

LOCKHART
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2005

Lockhart Independent School District
Comprehensive Annual Financial Report
For The Year Ended August 31, 2005

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Introductory Section

Lockhart Independent School District

105 South Colorado Street
P.O. Box 120
Lockhart, TX 78644

	Business Office
Phone	512-398-0045
Fax	512-398-0025

Dr. John Hall
Superintendent

Tina Knudsen
Director of Finance

November 29, 2005

Mr. John Flores, President
Board of Trustee Members
Lockhart Independent School District
P.O. Box 120
Lockhart, TX 78644

Dear Mr. Flores and Members of the Board:

The Comprehensive Annual Financial Report of the Lockhart Independent School District for the twelve months ended August 31, 2005 is hereby submitted. The District's business office prepared the report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. In our opinion, we believe the data, as presented, are accurate in all material aspects; that they are presented in a manner designed to fairly present the financial position and the results of operations of the school district as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the full understanding of the District's financial affairs have been included in this report.

Report Organization

The comprehensive annual financial report is presented in four sections: Introductory; Financial; Other Supplementary Information; Statistical. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The management's discussion and analysis in the Financial section provides an overview of the financial position and results of operations for the year ended August 31, 2005. The Financial section also includes the basic financial statements, the notes to the financial statements and other supplementary information. The Other Supplemental Information Section includes the required audit reports on internal control and compliance testing. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The Lockhart Independent School District is required to be audited under an annual single audit in conformity with the provisions of the Single Audit Act, and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and

Non-Profit Organizations. The Texas Education Agency also requires a Schedule of Expenditures of Federal Awards, findings and questioned costs, status of prior findings and the auditor's reports on compliance with applicable laws and regulations and the District's internal control structure. All areas were found to be acceptable and the auditor's opinions in this regard were unqualified.

The Reporting Entity and Its Services

This report includes and all of the funds and account groups of the Lockhart ISD. It includes all activities considered by the State of Texas to be part of the Pre-kindergarten -12 public school system. Lockhart Independent School District is an independent school district incorporated as a political subdivision of the State of Texas.

A seven member Board of Trustees governs the District in accordance with state statutes and regulations. Members serve three-year staggered terms without compensation. Three members of the Board of Trustees are elected for at-large seats, using a cumulative voting system in which a voter may cast all three of his/her votes for a single candidate, or split his/her three votes between two candidates, or cast one vote for three different candidates. This system was dictated by the Federal Department of Justice to facilitate election of trustees from ethnic minority groups. Four other trustees are elected to represent four single-member districts.

The Board of Trustees operates as a policy making body, delegates management to the single executive head (the Superintendent), approves new personnel, sets annual district goals, and evaluates policies in terms of effectiveness in attaining district goals.

The Superintendent and the administrative staff execute the policies of the Board, assume responsibility for the daily operation of the District, make recommendations to the Board in matters of policy and personnel, prepare the budget, and report to the Board on matters relating to the progress of the District in attaining the goals set by the Board.

The District provides a comprehensive range of school programs and services as delineated by state statute. This includes elementary education starting in Pre-kindergarten for eligible four-year old children, and continuing through grade five. Junior high education is provided for grades six, seven, and eight, and high school education for grades nine through twelve. Additionally, Career and Technology Education (CATE) programs, bilingual education, special education, gifted and talented education, fine arts, athletics, and numerous remedial, elective, and enrichment programs are provided at age-appropriate grades. Support activities include Communities in Schools, student and staff daycare, after-school care, student transportation, food service, administrative support, technology, maintenance and custodial services.

Economic Condition and Outlook

Lockhart Independent School District is located in and around the city of Lockhart which is the county seat and principal commercial center of Caldwell County. Lockhart is located about 30 miles southeast of Austin and 60 miles northeast of San Antonio. The economic situation currently pales to the rest of the region. It registered the second highest unemployment rate in the region, falling merely a tenth of a point below Lee County. Per capita income is the lowest in the region. Over the past century, Caldwell County's economy has changed from cattle to cotton to oil. Reliance on one industry has made for peaks and valleys in the economic outlook for the county. The latest of these extreme swings came in the 80's with the fall of the oil industry. Though some of Caldwell's employment still remains in the oil and gas industry, the local economy is primarily engaged in services, local government and agriculture.

Workforce development and educational entities should strive to improve the skill and education levels in the county so residents can obtain higher paying jobs. Caldwell County is being prepped to become a prime location for business location. The relocation of Austin's airport to the current Austin-Bergstrom site puts the county within a half-hour of air freight facilities. In addition, the proposed State Highway 130 bypass will provide a thoroughfare for NAFTA-based traffic. With land being less expensive than Austin, the county would provide an affordable location for industries interested in moving to the Austin area but unwilling to pay the higher costs associated with being within the city. Lockhart has a small town quality of life, two industrial parks, job training, productive labor supply, and state and local incentives; the Lockhart Chamber of Commerce has continued to work hard to bring new businesses to Lockhart during the 2004-2005 school year.

As of July 29, 2004, the Chief Appraiser of the Caldwell County Appraisal District certified that all taxable properties in the District subject to appraisals to be valued at \$799,245,348. In addition to this certified value, there is \$41,500,787 that reflects the estimated taxpayers opinion of value for those properties still under protest. This value included taxable values of over-65 homesteads with school tax ceilings of \$646,012,109. The total tax rate for the 2004-2005 school year is \$1.5887 and consists of the maintenance and operations tax rate of \$1.386 and the debt service tax rate of \$.2027. The percentage of current tax collections increased 1.20%, i.e. from 92.7% to 93.9% from 2003-2004 to 2004-2005.

For the school year 2004-2005:

“Executive Summaries” of Key Instructional Functions:

Texas Assessment of Knowledge and Skills (TAKS) Highlights

- ◆ Exemplary scores in writing
- ◆ Recognized scores in reading and social studies
- ◆ Significant percentage increases in math scores across student population groups with all groups improving
- ◆ Positive increases in science scores across student population groups
- ◆ Commended performance increases in all areas for all population groups with gains up to 14 percentage points

Instructional Technology

- ◆ Classroom computers at a district-wide 3:1 student to computer ratio, includes 4 computers per elementary classroom and multiple static and mobile computer labs on all campuses
- ◆ Web-based “Skyward” student management software, includes a parent-access component allowing parents to view their children’s current attendance, grades, and discipline records from home or their workplace
- ◆ “Compass” integrated core curriculum instructional software at the elementary grades to support direct teacher instruction
- ◆ “A+” credit recovery software at the secondary schools and Discipline Management Center
- ◆ Teacher-certified Technology Instructional Specialists at all elementary and secondary schools

Advanced Placement Programs and Dual Credit Courses

Lockhart Freshman Campus and Lockhart High School offer courses in all four core areas in the College Board Advanced Placement Program. Students completing these courses at the junior and senior grades are eligible to take exams to earn college credit for their high school work.

Lockhart High School and Austin Community College (ACC) are in a partnership to provide dual credit courses taught to LHS seniors during the school day by ACC instructors. Last year LHS students earned credit for 99 college courses while still in high school through the ACC Dual Credit program, and earned credit for 48 college courses through the Advanced Placement exams.

