ITEM:				
7919 Extraordinary Item (Resource)	--	--	--	553,262
8913 Extraordinary Item (Use)	--	--	--	(553,262)
1200 Net Change in Fund Balances	--	--	--	(21,865)
0100 Fund Balances - Beginning	--	--	237	33,915
3000 Fund Balances - Ending	\$ --	\$ --	\$ 237	\$ 12,050

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2009*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2000 and Prior Years	\$	Various	\$	Various	\$	Various
2001		1.50		.361		250,496,646
2002		1.49		.216		275,416,569
2003		1.4425		.206		277,725,123
2004		1.4833		.22		277,751,460
2005		1.50		.268		292,543,602
2006		1.50		.227		347,061,320
2007		1.3701		.145		424,456,407
2008		1.0401		.175		552,404,387
2009 (School Year Under Audit)		1.0401		.37		525,927,455

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/08	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/09
\$ 353,878	\$ --	\$ 9,028	\$ 755	\$ 18,661	\$ 362,756
44,095	--	2,460	592	(1,377)	39,667
50,457	--	3,691	535	(1,325)	44,906
57,160	--	4,324	617	(1,378)	50,840
65,863	--	6,271	930	(1,220)	57,442
82,507	--	12,216	2,183	(674)	67,434
102,982	--	20,151	3,050	(877)	78,904
145,268	--	37,216	3,939	(1,130)	102,984
261,981	--	95,946	16,143	(22,455)	127,437
--	7,416,103	5,254,753	1,869,300	37,600	329,651
<u>\$ 1,164,190</u>	<u>\$ 7,416,103</u>	<u>\$ 5,446,055</u>	<u>\$ 1,898,043</u>	<u>\$ 25,826</u>	<u>\$ 1,262,020</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2010-2011 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2009

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 215,820	\$ 308,086	\$ --	\$ 29,725	\$ 553,631
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	52,237	--	--	--	--	--	52,237
6212	Audit Services	--	--	--	14,310	--	--	14,310
6213	Tax Appraisal and Collection	--	55,839	--	--	--	--	55,839
621X	Other Prof. Services	5,764	4,554	--	5,614	--	--	15,932
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	19,769	--	--	19,769
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	27,827	--	--	27,827
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	282	--	7,676	18,977	--	--	26,935
6410	Travel, Subsistence, Stipends	30,284	--	8,151	6,694	--	--	45,129
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	1,102	--	--	--	--	--	1,102
6490	Miscellaneous Operating	3,646	--	2,635	20,187	--	--	26,468
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 93,315 \$ 60,393 \$ 234,282 \$ 421,464 \$ -- \$ 29,725 \$ 839,179

Total Expenditures for General and Special Revenue Funds (9) \$ 16,940,431

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 90,906
Total Debt & Lease (6500)	(11)	\$ 345,478
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,451,474
Food (Function 35, 6341 and 6499)	(13)	\$ 9,095
Stipends (6413)	(14)	\$ 47,222
Column 4 (above) - Total Indirect Cost		\$ 421,464

Subtotal 2,365,639

Net Allowed Direct Cost \$ 14,574,792

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 18,436,490
Historical Cost of Buildings over 50 years old	(16)	385,576
Amount of Federal Money in Building Cost (Net of #16)	(17)	379,338
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,712,329
Historical Cost of Furniture & Equipment over 16 years old	(19)	137,000
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$38,675 in Function 53 expenditures and \$55,839 in Function 99 expenditures are included in this report on administrative costs.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-3****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2009**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ 2,848,935
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	--
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	--
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	2,308,696
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 5/31/10)	1,120,206
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	3,428,902
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (579,967)

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive

Undesignated Unreserved General Fund Fund Balance:

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1 Budget	2 Actual	3 Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 174,000	\$ 106,135	\$ (67,865)
5800 State Program Revenues	7,266	4,464	(2,802)
5900 Federal Program Revenues	511,739	616,229	104,490
5020 Total Revenues	693,005	726,828	33,823
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	693,005	734,542	(41,537)
Total Support Services - Student (Pupil)	693,005	734,542	(41,537)
6030 Total Expenditures	693,005	734,542	(41,537)
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(7,714)	(7,714)
Other Financing Sources (Uses):			
7915 Transfers In	--	7,714	7,714
7080 Total Other Financing Sources and (Uses)	--	7,714	7,714
0100 Fund Balance - Beginning	2,060	2,060	--
3000 Fund Balance - Ending	\$ 2,060	\$ 2,060	\$ --

