

MALAKOFF INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

MALAKOFF INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

<u>Exhibit</u>		<u>Page</u>
	Table of Contents	1
	Certificate of Board	3
	Independent Auditor's Report	4
	Management's Discussion and Analysis	6
	Basic Financial Statements:	
	Government - Wide Financial Statements:	
A-1	Statement of Net Assets	15
B-1	Statement of Activities	16
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	17
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	19
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Assets	N/A
D-2	Statement of Revenues, Expenses, and Changes in Fund Assets	N/A
D-3	Statement of Cash Flows	N/A
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Assets	21
E-2	Statement of Changes in Fiduciary Net Assets	22
	Notes to the Financial Statements	23
	Required Supplementary Information:	
G-1	Budgetary Comparison Schedule - General Fund	48
	Combining Statements:	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	49
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51

MALAKOFF INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

TABLE OF CONTENTS, CONTINUED

<u>Exhibit</u>		<u>Page</u>
Required TEA Schedules:		
J-1	Schedule of Delinquent Taxes Receivable	53
J-2	Schedule of Expenditures for Computation of Indirect Cost	54
J-3	Fund Balance and Cash Flow Calculation Worksheet	55
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	56
J-5	Budgetary Comparison Schedule - Debt Service Fund	57
 Compliance, Internal Control and Federal Awards:		
	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	58
	Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	60
	Schedule of Findings and Questioned Costs	62
	Schedule of Status of Prior Findings	64
	Corrective Action Plan	65
K-1	Schedule of Expenditures of Federal Awards	66
	Notes to the Schedule of Expenditures of Federal Awards	68

CERTIFICATE OF BOARD

Malakoff Independent School District
Name of School District

Henderson
County

107-906
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and X approved _____ disapproved for the year ended August 31, 2011 at a meeting of the board of school trustees of such school district on the 23rd day of January, 2012.

Belenka Broselow
Signature of Board Secretary

Donna Woodruff
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)

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION
INCLUDING THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of School Trustees
Malakoff Independent School District
1308 FM 3062
Malakoff, Texas 75148

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Malakoff Independent School District (the "District"), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audit provides a reasonable basis for our opinions.

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

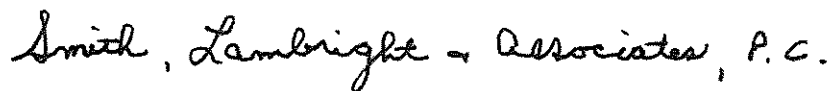
In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

December 2, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



Malakoff Independent School District

Randy Perry, Superintendent
1308 FM 3062
Malakoff, Texas 75148
Phone (903) 489-1317
Fax (903) 489-2566

Management's Discussion and Analysis

This section of the Annual Financial and Compliance Report for Malakoff Independent School District contains a discussion and analysis of the District's financial performance for the fiscal year ending August 31, 2011, as determined by the managers of Malakoff I.S.D. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements.

Financial Highlights

The District's total net assets increased over the course of this year's operations.

Revenues generated were in excess of expenditures by approximately \$586,235 during the current year. This compares to last year when revenues exceeded expenditures by \$798,369. The increase in fund balance was due to the receipt of bond proceeds for construction expenses and expenditures being less than budgeted appropriations. Expenditures were below budgeted appropriations by approximately \$939,812.

Malakoff I.S.D. received a "Superior Achievement" rating on its financial accountability under the Schools FIRST financial accountability rating system released this year by Texas Education Agency.

Using the Annual Report

The annual financial report consists of several parts. The government-wide financial statements provide information about the most significant funds of the District as a whole and include the Statement of Net Assets and the Statement of Activities. These statements present a long term view of the District's property, debt obligations, and other financial matters. They are presented in a manner that resembles financial reports of a business enterprise.

The fund financial statements give a view of the District's most significant funds in more detail than does the government-wide statements by reflecting the flow of current financial resources, supplying the basis for tax levies, and providing budget appropriations.

The fiduciary statements provide financial information concerning activities for which the District acts as trustee only.

Notes to the financial statements provide narrative explanations or additional information to assist in clarification and complete understanding of the combined financial statements.

The combining statements for non major funds are not required by TEA but provide even more detail about the individual funds. TEA Required Schedules, Compliance Internal Control and Federal Awards Sections of the report provide information pertaining to compliance issues, internal control over financial reporting, schedules of findings and questioned costs by the auditors, and schedules of federal award expenditures for the year ended August 31, 2011.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

This section of the financial statement gives an analysis of the overall financial condition of the District. The primary purpose of this portion of the statement is to show whether the financial status of the District has increased or decreased as a result of the year's activities. The Statement of Net Assets reflects the total assets and liabilities at the end of the year; the Statement of Activities includes all the revenue and expenditures generated by the year's operations. The accrual basis of accounting is applied to these activities.

The revenues are divided into those provided by grants and revenues provided by taxpayers or TEA. All District assets and liabilities are reported in this section, regardless of life or service (current/future).

The net assets of the District (difference between assets and liabilities) provide one measure of the District's financial health. A district whose net assets are increasing over time is one with improving financial health. Another measure of the overall health of the District is reflected in changes in average daily attendance, condition of facilities, and the property tax base.

The Statement of Net Assets and the Statement of Activities divide the District into two kinds of activities:

Governmental activities section which reports most of the District's basic services, including instruction, counseling, co-curricular activities, food service, transportation, maintenance, and general administration. Property taxes, fees, state revenues and federal grants finance most of these activities.

Trust/Fiduciary activities section includes student activities, scholarship fund and clearing funds. The District acts as overseer of these funds.

Reporting the District's Most Significant Funds

Fund Financial Statements

The most significant funds of the District are included in this section. The District is required to establish separate funds for grants. It also maintains separate funds to help control and manage funds for particular purposes such as campus activities, food services, and debt service.

Governmental Funds

Most of the District's basic services are reported in governmental funds. The modified accrual basis of accounting is used to report these activities. This method of accounting measures the receipt and disbursement of cash and financial assets that can be readily converted to cash. Governmental fund statements provide a detailed short-term view of the District's general operations and the basic services provided.

Budgeted Special Revenue Funds

This category of funds includes Food Service, Title I (A), Title II, (A & D), Title VI, (B), Technology Fund, Pre-K, Tobacco Grant, Vocational, Student Success Initiative, ARRA Stimulus (Title I, (A) & Title II (D), Rural Technology Grant, State Fiscal Stabilization and Campus Activities Funds.

This group of funds has revenue resources including grants, federal programs and state programs.

Debt Service Fund

The Debt Service fund accounts for bonded debt payments and the tax revenues that fund the debt.

The District as Trustee

All the fiduciary activities of the district are reported in separate Statements of Agency Funds. These resources are excluded from the District's other financial statements because the District cannot use these assets to finance operations. Its only responsibility in the disbursing of these funds is to ensure the assets are used for intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

GASB Statement #34 was implemented in 2002. This statement requires asset measurement with analysis of comparative balances and changes. Those comparisons are presented for both current and prior year. The analysis of net assets (Table I) and changes in net assets (Table II) focuses on current year data compared to last year data of the governmental activities of the District.

Total net assets of the district's governmental activities increased by \$586,235, as compared to last year. Total unrestricted assets were \$5,765,550 on August 31, 2011. These assets represent the part of net assets that can be used to finance day-to-day operations without debt or legal constraints. Two significant factors contributed to the increase in net assets:

- (1) The receipt of bond proceeds to repay construction costs borrowed from Maintenance and Operations totaling \$923,152

- (2) Expenditures were less than revenue receipts by approximately \$586,235

Total revenue for the District increased by \$1,117,159. The total cost of all programs and services for the District increased by \$1,329,293. This variance was primarily due to the increase in debt payments and Recapture payments.

The total cost for all governmental activities this year was \$13,998,546. Property taxes funded \$9,430,359 of this total as shown on Table II of this report.