Career and Technology Education

Lockhart ISD is in a partnership with Austin Community College to manage, refine, and expand the CATE career pathways, coherent sequence of courses, and work-related licensing and certification options available to high school students. Currently LISD offers CATE programs in seven major areas:

- ◆ Agriculture Science
- ◆ Automotive Technology
- ◆ Computer Technology
- ◆ Culinary Arts
- ◆ Family and Consumer Science
- ◆ Marketing Education
- ◆ Health Professions

Multiple “articulation agreements” with Austin Community College are in place to provide ACC college credit for specified high school CATE courses. A Citizens Advisory Council provides feedback and input relating to the CATE programs.

Air Force Junior Reserve Officers Training Corps (JROTC)

An Air Force JROTC unit has been active at LHS and the Freshman Campus for over a decade. The unit competes successfully in military competitions. JROTC offers high school students with an interest in military service the opportunity to enter the military after high school graduation with experiences which can support rapid advancement in their service branch.

Talented and Gifted (TAG) Program

LISD provides an academic enrichment program for identified talented and gifted students, in accordance with requirements of the Texas Education Agency. A dedicated TAG program teacher is assigned to every elementary school and the junior high school. Identified students participate in academically accelerated enrichment activities and projects. High school students participate in the TAG program through enrollment in Advanced Placement courses.

Bilingual/ ESL Program

To address the continuously increasing population of students whose primary home language is Spanish, LISD provides bilingual instruction in one or more classrooms at each grade at every elementary and kindergarten school. Those classrooms are assigned to certified elementary teachers who have a second certification in bilingual education. An English-As-A-Second Language (ESL) program is provided at all three secondary schools. English language instruction and tutoring support for core academic classes is provided to secondary students with limited English proficiency.

Special Education Program

Lockhart Independent School District offers a variety of programs to meet the needs of all Special Education students in the district. Special Education services and programs include:

- ◆ Content Mastery Centers.
- ◆ Resource classes
- ◆ Inclusion classes.
- ◆ Redirection Program
- ◆ Learning Independence through Functional Living Experience (L.I.F.E.) classes
- ◆ Speech services
- ◆ Pre-school Program for Students with Disabilities
- ◆ Physical Therapy (PT), Occupational Therapy (OT), Transportation and Special Education Counseling
- ◆ Texas School for the Blind and Visually Impaired
- ◆ Texas School for the Deaf
- ◆ Regional Day School Services for the Deaf.
- ◆ Homebound Services
- ◆ Vocational Adjustment Classes/Job Coaching
- ◆ Diagnostic services

Student Scholarships

The Community of Lockhart has a proud tradition of supporting each graduating class by local civic organizations and businesses awarding scholarships to LHS seniors. Ninety-eight members of the most recent graduating class were awarded \$183,865 in local scholarships from forty-three different area civic groups, foundations, and businesses. Additionally, twenty students were awarded \$708,550 in scholarships directly from universities around the state and nation.

For the Future:

Mission Statement

The Mission of the Lockhart Independent School District is to graduate all its students as citizens who are educated, productive, and self-fulfilling lifelong learners. The school district's community, parents, trustees, staff, and students will provide a safe, caring, and challenging learning environment in which all students develop to their fullest potential.

Board of Trustee Approved Academic Goals for 2005-2006

1. Reach Exemplary status for each campus in LISD!
2. Achieve a 100% graduation rate for each graduating class!
3. Seek and achieve 100% parental involvement at all grade levels!
4. Achieve 100% post-secondary engagement! (i.e.: college or university acceptance, trade or technical school acceptance, military, or meaningful apprenticeship engagement)
5. Achieve 100% student participation in extra-curricular involvement in grades 6 through 12.

Administrative Operational Goals for 2005-2006

Instruction:

1. Implement and monitor the instructional improvement initiatives set forth in the new Lockhart ISD KEYS (Knowledge Essential for Yearly Success) document.
2. Review the expenditures of all dedicated state and federal funds to insure compliance with all regulations, and to effectively and efficiently utilize all dedicated funds to supplement core instruction for targeted student groups.
3. Contract with Austin Community College to oversee improvements in the Career and Technology Education (CATE) vocational programs.
4. Initiate a full-day pre-kindergarten instructional program.

Human Resources:

1. Fund a competitive compensation package that attracts and retains high quality faculty and staff.
2. Increase the number of minority and bilingual teachers to better reflect our diverse student population.
3. Meet federal No Child Left Behind criteria for all teachers and instructional aides to be classified as "highly qualified."

Financial Management:

1. Meet the highest rating standards of the Financial Integrity Rating System of Texas
2. Complete a thorough review of the district staffing patterns and expenditures by categories to assist in development of the 2006-2007 budget.

Communications:

Improve internal and external communication to raise expectations and effectively present Lockhart schools to all 650+ employees, within the Lockhart greater Lockhart community, and the region.

Facilities

Complete a long-range facility study of Lockhart High School.

Technology:

1. Upgrade the district computer wide-area network to better accommodate the growing number of instructional and operational software functions.
2. Maintain a comprehensive three-year District Technology Plan to continue the effective integration of technology into instruction.

Student and Employee Safety and Wellness:

1. Review, update, and conduct employee training regarding the district Emergency Operations Plan.
2. Expand the Communities in Schools program from two campuses to four campuses.

Independent Audit

The State of Texas, by law, requires an annual audit by an independent auditing firm of the District's government-wide financial statements. The Lockhart Independent School District's government-wide (GASB#34) financial statements have been audited. The auditor's opinion is included in this report.

Financial Information

The Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that sufficient accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable, but not unrestricted, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be acquired; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit – As a recipient of state and federal assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the District. As a part of the District's

single audit, tests are made by the auditor to determine the adequacy of the internal control structure, including the portion related to federal financial assistance programs, as well as to determine that the District has complied with the applicable laws and regulations. The results of the District's single audit for the fiscal twelve months ending August 31, 2005 indicated no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations.

Accounting System and Budgetary Control

The Lockhart Independent School District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB) on governmental accounting in its 1998 Codification of Government Accounting and Financial Reporting Standards, and subsequent statements and interpretations. The District's accounting records for general governmental operations are maintained on a modified accrual basis as prescribed by the Texas Education Agency Financial Accountability System Resource Guide.

In developing and evaluating the District's accounting system, consideration is given to the adequacy of the internal accounting structure. The internal accounting structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. All internal control evaluations occur within the above framework. We believe that the District's internal accounting structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary control is initiated at the beginning when the Board of Trustees adopts the annual appropriated budget. To ensure budgetary compliance, the Texas Education Agency (T.E.A) and the District have established spending regulations and policies. The local policies can be found at the District's website at www.lockhartisd.org under Board of Trustees and then policy manual. For all administrators with line item or program responsibility, T.E.A regulations set the level of budgetary control at the major functional expenditure level. Budgetary control is more restrictive at the District level. District Administrators are held responsible for maintaining and managing their budgets at the program, function and object level. All requested revisions that indicate a change in function require approval by the Board of Trustees.

Cash Management

Lockhart I.S.D. has an effective cash management program in place to maximize the use of the District's cash resources. The cash management policy is to be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuer. Investment strategies include the primary objective of safety, then investment liquidity and maturity sufficient to meet anticipated cash flow requirements.