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

FUND 511

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 1,956,000	\$ 1,951,351	\$ (4,649)
5020	Total Revenues	1,956,000	1,951,351	(4,649)
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	770,000	690,041	79,959
0072	Interest on Long-Term Debt	1,182,000	1,258,818	(76,818)
0073	Bond Issuance Costs and Fees	4,000	700	3,300
	Total Debt Service	1,956,000	1,949,559	6,441
6030	Total Expenditures	1,956,000	1,949,559	6,441
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	1,792	1,792
	Other Financing Sources (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	--	2,855,000	2,855,000
7917	Prepaid Interest	--	148,856	148,856
8949	Other Uses	--	(2,855,000)	(2,855,000)
7080	Total Other Financing Sources and (Uses)	--	148,856	148,856
1200	Net Change in Fund Balance	--	150,648	150,648
0100	Fund Balance - Beginning	922,702	922,702	--
3000	Fund Balance - Ending	\$ 922,702	\$ 1,073,350	\$ 150,648

JOHN R. PECHACEK, C.P.A.
P.O. Box 549
Bellville, Texas 77418

Independent Auditor's Report

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

Board of Trustees
Hitchcock Independent School District
8117 Highway 6
Hitchcock, Texas 77563

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District as of and for the year ended August 31, 2009, which collectively comprise the Hitchcock Independent School District's basic financial statements and have issued my report thereon dated January 25, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Hitchcock Independent School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Hitchcock Independent School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Hitchcock Independent School District's internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hitchcock Independent School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hitchcock Independent School District's financial statements that is more than inconsequential will not be prevented by the Hitchcock Independent School District's internal control.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

Independent Auditor's Report(continued)

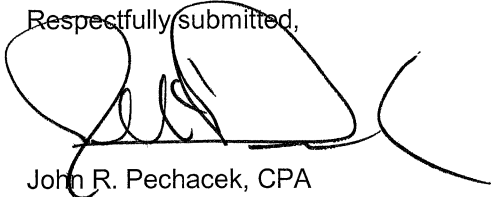
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hitchcock Independent School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John R. Pechacek', written over a horizontal line.

John R. Pechacek, CPA

January 25, 2010

'(except for Note P, as to which the date is December 6, 2010)

JOHN R. PECHACEK, C.P.A.
P.O. Box 549
Bellville, Texas 77418

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Hitchcock Independent School District
8117 Highway 6
Hitchcock, Texas 75831

Members of the Board of Trustees:

Compliance

I have audited the compliance of Hitchcock Independent School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. Hitchcock Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hitchcock Independent School District's management. My responsibility is to express an opinion on Hitchcock Independent School District's compliance based on my audit.

I conducted my 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 I 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 Hitchcock Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Hitchcock Independent School District's compliance with those requirements.

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

Internal Control Over Compliance

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

Independent Auditor's Report(continued)

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

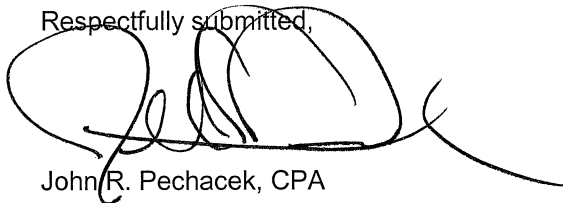
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John R. Pechacek', with a large, stylized flourish extending to the right.

John R. Pechacek, CPA

January 25, 2010
(except for Note P, as to which the date is December 6, 2010)

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Hurricane Ike Disaster Relief
93.600	Head Start
84.010A	ESEA Title I, Part A

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2009

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Reference No 2008-1 - Procedures for substantiation of expenditures by subrecipients as well as related site monitoring activities should be improved in order to fulfill the requirements of relevant grants. Expenditures should not be made without satisfactory substantiation.	Implemented	