The District's Funds

At the end of the year, the District reported a combined fund balance of \$6,554,764 (\$4,735,698 General Fund, \$692,548 Debt Service, \$1,067,163 Capital Projects and \$59,355 Other Funds) in its governmental funds, an increase of \$2,765,557 over last year.

The General Fund reported an increase of over \$1,571,890 for the year. The main reason for this increase was due to the repayment of fund balance from bond proceeds totaling \$923,142. Another result of this increase is the revenue for the year was higher than the expenditures.

The Debt Service Fund had an increase of \$99,226 in fund balance due to a slightly higher percentage of taxes collected for debt service during the year than was projected.

The original budgeted revenue and appropriations for governmental funds netted "0" at the beginning of the fiscal year. At year end, realized revenues measured approximately 107% of budgeted estimated revenue while actual expenditures totaled about 93% of budgeted appropriations. This simply means that our revenue collections were approximately \$927,893 more than our budgeted estimates and the District spent \$939,812 less than budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of the school year, the District reported \$30,964,740 in capital assets. These assets include all rolling stock, facilities, and equipment. This amount represents an increase of \$3,683,087 as compared to last year. The additions to capital assets during the year included the completion of improvements to the Malakoff High School (\$1,356,486), the Malakoff Elementary School Rock Building (\$2,260,007) and the renovation of the Tool Elementary School main entrance (\$66,594).

Debt

The District had an outstanding amount of \$23,284,241 in bonded debt at year end. This category of debt represents the construction of the high school facility on Star Harbor Road (\$4,430,000), the construction of the new elementary schools in Malakoff and Tool (\$9,155,000), the renovation projects for both the high school and middle school, transportation additions, and technology purchases (\$3,420,000), an Unamortized Premium and Discount on Issuance of Debt (\$247,765), a Premium Discount on Issuance of Debt (\$-923,613) and the renovation projects for Malakoff and Tool Elementary as well as Malakoff High School (\$6,955,090).

Economic Factors and Next Year's Budget/Rates

The budget for 2011-12 was based on many factors:

- (1) Chapter 41 Status (approx. \$1,986,572 recapture costs)
- (2) Increasing ADA
- (3) Minimal increasing property values
- (4) Minimal population growth (district-wide)

Although the unemployment rate for the area registers below the state average, the total population for Texas has a projected increase of 1.5% from last year. Senior citizens comprise a large percentage of the District's population which carries the over-65 Homestead exemption for taxing purposes.

Only a very small percentage of the District's property tax base is attributed to industry or commercial interests. Average home values within the District have risen from \$55,280 in 1997 to \$93,747 in 2011. It is the Comptroller's Property Tax Report of high taxable values linked with low student enrollment that triggered the Chapter 41 status for the District in 2003.

The average daily attendance in the District has shown an upward trend from 1097 in 2007-08 to 1,160 in 2010-11.

When the 2011-12 budget was adopted, all these indicators were considered. The current budget reflects 0% increase over last year's total. The budget remains steady largely due to the payment increase for Chapter 41 (\$390,753) and budget cuts incurred to offset the decrease in the amount of state funding received from TEA.

A total of \$1,986,572 has been budgeted to cover recapture costs.

Teachers' salaries were increased due to their step raises, state mandates and a district adopted salary schedule. A salary increase was given to all other employees except directors and department heads.

The revenues for the 2011-12 budget are primarily derived from property tax collection with State Foundation and Per Capita accounting for approximately 17% of total revenue. Charts on the following pages show revenue by source and expenditures by function (category).

No new major programs have been added by the District this year except for those funded by grants.

If the 2011-12 budget estimates are attained, a modest increase should be realized in fund balance at year end.

Contacting the District's Financial Management

This report is intended to assist citizens, taxpayers, investors, and creditors with the understanding of the financial status of the Malakoff Independent School District, how resources are managed and the accountability for funds received. If you have any questions concerning the report or need additional information, contact the District's business office at Malakoff I.S.D., 1308 FM 3062, Malakoff, TX 75148.

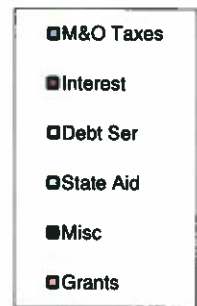
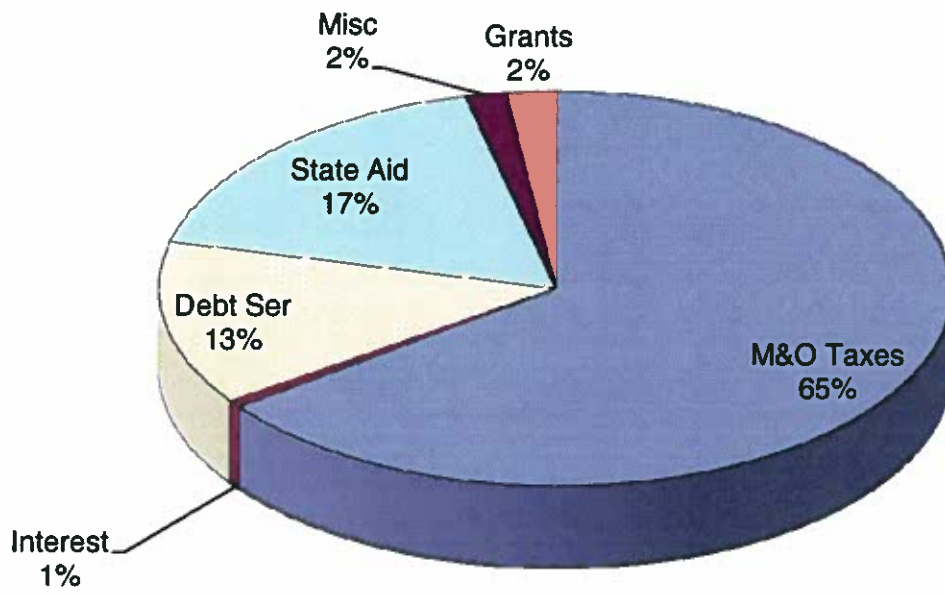
Table I
Malakoff Independent School District
Statement of Net Assets
August 31, 2011

<u>Governmental Activities</u>	<u>2009-10</u>	<u>2010-11</u>
ASSETS		
Cash and Cash Equivalents	165,959	648,480
Current Investments	4,654,241	6,384,823
Property Taxes Receivable (Del)	1,120,174	1,145,128
Allowance for Uncollectible Taxes (Credit)	(56,009)	(57,256)
Receivables from Other Governments	1,296,780	
Other Receivables, net	-	950
Due from Other Governments		1,117,108
Capitalized Bond & Other Debt Issuance Costs	249,763	406,270
Discount on Issuance of Debt		-
Capital Assets:		
Land	311,672	311,672
Buildings, net	26,032,613	29,819,787
Furniture and Equipment, net	856,639	833,281
Non-Depreciable Assets		
Construction in Progress	80,729	-
Total Assets	<u>34,712,561</u>	<u>40,610,243</u>
LIABILITIES		
Accounts Payable	4,561	6,617
Accrued Wages Payable	355,856	367,220
Due to Other Funds		
Due to Other Governments	125,114	221,404
Accrued Expenditures or Expenses	56,145	67,830
Deferred Revenues	1,832,970	991,546
Noncurrent Liabilities:		
Due Within One Year	900,000	1,015,000
Due in More Than One Year	16,352,765	22,269,241
Total Liabilities	<u>19,627,411</u>	<u>24,938,858</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	10,278,651	8,086,769
Restricted for Federal and State Programs	16,502	47,285
Restricted for Debt Service	593,322	692,548
Restricted for Campus Activities	15,575	12,070
Restricted for Capital Projects		1,067,163
Restricted for Other Purposes		-
Unrestricted Net Assets	4,181,100	5,765,550
Total Net Assets	<u><u>15,085,150</u></u>	<u><u>15,671,385</u></u>