Surplus cash on hand was either deposited in the approved depository bank, First Lockhart National Bank, or in one of the five approved investment pools pursuant to the Inter-local Cooperation Act of 1989. Interest earnings from the General Fund totaled \$240,084. Interest earnings for the Debt Service Fund was \$47,385 for the year. The deposits with the local contract depository bank were in interest-bearing accounts that were secured at the balance sheet date by FDIC coverage and by pledged U.S. Government securities held by a third-part bank (FinSer) in the name of the School District. The deposits were deemed collateralized under Texas law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.

The District invested bond funds with Tex Pool and the MBIA pool. The 2002 bonds earned interest in the fiscal year totaling \$77,832. All District funds are fully collateralized by securities with a fair market value greater than or equal to 102% of the value of the District's remaining investment.

The District complies with the School Depository Act by executing a depository agreement with a banking institution for a period of two fiscal years. Competitive bids are taken, although state law sets the general terms of the uniform bid form. The current depository contract is due to expire on August 31, 2007. At that time, by Texas law, a two-year extension is allowed, if both parties to the contract agree in writing and it is approved by the respective boards.

Risk Management

Lockhart I.S.D. is a member of the Teacher Retirement System of Texas employee group health insurance plan called TRS Active Care, which is managed by Blue Cross Blue Shield of Texas, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association. Blue Cross Blue Shield of Texas provides claims payment services only and does not assume any financial risk or obligation with respect to claims. Prescription drug benefits are administered by Medco Health Solutions, Inc. The district contributed \$215.67 of the total cost for the employee's cost of the medical plans that include optional coverage for a spouse, child(ren) or family. There was specific legislation provided for designated funding to be applied toward health-related expenses for the 2002-03 year in the amount of \$75 per month per participating employee. Every full-time employee except administrators that was eligible for health benefits also receive \$500 for the year that was paid in the amount of \$41.67 per month and could have been applied towards the increases or changes in medical insurance. Every employee had the choice as to how the \$500 supplemental pay was received, either as compensation or to be applied toward increases in insurance premiums. There were no changes to the plan for the 2004-2005 plan year.

For worker's compensation, the District has a policy through Texas Association of School Boards Risk Management Fund (TASB) in an Inter-local policy. The policy has three categories of classification of rates that are multiplied times the annual payroll costs. The rates have been consistent for the second year in a row. During 2004-05, Lockhart I.S.D paid \$171,419 in workers compensation premiums.

For property loss exposure, the District has a policy through Texas Association of School Boards Risk Management Fund (TASB) in an Inter-local policy. The 2004-05 policy has an \$81,094,319 Blanket Replacement Cost Limit on Buildings, Personal Property and Auxiliary Structures. The Risk of loss includes the risk of direct physical loss including flood and earthquake, wind, hurricane and hail coverage, equipment breakdown, fleet liability, crime and miscellaneous property. An employee dishonesty coverage policy is included in the Crime coverage and provides the District with blanket crime coverage covering employee dishonesty, loss inside and outside the premises for money, securities, and faithful bonded performance with a \$100,000 limit on all employees and a \$1,000 deductible.

For General Liability and School Professional Legal Liability, the District also has a policy through Texas Association of School Boards Risk Management Fund (TASB) in an Inter-local policy. The limit is \$1,000,000 per occurrence and \$1,000,000 annual aggregate.

The District provides regular home-to-school and special education student transportation through the contracted services of Durham Transportation. Durham Transportation provides a certificate of insurance to cover their operations at Lockhart I.S.D.

Other Information

Independent Audit

The State of Texas, by law, requires an annual audit by an independent auditing firm of the Districts government-wide financial statements. The Lockhart Independent School District's (GASB#34) financial statements have been audited. The auditor's opinion is included in this report.

Awards

The Texas Education Agency has a Financial Accountability Rating System named Schools FIRST (Financial Integrity Rating System of Texas). This rating system was required in SB 218 of the 77th Legislature (2001). The primary goal of Schools FIRST is to improve the management of school district's financial resources. The rating system uses base indicators that are simple and understandable. Schools FIRST is a model for increased financial management efficiency in public schools.

Lockhart I.S.D. has received three Superior Achievement ratings for the school years 2001-2002, 2002-2003 and 2003-2004. The Superior Achievement rating is the highest that a school district can receive.

The Government Finance Officers Association (GFOA) has an award program called a Certificate of Excellence in Financial Reporting for a Comprehensive Annual Financial Report (CAFR). Pursuant to GFOA program requirements, governments may be awarded a Certificate of Excellence if the CAFR satisfies both generally accepted accounting principles and applicable legal requirements. The published financial report must also be efficiently organized and easy to read.

We believe that our report will satisfy the requirements of GFOA and will submit this report to determine its certificate eligibility. This will be the first submission for any year for Lockhart Independent School District.

Acknowledgements

We respectfully acknowledge the responsible and sincere involvement and participation of the school board, principals, program directors and coordinators in the financial affairs of the District.

Significant appreciation is also expressed to members of the business office staff for their assistance and effort in maintaining the financial records of the district. Individual recognition is directed to Michelle Tull, Sara Madrigal, Therisa Denby, Jennifer Caudillo, and Tonya Lott for their combined efforts in closing out the accounting records and assisting in preparing the various financial reports at year-end.

Lockhart Independent School District publicly solicits the active involvement of all citizens and School District personnel in its financial affairs. Our financial records are available for public inspection and discussion during normal office hours at any reasonable time.