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT K-1

Page 1 of 2

(1)	(2)	(2A)	(3)	
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
510	U.S. DEPARTMENT OF HOMELAND SECURITY Passed Through State Department of Education: Hurricane Ike Disaster Reimbursement Total U.S. Department of Homeland Security	97.036	084-908	\$ 553,262 553,262
205	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed Through State Department of Education: Head Start - Indirect Cost	93.600	06CH0381/21	59,562
205	Head Start	93.600	06CH0381/21	1,373,630
205	SSA Head Start	93.600	06CH0381/21	736,079
	Total CFDA Number 93.600			2,169,271
	Total Passed Through State Department of Education			2,169,271
	Total U. S. Department of Health and Human Services			2,169,271
438	U. S. DEPARTMENT OF EDUCATION Passed Through Texas Department of Agriculture: ESEA Title X Part C-Education for Homeless Children & Youth-ARRA	10.558	084-0014	7,105
211	Passed Through State Department of Education: ESEA Title I, Part A - Indirect Cost	84.010a	09610101084908	12,325
211	ESEA Title I Part A - Improving Basic Programs	84.010a	09610101084908	465,450
	Total CFDA Number 84.010a			477,775
224	SSA IDEA-B Formula * - Indirect Cost	84.027	0966000108490866	21,116
224	SSA IDEA-B Formula *	84.027	0966000108490866	855,979
226	SSA IDEA-B Discretionary *	84.027	09660006084908	10,287
	Total CFDA Number 84.027			887,382
244	Career and Technical - Basic Grant - Indirect Cost	84.048	09420006084908	450
244	Career and Technical - Basic Grant	84.048	09420006084908	16,993
	Total CFDA Number 84.048			17,443
225	SSA IDEA-B Preschool * - Indirect Cost	84.173	0966100108490866	789
225	SSA IDEA-B Preschool *	84.173	0966100108490866	29,798
	Total CFDA Number 84.173			30,587
204	ESEA Title IV Part A-Safe & Drug-Free Schools - Indirect Cost	84.186a	09691001084908	164
204	ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186a	09691001084908	6,206
	Total CFDA Number 84.186a			6,370
262	Title II Part D Enhancing Education - Indirect Cost	84.318x	09630001084908	120
262	Title II Part D Enhancing Education Through Technology	84.318x	09630001084908	4,536
	Total CFDA Number 84.318x			4,656
261	Reading First Title I - Part B - Subpart 1 - Indirect Cost	84.357	086455057110026	4,466
261	Reading First Title I - Part B - Subpart 1	84.357	086455057110026	93,196
	Total CFDA Number 84.357			97,662

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT K-1

Page 2 of 2

(1)	(2)	(2A)	(3)	
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
255	ESEA Title II Part A - Teacher & Principal - Indirect Cost	84.367a	09694501084908	2,736
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	09694501084908	103,309
	Total CFDA Number 84.367a			\$ 106,045
539	SIP Academy Grant - Indirect Cost	84.377A	09610701084908	\$ 1,469
539	SIP Academy Grant	84.377A	0961070108490800	55,486
	Total CFDA Number 84.377A			56,955
510	Ike Disaster Relief	97.036	10780902	--
	Total Passed Through State Department of Education			1,685,304
	Passed Through La Marque ISD:			
263	Title III Part A English Language Acquisition - Indirect Cost	84.365	09671001084904	429
263	Title III Part A English Language Acquisition and Language Enhancement	84.365	09671001084904	6,585
	Total CFDA Number 84.365			7,014
	Total U. S. Department of Education			1,698,994
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
559	School Breakfast Program *	10.553	084-908	203,386
240	National School Lunch Program *	10.555	084-908	370,787
242	Summer Food Service Program *	10.559	084-908	4,312
558	Commodity Supplemental Food Program (Non-cash)	10.565	084-908	42,056
	Total Passed Through State Department of Education			620,542
	Total U. S. Department of Agriculture			620,542
	FEDERAL COMMUNICATIONS COMMISSION			
	Passed Through State Department of Education:			
380	Universal E-Rate	32.000	084-908	213,272
	Total Federal Communications Commission			213,272
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
	Passed Through State Department of Education:			
222	National & Community Service Trust Act - Learn & Serve	94.004	06KSWTX001	21,890
	Total Corporation for National and Community Service			21,890
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,277,231

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

The accompanying notes are an integral part of this schedule.

Note A:	Federal Revenue per SEFA	\$ 5,277,231
	SHARS Revenue - General Fund and Special Ed COOP	43,560
	Less Federal Expenditures Included above displayed on Exhibit C-2 as Extraordinary Items	(553,262)
	Federal Revenue per Exhibit C-2	\$ 4,767,529

Note B: The County District number was used for the Hurricane Ike Disaster due to the numerous project id #'s that would be listed in this schedule.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2009

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hitchcock Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2009*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 27,508