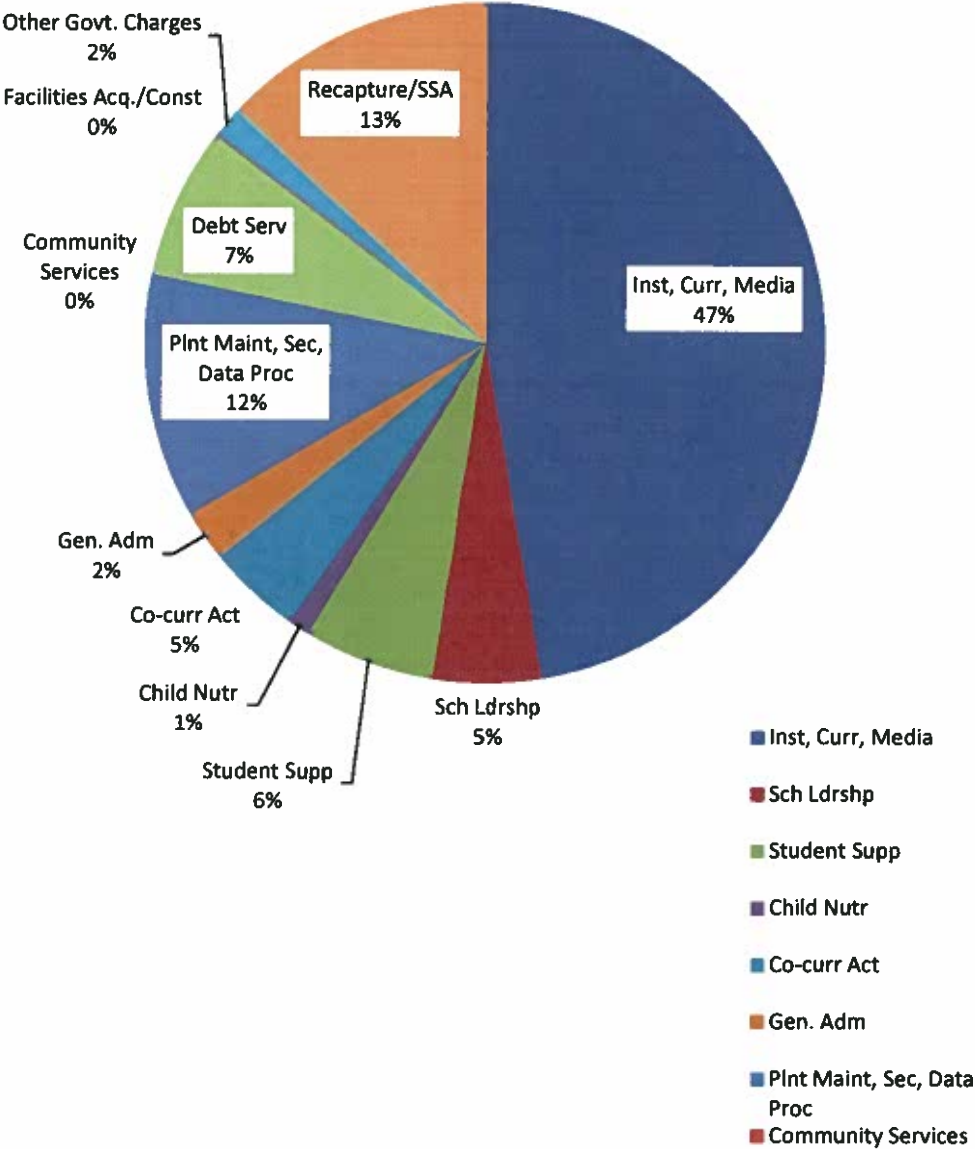
Table II
Malakoff Independent School District
Statement of Net Assets
August 31, 2011

<u>Governmental Activities</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues:		
General Revenues;		
Maintenance & Operation Taxes	9,646,264	9,430,359
Debt Service Taxes	1,560,946	1,966,514
State Aid	1,684,641	2,555,204
Unrestricted Grants/Contributions	35,357	297,284
Investment Earnings	126,566	89,485
Miscellaneous Revenue	413,848	245,935
Total Revenue	13,467,622	14,584,781
Expenses:		
Instructional, Curriculum, Media	6,179,038	6,624,850
Instructional/School Leadership	664,522	716,853
Student Support Services	722,770	873,435
Child Nutrition	149,134	143,549
Co-curricular Activities	583,748	625,164
General Administration	365,521	336,122
Plant Maint, Security, Data Proc	1,685,562	1,631,813
Community Services	215	183
Debt Services	730,877	1,003,525
Facilities Acquisition/Constr	1,839	5,495
Contr. Instr. Serv. Between Schools/Recapture	1,375,665	1,830,931
Other Governmental Charges	210,362	206,626
Total Expenses	12,669,253	13,998,546
Increase in Net Assets Before Transfers/Special Items	798,369	586,235
Net assets @ 09-01	14,286,781	15,085,150
Net Assets @ 08-31	15,085,150	15,671,385

Revenue by Source



Expense by Category



BASIC FINANCIAL STATEMENTS

MALAKOFF INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 648,480
1120 Current Investments	6,384,823
1220 Property Taxes Receivable (Delinquent)	1,145,128
1230 Allowance for Uncollectible Taxes	(57,256)
1240 Due from Other Governments	1,117,108
1290 Other Receivables, net	950
1420 Capitalized Bond and Other Debt Issuance Costs	406,270
Capital Assets:	
1510 Land	311,672
1520 Buildings, Net	29,819,787
1530 Furniture and Equipment, Net	833,281
1000 Total Assets	40,610,243
LIABILITIES	
2110 Accounts Payable	6,617
2160 Accrued Wages Payable	367,220
2180 Due to Other Governments	221,404
2200 Accrued Expenses	67,830
2300 Deferred Revenues	991,546
Noncurrent Liabilities	
2501 Due Within One Year	1,015,000
2502 Due in More Than One Year	22,269,241
2000 Total Liabilities	24,938,858
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	8,086,769
3820 Restricted for Federal and State Programs	47,285
3850 Restricted for Debt Service	692,548
3860 Restricted for Capital Projects	1,067,163
3870 Restricted for Campus Activities	12,070
3900 Unrestricted Net Assets	5,765,550
3000 Total Net Assets	\$ 15,671,385

MALAKOFF INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 8,320,956	\$ 454,033	\$ 1,494,407	\$ (6,372,516)
12 Instructional Resources and Media Services	207,765	-	8,045	(199,720)
13 Curriculum and Staff Development	53,820	-	1,206	(52,614)
21 Instructional Leadership	110,173	-	4,564	(105,609)
23 School Leadership	638,837	-	27,593	(611,244)
31 Guidance, Counseling and Evaluation Services	229,388	-	25,481	(203,907)
33 Health Services	54,518	-	8,068	(46,450)
34 Student (Pupil) Transportation	643,091	-	20,013	(623,078)
35 Food Services	796,390	115,482	537,359	(143,549)
36 Extracurricular Activities	670,566	34,072	11,330	(625,164)
41 General Administration	347,233	-	11,111	(336,122)
51 Plant Maintenance and Operations	1,369,624	-	30,452	(1,339,172)
52 Security and Monitoring Services	59,583	-	41,504	(18,079)
53 Data Processing Services	288,050	-	13,488	(274,562)
61 Community Services	8,398	-	8,215	(183)
72 Debt Service - Interest on Long Term Debt	994,302	-	-	(994,302)
73 Debt Service - Bond Issuance Cost and Fees	9,223	-	-	(9,223)
81 Capital Outlay	5,495	-	-	(5,495)
91 Contracted Instructional Services Between Schools	1,528,929	-	-	(1,528,929)
93 Payments related to Shared Services Arrangements	302,002	-	-	(302,002)
99 Other Intergovernmental Charges	206,626	-	-	(206,626)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 16,844,969	\$ 603,587	\$ 2,242,836	(13,998,546)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,430,359
DT	Property Taxes, Levied for Debt Service	1,966,514
SF	State Aid - Formula Grants	2,555,204
GC	Grants and Contributions not Restricted	297,284
IE	Investment Earnings	89,485
MI	Miscellaneous Local and Intermediate Revenue	245,935
TR	Total General Revenues	14,584,781
CN	Change in Net Assets	586,235
NB	Net Assets--Beginning	15,085,150
NE	Net Assets--Ending	\$ 15,671,385