Respectfully submitted,

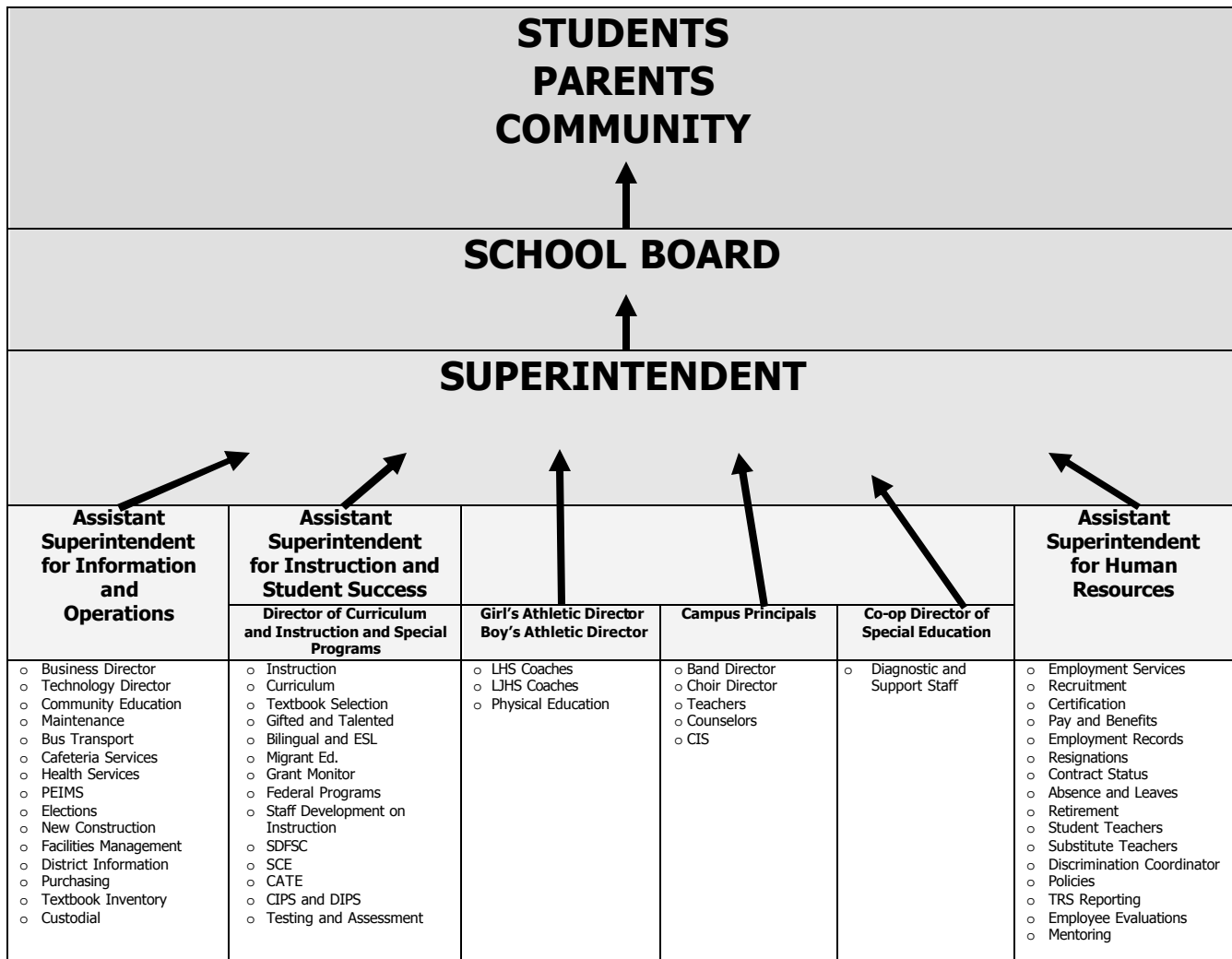
(ORIGINAL SIGNATURE ON FILE)

Dr. John Hall
Superintendent of Schools

(ORIGINAL SIGNATURE ON FILE)

Tina Knudsen
Director of Finance

District Organizational Chart 2004



LOCKHART INDEPENDENT SCHOOL DISTRICT

LIST OF PRINCIPAL OFFICIALS

AUGUST 31, 2005

Elected Officials

Name	Office
John Flores	President
Dennis Placke	Vice-President
Timoteo Juarez, Jr.	Secretary
Gary Allen	Trustee
Clint Mohle	Trustee
Carl Ohlendorf	Trustee
Alan C. Fielder	Trustee

Appointed Officials

Name	Position
Dr. John Hall	Superintendent
Phil McBride	Assistant Superintendent Information and Operations
James Rabe	Assistant Superintendent Instruction and Student Success
Theresa Ramirez	Assistant Superintendent Human Resources
Tina Knudsen	Director of Finance
Janie Wright	Executive Director of Curriculum, Instruction and Federal/State Programs

CERTIFICATE OF BOARD

Lockhart Independent School District
Name of School District

Caldwell
County

028-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the period ended August 31, 2005, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section

WEST, DAVIS AND COMPANY, LLP
11615 Angus Road, Suite 219
Austin, Texas 78759

Independent Auditor's Report on Financial Statements

Board of Trustees
Lockhart Independent School District
Lockhart, Texas

Members of the Board of Trustees:

We have audited the accompanying basic and combining financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lockhart Independent School District as of and for the year ended August 31, 2005, which collectively comprise the District's basic and combining financial statements as listed in the table of contents. These financial statements are the responsibility of Lockhart Independent School 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 Lockhart Independent School District as of August 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of Lockhart Independent School District and the respective changes in financial position 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 November 29, 2005, on our consideration of Lockhart Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 performed for the purpose of forming opinions on the financial statements which collectively comprise the Lockhart Independent School District's basic and combining financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic and combining financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP
November 29, 2005

Lockhart Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Lockhart Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2005. Please read it in conjunction with the independent auditors' report on page 15, and the District's Basic Financial Statements, which begin on page 23. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 23 and 24). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. Fund financial statements (starting on page 25) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 31) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 23. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, we classify the District's activities as Governmental activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 25 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs. The District, at present, maintains no proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 29 and 30. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$16.5 million to \$14.8 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$7.8 million at August 31, 2005. This increase in governmental net assets was the result of the District's revenues exceeding the expenses by about \$1.6 million.

Table I
Lockhart Independent School District

NET ASSETS
in thousands

	Governmental Activities	
	2005	2004
Current and other assets	14,343	20,444
Capital assets	37,539	33,879
Total assets	51,882	54,323
Long-term liabilities	31,646	33,109
Other liabilities	5,411	4,759
Total liabilities	37,057	37,868
Net Assets:		
Invested in capital assets net of related debt	5,893	771
Restricted	1,091	10,698
Unrestricted	7,841	4,986
Total net assets	14,825	16,455

Table II
Lockhart Independent School District

CHANGES IN NET ASSETS
in thousands

	Governmental Activities	
	2005	2004
Revenues:		
Program Revenues:		
Charges for Services	1,954	2,459
Operating grants and contributions	5,006	6,602
General Revenues:		
Maintenance and operations taxes	9,451	8,373
Debt Service taxes	1,387	1,400
State aid - formula grants	18,483	16,725
Investment Earnings	405	278
Miscellaneous	749	917
Total Revenue	<u>37,435</u>	<u>36,754</u>
Expenses:		
Instruction, curriculum and media services	21,278	20,484
Instructional and school leadership	2,716	2,251
Student support services	3,465	3,150
Child nutrition	1,932	1,674
Extracurricular activities	1,178	1,434
General administration	1,469	1,279
Plant maintenance, security and data processing	3,948	3,730
Community services	1,056	1,265
Debt services	1,636	1,840
Payments to fiscal agents	387	452
Total Expenses	<u>39,065</u>	<u>37,559</u>
Increase in net assets	(1,630)	(805)
Net assets at Beginning	<u>16,455</u>	<u>17,260</u>
Net assets at Ending	<u>14,825</u>	<u>16,455</u>

THE DISTRICT'S FUNDS

As the District completed this annual period, its governmental funds (as presented in the balance sheet on page 25) reported a combined fund balance of \$8.0 million, which is \$6.5 less than last year's total of \$14.6 million. Included in this year's total change in fund balance is \$6.2 million in the bond program expenditures.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2004). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the District had \$37.5 million (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

The District's fiscal year 2006 capital budget calls for no additional expenditures for new instructional facilities. We have no plans to issue additional debt to finance any building projects. More detailed information about the District's capital assets is presented in Note D to the financial statements.

Debt

At year-end, the District had \$31.6 million in bonds outstanding and accumulated accretion on CAB's versus \$33.1 million last year. More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2006 budget and tax rates. Those factors include property values, changes in enrollment, the economy, and legislative mandates.

A steady enrollment population, coupled with a moderate increase in property values, has led to a General Fund budget of \$29.7 million for the 2005-2006 fiscal year. This is a result of an anticipated pay raise for all employees, as well as the opening of a new elementary school.