MALAKOFF INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110	\$ 716,545	\$ 11,230	\$ 23,425
1120	4,659,767	681,318	1,043,738
1220	1,010,462	134,666	-
1230	(50,523)	(6,733)	-
1240	862,860	-	-
1260	28,079	-	80,730
1290	950	-	-
1000	<u>\$ 7,228,140</u>	<u>\$ 820,481</u>	<u>\$ 1,147,893</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110	\$ 6,617	\$ -	\$ -
2160	307,109	-	-
2170	-	-	80,730
2180	221,404	-	-
2200	5,827	-	-
2300	1,951,485	127,933	-
2000	<u>2,492,442</u>	<u>127,933</u>	<u>80,730</u>
Fund Balances:			
Restricted Fund Balance:			
3450	-	-	-
3470	-	-	1,067,163
3480	-	692,548	-
Committed Fund Balance:			
3510	1,500,000	-	-
Assigned Fund Balance:			
3590	-	-	-
3600	3,235,698	-	-
3000	<u>4,735,698</u>	<u>692,548</u>	<u>1,067,163</u>
4000	<u>\$ 7,228,140</u>	<u>\$ 820,481</u>	<u>\$ 1,147,893</u>

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

Other Funds	Total Governmental Funds
\$ (102,720)	\$ 648,480
-	6,384,823
-	1,145,128
-	(57,256)
254,248	1,117,108
-	108,809
-	950
<u>\$ 151,528</u>	<u>\$ 9,348,042</u>
\$ -	\$ 6,617
60,111	367,220
28,079	108,809
-	221,404
3,983	9,810
-	2,079,418
<u>92,173</u>	<u>2,793,278</u>
47,285	47,285
-	1,067,163
-	692,548
-	1,500,000
12,070	12,070
-	3,235,698
<u>59,355</u>	<u>6,554,764</u>
<u>\$ 151,528</u>	<u>\$ 9,348,042</u>

MALAKOFF INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS

AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$ <u>6 554 764</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
<u>Data</u>	
<u>Control</u>	
<u>Codes</u>	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$34,626,371 and the accumulated depreciation was \$7,344,718. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long-term debt was \$17,005,000. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	10 276 653
2 Other assets and liabilities related to long-term debt issuance are not reported in the governmental funds. At the beginning of the year, assets included unamortized debt issuance cost of \$249,763 and unamortized discount on issuance of debt of \$104,307. The liabilities included unamortized premium on issuance of debt of \$352,072. The net effect of these debt issuance assets and liabilities is to increase (decrease) net assets.	1 998
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	5 560 829
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(977 742)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(5 745 117)
19 Net Assets of Governmental Activities	\$ <u>15 671 385</u>

The accompanying notes are an integral part of this statement.

MALAKOFF INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 10,112,760	\$ 1,983,635	\$ 27,117
5800 State Program Revenues	3,091,933	-	-
5900 Federal Program Revenues	295,463	-	-
5020 Total Revenues	<u>13,500,156</u>	<u>1,983,635</u>	<u>27,117</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,476,518	-	171,300
0012 Instructional Resources and Media Services	185,748	-	-
0013 Curriculum and Instructional Staff Development	53,820	-	-
0021 Instructional Leadership	87,266	-	-
0023 School Leadership	615,097	-	-
0031 Guidance, Counseling and Evaluation Services	206,482	-	-
0033 Health Services	139,967	-	-
0034 Student (Pupil) Transportation	428,999	-	88,461
0035 Food Services	18,833	-	-
0036 Extracurricular Activities	476,428	-	-
0041 General Administration	334,364	-	-
0051 Facilities Maintenance and Operations	1,368,900	-	1,391
0052 Security and Monitoring Services	16,698	-	-
0053 Data Processing Services	305,133	-	-
0061 Community Services	579	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	900,000	-
0072 Interest on Long Term Debt	-	983,155	-
0073 Bond Issuance Cost and Fees	-	1,254	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	4,542,650
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	1,528,929	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	302,002	-	-
0099 Other Intergovernmental Charges	206,626	-	-
6030 Total Expenditures	<u>12,752,389</u>	<u>1,884,409</u>	<u>4,803,802</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>747,767</u>	<u>99,226</u>	<u>(4,776,685)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	6,900,000
7915 Transfers In	923,152	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	55,090
7949 Other Resources	-	-	-
8911 Transfers Out (Use)	(87,968)	-	(923,152)
8949 Other (Uses)	(11,061)	-	(188,090)
7080 Total Other Financing Sources (Uses)	<u>824,123</u>	<u>-</u>	<u>5,843,848</u>
1200 Net Change in Fund Balances	1,571,890	99,226	1,067,163
0100 Fund Balance - September 1 (Beginning)	<u>3,163,808</u>	<u>593,322</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,735,698</u>	<u>\$ 692,548</u>	<u>\$ 1,067,163</u>

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

Other Funds	Total Governmental Funds
\$ 166,403	\$ 12,289,915
132,245	3,224,178
1,575,683	1,871,146
1,874,331	17,385,239
1,139,118	7,786,936
-	185,748
-	53,820
22,907	110,173
-	615,097
21,089	227,571
-	139,967
-	517,460
681,500	700,333
54,406	530,834
716	335,080
-	1,370,291
40,785	57,483
-	305,133
7,819	8,398
-	900,000
-	983,155
-	1,254
-	4,542,650
-	1,528,929
-	302,002
-	206,626
1,968,340	21,408,940
(94,009)	(4,023,701)
-	6,900,000
87,968	1,011,120
-	55,090
33,319	33,319
-	(1,011,120)
-	(199,151)
121,287	6,789,258
27,278	2,765,557
32,077	3,789,207
\$ 59,355	\$ 6,554,764

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Total Net Change in Fund Balances - Governmental Funds	<u>\$ 2 765 557</u>
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	<u>5 560 829</u>
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	<u>(977 742)</u>
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>(6 762 409)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 586 235</u></u>

The accompanying notes are an integral part of this statement.

MALAKOFF INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2011

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 11,312	\$ 23,692
Total Assets	11,312	\$ 23,692
LIABILITIES		
Due to Student Groups	-	\$ 23,692
Total Liabilities	-	\$ 23,692
NET ASSETS		
Restricted for Scholarships	11,312	
Total Net Assets	\$ 11,312	

MALAKOFF INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Private Purpose Trust Fund
Change in Net Assets	-
Total Net Assets - September 1 (Beginning)	<u>11,312</u>
Total Net Assets - August 31 (Ending)	<u>\$ 11,312</u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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.

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

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

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

D. FUND ACCOUNTING

The District reports the following fund types:

Governmental Funds:

1. **General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
3. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
4. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

5. **Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
6. **Agency Fund** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

E. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

F. INVENTORIES

The District records purchases of supplies as expenditures.

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

G. CAPITAL ASSETS

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Land Improvements	10 -20
Vehicles	12
Furniture & Equipment	10

H. LONG TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

I. FUND BALANCE

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

J. DATA CONTROL CODES

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 311 672	\$	\$ 311 672	
Buildings & Improvements	32 266 670	6 234 057	26 032 613	
Furniture & Equipment	1 967 300	1 110 661	856 639	
Construction in Progress	<u>80 729</u>	<u></u>	<u>80 729</u>	
Totals	<u>\$ 34 626 371</u>	<u>\$ 7 344 718</u>		
Changes in Net Assets				<u>\$ 27 281 653</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			<u>\$ 17 005 000</u>	
Change in Net Assets				<u>17 005 000</u>
Net Adjustment to Net Assets				<u>\$ 10 276 653</u>

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

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Current Year Capital Outlay:			
Buildings & Improvements	\$ 2 677 492		
Furniture & Equipment	123 674		
Construction in Progress	1 859 663		
Total Capital Outlay	4 660 829	4 660 829	4 660 829
Debt Principal Payments:			
Bond Principal	900 000		
Total Principal Payments	\$ 900 000	900 000	900 000
Total Adjustment to Net Assets		\$ 5 560 829	\$ 5 560 829

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

C. EXPLANATION OF OTHER DIFFERENCES

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 294 978	\$ (294 978)	\$
Uncollected taxes(assumed collectible) from Current Year Levy	318 685	318 685	318 685
Uncollected Taxes (assumed collectible) from Prior Year Levy	769 187		769 187
Reclassify Proceeds of Bonds:			
Bond Proceeds	6 900 000	(6 900 000)	(6 900 000)
Reclassify Bond Related Items:			
Bond Issuance Costs	188 090	188 090	188 090
Bond Issuance Premium	55 090	(55 090)	(55 090)
Amortization of Bond Related Items:			
Bond Issue Costs	31 583	(31 583)	(31 583)
Discount on Issuance of Bonds	8 021	(8 021)	(8 021)
Premium on Issuance of Bonds	31 635	31 635	31 635
Accrued Interest on Debt:			
Prior Year	46 873	46 873	
Current Year	58 020	<u>(58 020)</u>	<u>(58 020)</u>
Total		<u>\$ (6 762 409)</u>	<u>\$ (5 745 117)</u>

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

		<u>August 31, 2011</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$	47 285
Nonappropriated Budget Funds		<u>12 070</u>
All Special Revenue Funds	\$	<u><u>59 355</u></u>

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District made expenditures in excess of the budgeted amounts in one functional area in the general fund in an amount that was immaterial to the total budget.

C. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders or contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31, and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2011 that were subsequently provided for in the 2011 - 2012 budget.

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

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The Public funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar - weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. During 2010-2011 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$2,019,965 and occurred on February 3, 2011. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$2,128,218. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

In addition to the depository bank, the District had funds invested at another bank. The largest combined balances of cash, savings and time deposit accounts amounted to \$15,968,221 and occurred on January 31, 2011. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$19,211,007. The total amount of FDIC Coverage at the time of the highest combined balance was \$500,000.

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

- b. **Custodial Credit Risk - Investments:** This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.
- c. **Interest Rate Risk:** Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. **Concentration of Credit Risk:** Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At August 31, 2011, the amount of the District's cash balance in checking accounts was \$683,234. The cash balance in savings, time and certificate of deposit accounts was \$6,364,606. Cash on hand was \$250.

INVESTMENTS

The District's investments at August 31, 2011, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Accounts	\$ 6 364 606	\$ 6 364 606	.0822
Texpool	<u>20 217</u>	<u>20 217</u>	.126027
 Total Investments	 <u>\$ 6 384 823</u>	 <u>\$ 6 384 823</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, if any, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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

B. 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 located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll upon which the levy for the 2010-2011 fiscal year was based, was \$994,407,472. The tax rates assessed for the year ended August 31, 2011 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$.96 and \$.20 per \$100 valuation, respectively, for a total of \$1.16 per \$100 valuation. Current tax collections for the year ended August 31, 2011 were 97.1% of the year end adjusted tax levy. As of August 31, 2011, property taxes receivable totaled \$1,010,462 and \$134,666 for the General and Debt Service Funds respectively.

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

C. DUE FROM OTHER GOVERNMENTS

The District participates in variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2011 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
State Entitlements	\$ 149 659	\$	\$	\$	\$ 149 659
State Grants				45 447	45 447
Federal Grants				208 801	208 801
ESC7 - Head Start	1 067				1 067
State Chapter 41	711 864				711 864
U.S. - Interest Rebate	270				270
	<u>862 860</u>	<u>0</u>	<u>0</u>	<u>254 248</u>	<u>1 117 108</u>
Total	<u>\$ 862 860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 254 248</u>	<u>\$ 1 117 108</u>

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2011 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:		
Capital Projects Fund	\$ 28 079	\$
Special Revenue Fund:		
General Fund	\$	\$ 28 079
Capital Projects Fund:		
Capital Projects Fund	\$ 80 730	\$ 80 730
Totals	<u>\$ 108 809</u>	<u>\$ 108 809</u>

Interfund transfers for the year ended August 31, 2011 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund	\$	\$ 87 968
Capital Projects Fund	923 152	
Total	<u>\$ 923 152</u>	<u>\$ 87 968</u>
Special Revenue Fund:		
General Fund	\$ 87 968	\$
Capital Projects Fund:		
General Fund	\$	\$ 923 152
Totals	<u>\$ 1 011 120</u>	<u>\$ 1 011 120</u>

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

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2011, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 1 010 462	\$ 134 666	\$	\$	\$ 1 145 128
Other Governments	862 860			254 248	1 117 108
Other Funds	28 079		80 730		108 809
Other	<u>950</u>				<u>950</u>
Totals	<u>\$ 1 902 351</u>	<u>\$ 134 666</u>	<u>\$ 80 730</u>	<u>\$ 254 248</u>	<u>\$ 2 371 995</u>

Payables at August 31, 2011, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 6 617	\$	\$	\$	\$ 6 617
Accrued Wages	307 109			60 111	367 220
Other Government	221 404				221 404
Other Funds			<u>80 730</u>	<u>28 079</u>	<u>108 809</u>
Totals	<u>\$ 535 130</u>	<u>\$ 0</u>	<u>\$ 80 730</u>	<u>\$ 88 190</u>	<u>\$ 704 050</u>

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

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 311 672	\$	\$	\$	\$ 311 672
Buildings & Improvements	32 266 670	2 677 492		1 940 392	36 884 554
Furniture & Equipment	1 965 605	123 674			2 089 279
Non-Depreciable Assets	1 695				1 695
Construction in Progress	<u>80 729</u>	<u>1 859 663</u>		<u>(1 940 392)</u>	
Total at Historical Cost	<u>34 626 371</u>	<u>4 660 829</u>	<u>0</u>	<u>0</u>	<u>39 287 200</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	6 234 057	830 710			7 064 767
Furniture and Equipment	<u>1 110 661</u>	<u>147 032</u>			<u>1 257 693</u>
Total Accumulated Depreciation	<u>7 344 718</u>	<u>977 742</u>	<u>0</u>	<u>0</u>	<u>8 322 460</u>
Governmental Activities Capital Assets, Net	<u>\$27 281 653</u>	<u>\$ 3 683 087</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$30 964 740</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 545 624
12	Instructional Resources and Media Services	22 017
23	School Leadership	23 740
31	Guidance, Counseling and Evaluation Services	1 817
33	Health Services	3 012
34	Student (Pupil) Transportation	125 631
35	Food Services	96 057
36	Cocurricular/Extracurricular Activities	139 732
41	General Administration	12 153
51	Plant Maintenance and Operations	5 859
52	Security and Monitoring Service	<u>2 100</u>
Total Depreciation Expense		<u>\$ 977 742</u>