Future enrollments and property values are forecast to remain steady, which will continue to produce revenues that fall short of projected expenditures. The District has reached the legal maintenance and operations tax limit of \$1.50 per hundred and, therefore, is limited on its taxing ability. A Budget and Finance committee has been appointed in the fall of 2005 and has been meeting to address these budget issues for 2006-2007.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Lockhart Independent School District, P. O. Box 120, Lockhart, Texas 78644.

Basic Financial Statements

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

AUGUST 31, 2005

		1
Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 426,665
1120	Current Investments	10,980,517
1225	Property Taxes Receivable (Net)	898,930
1240	Due from Other Governments	1,562,950
1267	Due from Fiduciary	1,999
1290	Other Receivables (Net)	237,532
1300	Inventories	1,436
1410	Deferred Expenses	57,380
1420	Capitalized Bond and Other Debt Issuance Costs	176,114
Capital Assets:		
1510	Land	531,300
1520	Buildings and Improvements, Net	35,977,683
1530	Furniture and Equipment, Net	1,029,865
1000	Total Assets	51,882,371
LIABILITIES:		
2110	Accounts Payable	1,184,050
2140	Interest Payable	111,690
2165	Accrued Liabilities	1,795,632
2177	Due to Fiduciary	17,300
2180	Due to Other Governments	1,787,780
2300	Deferred Revenue	96,540
2400	Payable from Restricted Assets	417,914
Noncurrent Liabilities:		
2501	Due Within One Year	1,540,000
2502	Due in More Than One Year	30,106,361
2000	Total Liabilities	37,057,267
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	5,892,487
Restricted For:		
3820	Federal and State Programs	359,507
3850	Debt Service	333,585
3860	Capital Projects	106,923
3870	Campus Activities	55,592
3890	Other Purposes	235,648
3900	Unrestricted	7,841,362
3000	Total Net Assets	\$ 14,825,104

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues		Net (Expense) Revenue and Changes in Net Assets
				Operating Grants and Contributions	Governmental Activities	
	Government Activities:					
11	Instruction	\$ 20,017,666	\$ 244,034	\$ 2,488,990		\$ (17,284,642)
12	Instructional Resources and Media Services	1,083,496	--	5,478		(1,078,018)
13	Curriculum and Staff Development	176,491	514	84,126		(91,851)
21	Instructional Leadership	433,641	101,681	110,960		(221,000)
23	School Leadership	2,281,989	--	9,999		(2,271,990)
31	Guidance, Counseling, & Evaluation Services	1,460,320	135,927	615,461		(708,932)
32	Social Work Services	153,976	--	23,579		(130,397)
33	Health Services	288,065	--	47,542		(240,523)
34	Student Transportation	1,562,747	36,484	236,746		(1,289,517)
35	Food Service	1,932,024	645,291	1,083,884		(202,849)
36	Cocurricular/Extracurricular Activities	1,177,877	90,959	916		(1,086,002)
41	General Administration	1,469,071	2,169	4,910		(1,461,992)
51	Plant Maintenance and Operations	3,600,117	64,720	50,083		(3,485,314)
52	Security and Monitoring Services	120,850	--	3,350		(117,500)
53	Data Processing Services	227,977	--	16,877		(211,100)
61	Community Services	1,056,004	631,974	146,294		(277,736)
72	Interest on Long-term Debt	1,539,946	--	--		(1,539,946)
73	Bond Issuance Costs and Fees	95,947	--	--		(95,947)
93	Payments Related to Shared Services Arrangements	387,167	--	77,181		(309,986)
TG	Total Governmental Activities	39,065,371	1,953,753	5,006,376		(32,105,242)
TP	Total Primary Government	\$ 39,065,371	\$ 1,953,753	\$ 5,006,376		(32,105,242)
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					9,450,848
DT	Property Taxes, Levied for Debt Service					1,386,796
IE	Investment Earnings					405,202
GC	Grants and Contributions Not Restricted to Specific Programs					18,482,913
MI	Miscellaneous					749,193
	Other Resources (Reclassify to revenue)					(1,799,996)
TR	Total General Revenues					28,674,956
CN	Change in Net Assets					(1,630,290)
NB	Net Assets - Beginning					16,455,394
NE	Net Assets - Ending					\$ 14,825,104

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2005

Data Control Codes	10 General Fund	60 2002 Bond Proceeds	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 430,392	\$ (4,820)	\$ 1,093	\$ 426,665
1120 <i>Current Investments</i>	9,240,938	847,271	892,308	10,980,517
1225 <i>Taxes Receivable, Net</i>	779,889	--	119,041	898,930
1240 <i>Due from Other Governments</i>	1,272,397	--	290,553	1,562,950
1260 <i>Due from Other Funds</i>	132,055	16,109	19,230	167,394
1290 <i>Other Receivables</i>	152,604	--	84,928	237,532
1300 <i>Inventories</i>	1,436	--	--	1,436
1410 <i>Deferred Expenditures</i>	55,596	--	1,784	57,380
1000 Total Assets	<u>\$ 12,065,307</u>	<u>\$ 858,560</u>	<u>\$ 1,408,937</u>	<u>\$ 14,332,804</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 695,604	\$ 337,442	\$ 151,004	\$ 1,184,050
2150 <i>Payroll Deductions & Withholdings</i>	506,445	--	--	506,445
2160 <i>Accrued Wages Payable</i>	1,307,081	--	12,708	1,319,789
2170 <i>Due to Other Funds</i>	132,762	--	19,331	152,093
2180 <i>Due to Other Governments</i>	1,720,716	--	67,064	1,787,780
2300 <i>Deferred Revenue</i>	782,694	--	136,059	918,753
2400 <i>Payable from Restricted Assets</i>	--	417,914	--	417,914
2000 Total Liabilities	<u>5,145,302</u>	<u>755,356</u>	<u>386,166</u>	<u>6,286,824</u>
FUND BALANCES:				
Reserved Fund Balances:				
3420 <i>Debt Service</i>	--	--	368,305	368,305
3450 <i>Reserve for Food Service</i>	--	--	235,648	235,648
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	103,204	3,719	106,923
3490 <i>Other Reserves of Fund Balance</i>	--	--	415,099	415,099
Designated Fund Balance:				
3590 <i>Other Designated Fund Balance</i>	3,429,845	--	--	3,429,845
3600 Unreserved	3,490,160	--	--	3,490,160
3000 Total Fund Balances	<u>6,920,005</u>	<u>103,204</u>	<u>1,022,771</u>	<u>8,045,980</u>
4000 Total Liabilities and Fund Balances	<u>\$ 12,065,307</u>	<u>\$ 858,560</u>	<u>\$ 1,408,937</u>	<u>\$ 14,332,804</u>

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2005*

Total fund balances - governmental funds balance sheet	\$ 8,045,980
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	37,538,848
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	898,930
Payables for bond principal which are not due in the current period are not reported in the funds.	(31,134,993)
Accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(511,368)
Payables for bond interest which are not due in the current period are not reported in the funds.	(111,690)
Bond premium capitalized in the SNA is reflected as inflow in the funds.	(76,717)
Bond issuance costs and similar items are capitalized and amortized in the SNA but not in the funds	<u>176,114</u>
Net assets of governmental activities - statement of net assets	\$ <u>14,825,104</u>