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

G. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in bonds payable for the year ended August 31, 2011 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/10	Issued	Retired	Amounts Outstanding 8/31/11	Interest Current Year
Unlimited Tax School Building Bonds Series 2004	2.45% to 4.25%	\$ 5 204 999	\$ 4 430 000	\$	\$ 250 000	\$ 4 180 000	\$ 181 273
Unlimited Tax School Building Bonds Series 2005	3.0% to 5.0%	10 000 000	9 155 000		195 000	8 960 000	401 002
Unlimited Tax School Building Bonds Series 2008	3.59% to 4.0%	4 000 000	3 420 000		455 000	2 965 000	118 050
Unlimited Tax School Building Bonds Series 2010	4.0%	1 500 000	0	1 500 000		1 500 000	60 000
Unlimited Tax Qualified School Construction Bonds Series 2010	4.62%	5 400 000	0	5 400 000		5 400 000	222 830
Totals			<u>\$ 17 005 000</u>	<u>\$ 6 900 000</u>	<u>\$ 900 000</u>	<u>\$ 23 005 000</u>	<u>\$ 983 155</u>

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

Debt service requirements are as follows:

Year Ended August 31,	General Obligations				Federal Interest Rebate Amount "QSCB"
	Principal	Sinking Fund	Interest	Total Requirements	
2012	\$ 1 015 000	\$	\$ 974 018	\$ 1 989 018	\$ (249 480)
2013	1 140 000		933 942	2 073 942	(249 480)
2014	825 000	165 000	897 105	1 887 105	(249 480)
2015	855 000	165 000	864 355	1 884 355	(249 480)
2016	895 000	165 000	829 274	1 889 274	(249 480)
2017 - 2021	3 825 000	1 980 000	3 631 373	9 436 373	(1 247 400)
2022 - 2026	3 800 000	2 925 000	2 756 562	9 481 562	(1 122 660)
2027 - 2030	5 250 000		479 662	5 729 662	
Totals	<u>\$ 17 605 000</u>	<u>\$ 5 400 000</u>	<u>\$ 11 366 291</u>	<u>\$ 34 371 291</u>	<u>\$ (3 617 460)</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2011.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2011 \$4,165,000 of bonds considered defeased are still outstanding.

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

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 17 005 000	\$ 6 900 000	\$ 900 000	\$ 23 005 000	\$ 1 015 000
Premium (Discount) on Issuance of Bonds:					
Premium	352 072	55 090	31 635	375 527	
Discount	(104 307)		(8 022)	(96 285)	
Total Governmental Activities Long-term Liabilities	<u>\$ 17 252 765</u>	<u>\$ 6 955 090</u>	<u>\$ 923 613</u>	<u>\$ 23 284 242</u>	<u>\$ 1 015 000</u>

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

I. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Net Tax Revenue	\$ 959 939	\$ 127 933	\$	\$	\$ 1 087 872
State Foundation	991 546				991 546
Totals	<u>\$ 1 951 485</u>	<u>\$ 127 933</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2 079 418</u>

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

J. FUND BALANCE

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

Fund Balance	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Nonspendable	\$	\$	\$	\$	\$
Total Nonspendable	0	0	0	0	0
Restricted:					
Federal Grants				47 285	47 285
State Grants				0	0
Debt Service		692 548			692 548
Capital Projects			1 067 163		1 067 163
Total Restricted		692 548	1 067 163	47 285	1 806 996
Committed:					
Construction	1 500 000				1 500 000
Total Committed	1 500 000				1 500 000
Assigned:					
Campus Activity				12 070	12 070
Total Assigned				12 070	12 070
Unassigned	3 235 698				3 235 698
Total Fund Balances	\$ 4 735 698	\$ 692 548	\$ 1 067 163	\$ 59 355	\$ 6 554 764

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

K. LOCAL AND INTERMEDIATE SOURCES OF REVENUES

During the current year, local and intermediate sources of revenues consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total
Property Taxes	\$ 9 421 876	\$ 1 951 289	\$	\$	\$ 11 373 165
Penalties, Interest & Other					
Tax Related Income	144 133	25 264			169 397
Food Sales				115 482	115 482
Investment Income	55 252	7 082	27 117	32	89 483
Co-curricular Student					
Activities	28 204			5 868	34 072
Services to Other					
Districts	452 333				452 333
Other	10 962			45 021	55 983
Total	<u>\$ 10 112 760</u>	<u>\$ 1 983 635</u>	<u>\$ 27 117</u>	<u>\$ 166 403</u>	<u>\$ 12 289 915</u>

L. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of August 31, 2011, as follows:

Year Ended <u>August 31</u>	<u>Total</u>
2012	\$ 33 490
2013	33 490
2014	31 139
2015	<u>3 078</u>
Total Minimum Rentals	<u>\$ 101 197</u>
Rental Expenditures in Fiscal Year 2011	<u>\$ 33 490</u>

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

M. JOINT VENTURE SHARED SERVICE ARRANGEMENT

The District participates in a shared services arrangement for special education services with six other school districts. Although a portion of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District made payments to the fiscal agent of \$302,002.

N. PENSION PLAN

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy

The state contribution rate is 6.644% and the member contribution rate is 6.4%. In certain instances the District is required to make all or a portion of the state's 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature of the State of Texas.

The District's employees' contributions to the System for the years ending August 31, 2009, 2010, and 2011 were \$497,036, \$508,187 and \$534,267, respectively. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending August 31, 2008, 2010, and 2011 were \$114,536, \$115,991 and \$131,206, respectively.

The on behalf amounts contributed by the State, \$534,908, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

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

O. SCHOOL DISTRICT RETIREE HEALTH PLAN

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-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 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.

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 2010, 2009, 2008. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

The District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amount allocated on behalf for the year ended August 31, 2011 is estimated by TRS at \$22,581. This amount is reflected in the financial statements in accordance with Governmental Accounting Standards Board Statement No. 24.

P. COMPENSATED ABSENCES

District employees earn sick leave and personal leave according to legal and local policy. An employee who separates from employment with the District shall be eligible for reimbursement of state and local leave under the following conditions: (1) The employee is retiring from the District; (2) The employee provides advance written notice of intent to separate from employment. Contract employees must provide written notice at least 90 days before the last day of employment. Noncontract employees must provide written notice at least two weeks before the last day of employment; (3) The employee has at least five years of service with the District.

The employee shall be reimbursed for each day of state and local leave, to a maximum of 80 days, at a rate established by the Board; currently \$50. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.

The rate established by the Board shall be in effect until the Board adopts a new rate. Any changes to the rate shall apply beginning with the school year following the adoption of the rate change.

The amount of cumulative leave benefits at August 31, 2011 was \$63,325. The District paid benefits of \$2,800 during the current fiscal year.

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

Q. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 2011 the Malakoff Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Chapter 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The Board of Trustees of the plan and the plan supervisor, Claims Administrative Services, Inc., shall establish the proportionate contribution of each participant annually upon the actual loss experience and claims of the District, the experience rating modification of the District, the prorata costs or savings to the plan from the loss experience of all participants, and all reasonable and necessary administrative expenses of the plan. The proportionate contributions of all participants shall be combined into a self-insurance joint fund.

The District paid a fixed cost of \$38,322 to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum set aside in a separate account for claims not covered by excess insurance was established to be \$105,836 for the fiscal year. The self insurance retention maximum was \$250,000.

During the fiscal year, the District paid net claims of \$4,093 covering twenty plan periods ending August 31, 2011, and has accrued \$6,617 as a liability for unpaid claims determined by the claims administrator.

R. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES

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

S. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2011 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.

T. CHAPTER 41 DISTRICT

Beginning with the 2003 - 2004 fiscal year the District was a Chapter 41 District. The cost of recapture was \$1,528,929 for the fiscal year ending August 31, 2011. These costs were paid to the Texas Education Agency.

REQUIRED SUPPLEMENTARY INFORMATION

MALAKOFF INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 10,162,352	\$ 9,997,420	\$ 10,112,760	\$ 115,340
5800	State Program Revenues	3,140,817	2,312,664	3,091,933	779,269
5900	Federal Program Revenues	317,179	262,179	295,463	33,284
5020	Total Revenues	13,620,348	12,572,263	13,500,156	927,893
EXPENDITURES:					
Current:					
0011	Instruction	6,945,141	6,594,118	6,476,518	117,600
0012	Instructional Resources and Media Services	187,661	187,661	185,748	1,913
0013	Curriculum and Instructional Staff Development	54,627	54,627	53,820	807
0021	Instructional Leadership	87,264	87,266	87,266	-
0023	School Leadership	623,853	623,853	615,097	8,756
0031	Guidance, Counseling and Evaluation Services	207,110	207,133	206,482	651
0033	Health Services	139,785	139,785	139,967	(182)
0034	Student (Pupil) Transportation	486,210	481,210	428,999	52,211
0035	Food Services	16,666	18,833	18,833	-
0036	Extracurricular Activities	497,614	504,614	476,428	28,186
0041	General Administration	354,785	369,785	334,364	35,421
0051	Facilities Maintenance and Operations	1,382,124	1,382,124	1,368,900	13,224
0052	Security and Monitoring Services	50,914	50,914	16,698	34,216
0053	Data Processing Services	313,919	313,919	305,133	8,786
0061	Community Services	1,000	1,000	579	421
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	1,595,819	2,144,503	1,528,929	615,574
0093	Payments to Fiscal Agent/Member Districts of SSA	303,005	303,005	302,002	1,003
0099	Other Intergovernmental Charges	242,851	227,851	206,626	21,225
6030	Total Expenditures	13,490,348	13,692,201	12,752,389	939,812
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	130,000	(1,119,938)	747,767	1,867,705
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	221,097	923,153	923,152	(1)
8911	Transfers Out (Use)	(245,261)	(120,329)	(87,968)	32,361
8949	Other (Uses)	(105,836)	(105,836)	(11,061)	94,775
7080	Total Other Financing Sources (Uses)	(130,000)	696,988	824,123	127,135
1200	Net Change in Fund Balances	-	(422,950)	1,571,890	1,994,840
0100	Fund Balance - September 1 (Beginning)	3,163,808	3,163,808	3,163,808	-
3000	Fund Balance - August 31 (Ending)	\$ 3,163,808	\$ 2,740,858	\$ 4,735,698	\$ 1,994,840

COMBINING STATEMENTS

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	
ASSETS					
1110	Cash and Cash Equivalents	\$ (62,902)	\$ 27,064	\$ -	\$ -
1240	Receivables from Other Governments	86,388	20,221	-	-
1000	Total Assets	<u>\$ 23,486</u>	<u>\$ 47,285</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 21,558	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	-	-	-
2200	Accrued Expenditures	1,928	-	-	-
2000	Total Liabilities	<u>23,486</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	47,285	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>47,285</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 23,486</u>	<u>\$ 47,285</u>	<u>\$ -</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	288 COPS Grant
\$ -	\$ (59,562)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (7,301)
4,494	59,562	-	-	-	-	14,879	7,301
<u>\$ 4,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,879</u>	<u>\$ -</u>
\$ 4,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,590	\$ -
-	-	-	-	-	-	-	-
370	-	-	-	-	-	289	-
<u>4,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,879</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,879</u>	<u>\$ -</u>

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	313 SSA IDEA, Part B Formula	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	15,956	-	-
1000	Total Assets	<u>\$ 15,956</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2160	Accrued Wages Payable	\$ 14,652	\$ -	\$ -
2170	Due to Other Funds	-	-	-
2200	Accrued Expenditures	1,304	-	-
2000	Total Liabilities	<u>15,956</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,956</u>	<u>\$ -</u>	<u>\$ -</u>

427 Tobacco Free Grant	429 Rural School Technology	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ (12,128)	\$ 39	\$ 12,070	\$ (102,720)
-	12,128	33,319	-	254,248
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,358</u>	<u>\$ 12,070</u>	<u>\$ 151,528</u>
\$ -	\$ -	\$ 5,187	\$ -	\$ 60,111
-	-	28,079	-	28,079
-	-	92	-	3,983
<u>-</u>	<u>-</u>	<u>33,358</u>	<u>-</u>	<u>92,173</u>
-	-	-	-	47,285
-	-	-	12,070	12,070
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,070</u>	<u>59,355</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,358</u>	<u>\$ 12,070</u>	<u>\$ 151,528</u>

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 115,502	\$ -	\$ -
5800 State Program Revenues	-	3,939	-	-
5900 Federal Program Revenues	460,729	511,600	3,703	20,799
5020 Total Revenues	<u>460,729</u>	<u>631,041</u>	<u>3,703</u>	<u>20,799</u>
EXPENDITURES:				
Current:				
0011 Instruction	460,729	-	-	20,799
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	678,513	2,987	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	716	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>460,729</u>	<u>678,513</u>	<u>3,703</u>	<u>20,799</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(47,472)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	87,968	-	-
7949 Other Resources	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>87,968</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	40,496	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>6,789</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 47,285</u>	<u>\$ -</u>	<u>\$ -</u>

255 ESEA II,A Training and Recruiting	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	288 COPS Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
90,243	357,371	23,632	1,059	30,263	5,114	14,879	40,335
<u>90,243</u>	<u>357,371</u>	<u>23,632</u>	<u>1,059</u>	<u>30,263</u>	<u>5,114</u>	<u>14,879</u>	<u>40,335</u>
90,243	357,371	15,813	1,059	30,263	5,114	14,879	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	40,335
-	-	7,819	-	-	-	-	-
<u>90,243</u>	<u>357,371</u>	<u>23,632</u>	<u>1,059</u>	<u>30,263</u>	<u>5,114</u>	<u>14,879</u>	<u>40,335</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	313 SSA IDEA, Part B Formula	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	3,300	33,721	68,400
5900	Federal Program Revenues	15,956	-	-	-
5020	Total Revenues	<u>15,956</u>	<u>3,300</u>	<u>33,721</u>	<u>68,400</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	3,300	34,268	77,566
0021	Instructional Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	15,956	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	<u>15,956</u>	<u>3,300</u>	<u>34,268</u>	<u>77,566</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(547)</u>	<u>(9,166)</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
7949	Other Resources	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	(547)	(9,166)
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>547</u>	<u>9,166</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

427 Tobacco Free Grant	429 Rural School Technology	437 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 50,901	\$ 166,403
1,500	21,385	-	-	132,245
-	-	-	-	1,575,683
<u>1,500</u>	<u>21,385</u>	<u>-</u>	<u>50,901</u>	<u>1,874,331</u>
1,050	21,385	5,279	-	1,139,118
-	-	22,907	-	22,907
-	-	5,133	-	21,089
-	-	-	-	681,500
-	-	-	54,406	54,406
-	-	-	-	716
450	-	-	-	40,785
-	-	-	-	7,819
<u>1,500</u>	<u>21,385</u>	<u>33,319</u>	<u>54,406</u>	<u>1,968,340</u>
-	-	(33,319)	(3,505)	(94,009)
-	-	-	-	87,968
-	-	33,319	-	33,319
-	-	33,319	-	121,287
-	-	-	(3,505)	27,278
-	-	-	15,575	32,077
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,070</u>	<u>\$ 59,355</u>

REQUIRED TEA SCHEDULES

MALAKOFF INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.369200	0.085400	547,734,174
2004	1.377600	0.077000	606,092,190
2005	1.357800	0.076800	652,738,812
2006	1.350000	0.149000	724,375,236
2007	1.237000	0.140000	740,150,980
2008	1.030000	0.130000	827,706,767
2009	0.980000	0.180000	898,223,315
2010	0.990000	0.160000	996,327,088
2011 (School year under audit)	0.960000	0.200000	994,407,472
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 187,078	\$ -	\$ 1,460	\$ 68	\$ (885)	\$ 184,665
37,242	-	793	49	(329)	36,071
43,943	-	2,608	146	(1,169)	40,020
52,658	-	1,619	92	(1,581)	49,366
67,267	-	3,361	371	(2,567)	60,968
81,102	-	8,217	930	(2,149)	69,806
90,719	-	13,090	1,652	(2,208)	73,769
146,050	-	30,349	5,574	(6,229)	103,898
414,115	-	164,235	26,543	(32,230)	191,107
-	11,535,127	9,196,145	1,915,864	(87,660)	335,458
<u>\$ 1,120,174</u>	<u>\$ 11,535,127</u>	<u>\$ 9,421,877</u>	<u>\$ 1,951,289</u>	<u>\$ (137,007)</u>	<u>\$ 1,145,128</u>