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED AUGUST 31, 2005**

Data Control Codes	10 General Fund	60 2002 Bond Proceeds	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 11,136,002	\$ 77,832	\$ 2,892,582	\$ 14,106,416
5800 <i>State Program Revenues</i>	16,587,400	241	2,486,577	19,074,218
5900 <i>Federal Program Revenues</i>	165,293	--	4,245,911	4,411,204
5020 Total Revenues	<u>27,888,695</u>	<u>78,073</u>	<u>9,625,070</u>	<u>37,591,838</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	15,567,802	518,182	2,840,044	18,926,028
0012 <i>Instructional Resources and Media Services</i>	885,959	121,131	53,486	1,060,576
0013 <i>Curriculum and Staff Development</i>	83,658	--	99,151	182,809
0021 <i>Instructional Leadership</i>	204,937	--	213,016	417,953
0023 <i>School Leadership</i>	2,068,696	25,869	28,373	2,122,938
0031 <i>Guidance, Counseling, & Evaluation Services</i>	644,222	8,013	758,769	1,411,004
0032 <i>Social Work Services</i>	121,142	--	23,561	144,703
0033 <i>Health Services</i>	218,293	4,767	48,294	271,354
0034 <i>Student Transportation</i>	1,289,517	--	273,230	1,562,747
0035 <i>Food Service</i>	--	22,203	1,775,281	1,797,484
0036 <i>Cocurricular/Extracurricular Activities</i>	1,050,388	--	101,310	1,151,698
0041 <i>General Administration</i>	1,367,570	241	8,763	1,376,574
0051 <i>Plant Maintenance and Operations</i>	3,262,432	26,042	87,612	3,376,086
0052 <i>Security and Monitoring Services</i>	100,858	157,438	12,270	270,566
0053 <i>Data Processing Services</i>	184,078	--	29,543	213,621
0061 <i>Community Services</i>	820,313	--	173,039	993,352
0071 <i>Principal on Long-term Debt</i>	--	--	1,515,000	1,515,000
0072 <i>Interest on Long-term Debt</i>	--	--	1,503,536	1,503,536
0073 <i>Bond Issuance Costs and Fees</i>	--	--	68,099	68,099
0081 <i>Capital Outlay</i>	89,749	5,354,817	--	5,444,566
0093 <i>Payments to Shared Service Arrangements</i>	287,944	--	77,181	365,125
6030 Total Expenditures	<u>28,247,558</u>	<u>6,238,703</u>	<u>9,689,558</u>	<u>44,175,819</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(358,863)</u>	<u>(6,160,630)</u>	<u>(64,488)</u>	<u>(6,583,981)</u>
Other Financing Sources and (Uses):				
7901 <i>Refunding Bonds Issued</i>	--	--	1,799,996	1,799,996
7915 <i>Transfers In</i>	--	--	19,519	19,519
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	--	127,862	127,862
8911 <i>Transfers Out</i>	(19,519)	--	--	(19,519)
8940 <i>Payment to Bond Refunding Escrow Agent</i>	--	--	(1,864,835)	(1,864,835)
7080 Total Other Financing Sources and (Uses)	<u>(19,519)</u>	<u>--</u>	<u>82,542</u>	<u>63,023</u>
1200 Net Change in Fund Balances	<u>(378,382)</u>	<u>(6,160,630)</u>	<u>18,054</u>	<u>(6,520,958)</u>
0100 Fund Balances - Beginning	<u>7,298,387</u>	<u>6,263,834</u>	<u>1,004,717</u>	<u>14,566,938</u>
3000 Fund Balances - Ending	<u>\$ 6,920,005</u>	<u>\$ 103,204</u>	<u>\$ 1,022,771</u>	<u>\$ 8,045,980</u>

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2005*

Net change in fund balances - total governmental funds	\$ (6,520,958)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,853,759
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,194,053)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(207,902)
Bond premium and similar items are amortized in SOA but not in the funds.	19,180
Bond issuance costs and similar items are amortized in SOA but not in the funds.	(6,049)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,515,000
Bond premium and similar items are amortized in the SOA but not in the funds	(95,897)
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(21,799)
The accretion of interest on capital appreciation bonds is not reported in the funds.	(52,958)
(Increase) decrease in accrued interest from beginning of period to end of period	16,548
Transfers to escrow agents to defease bonds are reported in the funds as an outflow but not reported in the SOA	1,864,835
Bond proceeds are reported as sources in the funds but not in the SOA.	<u>(1,799,996)</u>
Change in net assets of governmental activities - statement of activities	\$ <u>(1,630,290)</u>

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS**

AUGUST 31, 2005

AUGUST 31, 2005		Private-purpose Trust Funds	
Data Control Codes		Scholarship Fund	Agency Funds
ASSETS:			
1110	Cash and Cash Equivalents	\$ 937	\$ 104,961
1120	Current Investments	181,000	5,000
1260	Due from Other Funds	1,793	206
1290	Other Receivables	--	60
1800	Restricted Assets	21,708	--
1000	Total Assets	<u>\$ 205,438</u>	<u>\$ 110,227</u>
LIABILITIES:			
Current Liabilities:			
2170	Due to Other Funds	\$ 692	\$ 16,608
2190	Due to Student Groups	--	93,619
2300	Deferred Revenues	10	--
2000	Total Liabilities	<u>702</u>	<u>110,227</u>
NET ASSETS			
3800	Held in Trust	204,736	--
3000	Total Net Assets	<u>\$ 204,736</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2005**

	Private- Purpose Trusts (Scholarship Fund)
Additions:	
Investment Income	\$ 7,201
Gifts & Bequests	44,793
Total Additions	<u>51,994</u>
Deductions:	
Scholarship Awards	<u>42,862</u>
Total Deductions	<u>42,862</u>
Change in Net Assets	9,132
Net Assets-Beginning of the Year	195,604
Net Assets-End of the Year	<u><u>\$ 204,736</u></u>

The accompanying notes are an integral part of this statement.

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

2002 Bond Proceeds Fund: This is the District's capital projects fund. It accounts for all financial activity relating to the District's 2002 bond program.