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 163,761	\$ 159,449	\$ 716	\$ -	\$ 323,926
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	3,127	-	-	-	-	-	3,127
6212	Audit Services	-	-	-	15,200	-	-	15,200
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	220,722	-	-	-	-	220,722
621X	Other Professional Services	-	-	595	9,456	-	-	10,051
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	9	-	800	12,520	-	-	13,329
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	9,428	-	9,428
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	2,108	-	4,516	2,377	-	-	9,001
6410	Travel, Subsistence, Stipends	5,432	-	4,015	1,705	-	-	11,152
6420	Ins. and Bonding Costs	4,332	-	-	-	-	-	4,332
6430	Election Costs	6,619	-	-	-	-	-	6,619
6490	Miscellaneous Operating	6,919	-	6,299	584	-	-	13,802
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 28,546	\$ 220,722	\$ 179,986	\$ 201,291	\$ 10,144	\$ -	\$ 640,689

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 14,720,730

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 35,213
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 1,362,374
Food (Function 35, 6341 and 6499)	(13) 289,478
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	201,291

SubTotal:

1,888,356

Net Allowed Direct Cost

\$ 12,832,375

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 36,884,554
Historical Cost of Building over 50 years old	(16) \$ 214,000
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 2,089,279
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 132,482
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$98,983 in Function 53 expenditures are included in this report on administrative costs.

\$206,626 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2011

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 4,735,698
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,500,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	1,046,024	
7	Estimate of two month's average cash disbursements during the fiscal year.	2,092,049	
8	Estimate of delayed payments from state sources (58xx).	-	
9	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.	-	
10	Estimate of delayed payments from federal sources (59xx)	208,799	
11	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)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>4,846,872</u>
13	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 13)		<u>\$ (111,174)</u>

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 116,000	\$ 116,000	\$ 115,502	\$ (498)
5800	State Program Revenues	3,500	3,500	3,939	439
5900	Federal Program Revenues	422,000	482,000	511,600	29,600
5020	Total Revenues	541,500	601,500	631,041	29,541
EXPENDITURES:					
0035	Food Services	629,468	690,215	678,513	11,702
6030	Total Expenditures	629,468	690,215	678,513	11,702
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(87,968)	(88,715)	(47,472)	41,243
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	87,968	87,968	87,968	-
7080	Total Other Financing Sources (Uses)	87,968	87,968	87,968	-
1200	Net Change in Fund Balances	-	(747)	40,496	41,243
0100	Fund Balance - September 1 (Beginning)	6,789	6,789	6,789	-
3000	Fund Balance - August 31 (Ending)	\$ 6,789	\$ 6,042	\$ 47,285	\$ 41,243

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,924,760	\$ 1,924,760	\$ 1,983,635	\$ 58,875
5020	Total Revenues	1,924,760	1,924,760	1,983,635	58,875
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	971,250	971,250	900,000	71,250
0072	Interest on Long Term Debt	984,088	984,088	983,155	933
0073	Bond Issuance Cost and Fees	1,800	1,800	1,254	546
6030	Total Expenditures	1,957,138	1,957,138	1,884,409	72,729
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,378)	(32,378)	99,226	131,604
OTHER FINANCING SOURCES (USES):					
7949	Other Resources	32,378	32,378	-	(32,378)
7080	Total Other Financing Sources (Uses)	32,378	32,378	-	(32,378)
1200	Net Change in Fund Balances	-	-	99,226	99,226
0100	Fund Balance - September 1 (Beginning)	593,322	593,322	593,322	-
3000	Fund Balance - August 31 (Ending)	\$ 593,322	\$ 593,322	\$ 692,548	\$ 99,226

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambricht, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambricht.com

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*

Independent Auditor's Report

Board of School Trustees
Malakoff Independent School District
1308 FM 3062
Malakoff, Texas 75148

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

We noted certain matters that we reported to the Board of Trustees and management of the District in a separate letter dated December 2, 2011.

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Trustees and management of the District in a separate letter dated December 2, 2011.

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

Respectfully submitted,

Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

December 2, 2011

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

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

Independent Auditor's Report

Board of School Trustees
Malakoff Independent School District
1308 FM 3062
Malakoff, Texas 75148

Members of the Board of Trustees:

Compliance

We have audited the District 's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audit of Stats, Local Government, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

Internal Control Over Compliance

The management of the 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 our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,

Smith, Lambright & Associates, P.C.

SMITH, LAMBRIGHT & ASSOCIATES, P. C.
Certified Public Accountants

December 2, 2011

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2011

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) 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), OMB Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Cluster:
84.389	Title I Part A ESEA
	Title I Part A Recovery Act
	Child Nutrition Cluster:
10.533	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Feeding Program
84.394	Title XIV ARRA

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

Auditee qualified as low risk auditee? _____ X yes _____ no

District Contact Person Randy Perry
Superintendent

MALAKOFF INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2011

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

MALAKOFF INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

N/A

MALAKOFF INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

N/A

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11-610101107906	\$ 437,243
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12-610101107906	23,486
Total CFDA Number 84.010A			<u>460,729</u>
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	11-551001107906	5,114
Total Title I, Part A Cluster			<u>465,843</u>
**SSA - IDEA - Part B, Formula	84.027	12-660001107906	15,956
**IDEA, Part B, Formula - ARRA	84.391	11-660001107902	30,263
Total Special Education Cluster (IDEA)			<u>46,219</u>
Career and Technical - Basic Grant	84.048	11-420006107906	20,799
Title II D Enhancing Ed Through Technology - ARRA	84.386	11-553001107906	1,059
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	11-696001107906	23,632
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11-694501107906	85,749
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12-694501107906	4,494
Total CFDA Number 84.367A			<u>90,243</u>
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001107906	357,371
Education Jobs Fund	84.410	12-550101107906	14,879
Total Passed Through State Department of Education			<u>\$ 1,020,045</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 1,020,045</u>
U.S. DEPARTMENT OF JUSTICE			
<u>Direct Programs</u>			
COPS Grant	16.540	OOG 2405201	\$ 40,335
Total Direct Programs			<u>\$ 40,335</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>\$ 40,335</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
***School Breakfast Program	10.553		\$ 127,586
***National School Lunch Program-Cash Assistance	10.555		348,653
***National School Lunch Prog.-Non-Cash Assistance	10.555		35,361
Total CFDA Number 10.555			<u>384,014</u>
***Summer Feeding Program-Cash Assistance	10.559	TX 107 1003 SFSP	3,703
Total Child Nutrition Cluster			<u>515,303</u>
Total Passed Through the State Department of Agriculture			<u>\$ 515,303</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 515,303</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,575,683</u>

*Clustered Programs

**Clustered Programs

***Clustered Programs

MALAKOFF INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures

Note A - Funds received from ESC Region 7 for Head Start reimbursements of \$32,280 are reported in the General Fund are not considered as federal financial assistance for purposes of this schedule. The program is reported as a federal program of ESC Region 7.

Note B - The District received a direct federal subsidy of \$227,997 for the federal interest rebate related to the Qualified School Construction Bonds. The subsidy is reported in the General Fund and is not considered as federal financial assistance for purposes of this schedule.

Note C - Funds received from the SHARS program of \$35,186 are included in the General Fund and are not considered as federal financial assistance for purposes of this schedule.

MALAKOFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

Basis of Presentation:

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