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	5-20
Buildings	30
Building Improvements	5-20
Vehicles	10
Office Equipment	5
Computer Equipment	5

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. Use of Estimates

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

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

g. Data Control Codes

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2005, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$426,665 and the bank balance was \$510,522. The District's cash deposits at August 31, 2005 and during the period ended August 31, 2005, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

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

The District's investments at August 31, 2005 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Percentage</u>
Lone Star Investment Pool	24 days average	AAA	\$ 10,287,733	94%
MBIA Texas Class (Pool)	29 days average	AAA	179,615	2%
Bank Certificates of Deposit	less than 1 year	N/A	513,169	5%
			<u>\$ 10,980,517</u>	100%

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's investments were rated as noted above.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District investments representing more than 5% of total investments are disclosed above.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk

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

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the period ended August 31, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 524,553	\$ 6,747	\$ --	\$ 531,300
Construction in progress	3,535,220	--	3,535,220	--
Total capital assets not being depreciated	4,059,773	6,747	3,535,220	531,300
<i>Capital assets being depreciated:</i>				
Buildings and improvements	46,233,662	8,971,012	--	55,204,674
Furniture and equipment	2,781,108	411,219	--	3,192,327
Total capital assets being depreciated	49,014,770	9,382,231	--	58,397,001
Less accumulated depreciation for:				
Buildings and improvements	(17,325,395)	(1,901,596)	--	(19,226,991)
Furniture and equipment	(1,870,005)	(292,457)	--	(2,162,462)
Total accumulated depreciation	(19,195,400)	(2,194,053)	--	(21,389,453)
Total capital assets being depreciated, net	29,819,370	7,188,178	--	37,007,548
Governmental activities capital assets, net	\$ 33,879,143	\$ 7,194,925	\$ 3,535,220	\$ 37,538,848

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

Depreciation was charged to functions as follows:

Instruction	\$ 1,191,734
Instructional Resources and Media Services	67,821
Curriculum and Staff Development	6,404
Instructional Leadership	15,688
School Leadership	159,051
Guidance, Counseling, & Evaluation Services	49,316
Social Work Services	9,273
Health Services	16,711
Food Services	134,540
Extracurricular Activities	80,409
General Administration	105,220
Plant Maintenance and Operations	251,114
Security and Monitoring Services	7,722
Data Processing Services	14,356
Community Services	62,652
Payments to Fiscal Agent/Member District's -- SSA	22,042
	<u>\$ 2,194,053</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2005, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 131,363	Short-term loans
General Fund	Scholarship Fund	692	Short-term loans
2002 Bond Proceeds Fund	Other Governmental Funds	3,516	Short-term loans
2002 Bond Proceeds Fund	General Fund	12,593	Short-term loans
Scholarship Fund	General Fund	1,793	Short-term loans
Other Governmental Funds	Other Governmental Funds	19,230	Short-term loans
Agency Funds	Other Governmental Funds	206	Short-term loans
	Total	<u>\$ 169,393</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2005, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Other Governmental Funds	\$ 19,519	Supplement other funds sources
	Total	<u>\$ 19,519</u>	

LOCKHART INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2005

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended August 31, 2005, are as follows:

Series	Original Issue (Millions)	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>							
1992	6	5.13-8.13%	\$ 2,575,000	\$ --	\$ 2,575,000	\$ --	\$ --
1997	17	4.25-5.25%	15,224,997	--	365,000	14,859,997	1,180,000
2002	16	2.0-5.1%	14,850,000	--	305,000	14,545,000	325,000
2004	2	2.9-3.0%	--	1,799,996	70,000	1,729,996	35,000
Accumulated Accretion on CAB			458,410	52,958	--	511,368	--
Total governmental activities			<u>\$ 33,108,407</u>	<u>\$ 1,852,954</u>	<u>\$ 3,315,000</u>	<u>\$ 31,646,361</u>	<u>\$ 1,540,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2005, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2006	\$ 1,540,000	\$ 1,425,005	\$ 2,965,005
2007	979,997	1,939,560	2,919,557
2008	1,555,000	1,332,432	2,887,432
2009	1,394,996	1,491,774	2,886,770
2010	1,665,000	1,217,855	2,882,855
2011-2015	7,180,000	5,223,393	12,403,393
2016-2020	8,545,000	3,366,337	11,911,337
2021-2025	6,370,000	1,283,805	7,653,805
2026-2030	1,905,000	144,000	2,049,000
Totals	<u>\$ 31,134,993</u>	<u>\$ 17,424,161</u>	<u>\$ 48,559,154</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2005, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows. As noted above the District refunded \$1.8 million in outstanding Series 1992 debt during the year ended 2005. This resulted in a net economic gain of some \$127,000.

Bond Issue	Amount
Series 1992	\$ 1,800,000
Total	<u>\$ 1,800,000</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2005, 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.

LOCKHART INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2005

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the fiscal periods ending in 2005, 2004, and 2003 were \$1,201,457, \$1,167,058 and \$1,017,509 respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the fiscal periods ending in 2005, 2004, and 2003 were \$123,055, \$130,973 and \$111,185, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$498,052 for the year ended August 31, 2005.

I. Health Care Coverage

During the period ended August 31, 2005, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$216 per month per employee to the Plan with the State providing an additional \$117. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas while Medco Health was assigned the prescription drug plan.

The latest financial information on the state-wide plan is available from TRS (see note H1).

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2005.

Required Supplementary Information

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

LOCKHART INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2005

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 11,095,424	\$ 11,305,121	\$ 11,136,002	\$ (169,119)
5800	State Program Revenues	16,814,292	16,703,069	16,587,400	(115,669)
5900	Federal Program Revenues	173,500	163,500	165,293	1,793
5020	Total Revenues	28,083,216	28,171,690	27,888,695	(282,995)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	15,232,770	15,676,636	15,567,802	108,834
0012	Instructional Resources and Media Services	885,221	897,212	885,959	11,253
0013	Curriculum and Staff Development	243,479	110,700	83,658	27,042
	Total Instruction & Instr. Related Services	16,361,470	16,684,548	16,537,419	147,129
Instructional and School Leadership:					
0021	Instructional Leadership	243,840	218,605	204,937	13,668
0023	School Leadership	1,998,504	2,091,965	2,068,696	23,269
	Total Instructional & School Leadership	2,242,344	2,310,570	2,273,633	36,937
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	672,097	671,126	644,222	26,904
0032	Social Work Services	120,945	122,145	121,142	1,003
0033	Health Services	217,350	240,637	218,293	22,344
0034	Student (Pupil) Transportation	1,267,450	1,311,142	1,289,517	21,625
0035	Food Services	--	5,000	--	5,000
0036	Cocurricular/Extracurricular Activities	1,063,620	1,105,093	1,050,388	54,705
	Total Support Services - Student (Pupil)	3,341,462	3,455,143	3,323,562	131,581
Administrative Support Services:					
0041	General Administration	1,267,612	1,429,236	1,367,570	61,666
	Total Administrative Support Services	1,267,612	1,429,236	1,367,570	61,666
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,369,202	3,471,604	3,262,432	209,172
0052	Security and Monitoring Services	91,369	102,478	100,858	1,620
0053	Data Processing Services	261,046	200,909	184,078	16,831
	Total Support Services - Nonstudent Based	3,721,617	3,774,991	3,547,368	227,623
Ancillary Services:					
0061	Community Services	953,157	961,752	820,313	141,439
	Total Ancillary Services	953,157	961,752	820,313	141,439
Capital Outlay:					
0081	Capital Outlay	130,900	143,132	89,749	53,383
	Total Capital Outlay	130,900	143,132	89,749	53,383
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	306,000	321,207	287,944	33,263
	Total Intergovernmental Charges	306,000	321,207	287,944	33,263
6030	Total Expenditures	28,324,562	29,080,579	28,247,558	833,021

LOCKHART INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2005

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(241,346)	(908,889)	(358,863)	550,026
	Other Financing Sources (Uses):				
7949	Other Resources	355,908	34,355	--	(34,355)
8911	Transfers Out	(48,290)	(48,290)	(19,519)	28,771
7080	Total Other Financing Sources and (Uses)	307,618	(13,935)	(19,519)	(5,584)
1200	Net Change in Fund Balance	66,272	(922,824)	(378,382)	544,442
0100	Fund Balance - Beginning	7,298,387	7,298,387	7,298,387	--
3000	Fund Balance - Ending	\$ 7,364,659	\$ 6,375,563	\$ 6,920,005	\$ 544,442

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

LOCKHART INDEPENDENT SCHOOL DISTRICT*COMBINING BALANCE SHEET**NONMAJOR GOVERNMENTAL FUNDS**AUGUST 31, 2005*

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund School Facilities Assistance	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:					
1110	<i>Cash and Cash Equivalents</i>	\$ (26,379)	\$ 11,758	\$ 15,714	\$ 1,093
1120	<i>Current Investments</i>	520,816	371,492	--	892,308
1225	<i>Taxes Receivable, Net</i>	--	119,041	--	119,041
1240	<i>Due from Other Governments</i>	290,553	--	--	290,553
1260	<i>Due from Other Funds</i>	19,230	--	--	19,230
1290	<i>Other Receivables</i>	84,928	--	--	84,928
1410	<i>Deferred Expenditures</i>	1,784	--	--	1,784
1000	Total Assets	<u>\$ 890,932</u>	<u>\$ 502,291</u>	<u>\$ 15,714</u>	<u>\$ 1,408,937</u>
LIABILITIES:					
Current Liabilities:					
2110	<i>Accounts Payable</i>	\$ 137,864	\$ 1,145	\$ 11,995	\$ 151,004
2160	<i>Accrued Wages Payable</i>	12,708	--	--	12,708
2170	<i>Due to Other Funds</i>	19,331	--	--	19,331
2180	<i>Due to Other Governments</i>	53,264	13,800	--	67,064
2300	<i>Deferred Revenue</i>	17,018	119,041	--	136,059
2000	Total Liabilities	<u>240,185</u>	<u>133,986</u>	<u>11,995</u>	<u>386,166</u>
FUND BALANCES:					
Reserved Fund Balances:					
3420	<i>Debt Service</i>	--	368,305	--	368,305
3450	<i>Reserve for Food Service</i>	235,648	--	--	235,648
3470	<i>Capital Acquisitions & Contractual Obligations</i>	--	--	3,719	3,719
3490	<i>Other Reserves of Fund Balance</i>	415,099	--	--	415,099
3000	Total Fund Balances	<u>650,747</u>	<u>368,305</u>	<u>3,719</u>	<u>1,022,771</u>
4000	Total Liabilities and Fund Balances	<u>\$ 890,932</u>	<u>\$ 502,291</u>	<u>\$ 15,714</u>	<u>\$ 1,408,937</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund School Facilities Assistance	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,419,749	\$ 1,469,068	\$ 3,765	\$ 2,892,582
5800	State Program Revenues	776,736	1,709,841	--	2,486,577
5900	Federal Program Revenues	4,245,911	--	--	4,245,911
5020	Total Revenues	6,442,396	3,178,909	3,765	9,625,070
EXPENDITURES:					
Current:					
0011	Instruction	2,840,044	--	--	2,840,044
0012	Instructional Resources and Media Services	53,486	--	--	53,486
0013	Curriculum and Staff Development	99,151	--	--	99,151
0021	Instructional Leadership	213,016	--	--	213,016
0023	School Leadership	28,373	--	--	28,373
0031	Guidance, Counseling, & Evaluation Services	758,769	--	--	758,769
0032	Social Work Services	23,561	--	--	23,561
0033	Health Services	48,294	--	--	48,294
0034	Student Transportation	273,230	--	--	273,230
0035	Food Service	1,775,281	--	--	1,775,281
0036	Cocurricular/Extracurricular Activities	101,310	--	--	101,310
0041	General Administration	8,763	--	--	8,763
0051	Plant Maintenance and Operations	73,766	--	13,846	87,612
0052	Security and Monitoring Services	12,270	--	--	12,270
0053	Data Processing Services	29,543	--	--	29,543
0061	Community Services	173,039	--	--	173,039
0071	Principal on Long-term Debt	--	1,515,000	--	1,515,000
0072	Interest on Long-term Debt	--	1,503,536	--	1,503,536
0073	Bond Issuance Costs and Fees	--	68,099	--	68,099
0093	Payments to Shared Service Arrangements	77,181	--	--	77,181
6030	Total Expenditures	6,589,077	3,086,635	13,846	9,689,558
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(146,681)	92,274	(10,081)	(64,488)
Other Financing Sources and (Uses):					
7901	Refunding Bonds Issued	--	1,799,996	--	1,799,996
7915	Transfers In	19,519	--	--	19,519
7916	Premium or Discount on Issuance of Bonds	--	127,862	--	127,862
8940	Payment to Bond Refunding Escrow Agent	--	(1,864,835)	--	(1,864,835)
7080	Total Other Financing Sources and (Uses)	19,519	63,023	--	82,542
1200	Net Change in Fund Balances	(127,162)	155,297	(10,081)	18,054
0100	Fund Balances - Beginning	777,909	213,008	13,800	1,004,717
3000	Fund Balances - Ending	\$ 650,747	\$ 368,305	\$ 3,719	\$ 1,022,771

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2005

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	220 Adult Education Federal
ASSETS:				
1110 Cash and Cash Equivalents	\$ (545)	\$ 34,795	\$ 3,097	\$ (7,831)
1120 Current Investments	--	--	--	--
1240 Due from Other Governments	1,000	39,009	--	20,704
1260 Due from Other Funds	--	--	--	--
1290 Other Receivables	--	--	--	--
1410 Deferred Expenditures	--	1,784	--	--
1000 Total Assets	<u>\$ 455</u>	<u>\$ 75,588</u>	<u>\$ 3,097</u>	<u>\$ 12,873</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ 49,610	\$ --	\$ 12,767
2160 Accrued Wages Payable	--	--	--	--
2170 Due to Other Funds	--	25,978	--	106
2180 Due to Other Governments	455	--	--	--
2300 Deferred Revenue	--	--	3,097	--
2000 Total Liabilities	<u>455</u>	<u>75,588</u>	<u>3,097</u>	<u>12,873</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450 Reserve for Food Service	--	--	--	--
3490 Other Reserves of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 455</u>	<u>\$ 75,588</u>	<u>\$ 3,097</u>	<u>\$ 12,873</u>

224	225	226	240	242
IDEA-B Formula	IDEA-B Preschool Grant	IDEA-B Discretionary	National School Breakfast/Lunch Program	Summer Feeding Program
\$ (66,531)	\$ 9,264	\$ (136)	\$ 25,457	\$ (14,889)
--	--	--	152,322	--
67,091	--	239	76,910	19,234
--	--	--	2,268	711
--	--	--	81,341	--
--	--	--	--	--
<u>\$ 560</u>	<u>\$ 9,264</u>	<u>\$ 103</u>	<u>\$ 338,298</u>	<u>\$ 5,056</u>
\$ 563	\$ --	\$ --	\$ 53,300	\$ --
2,143	--	--	10,565	--
(2,146)	8,394	49	38,968	4,850
--	870	54	23	--
--	--	--	--	--
<u>560</u>	<u>9,264</u>	<u>103</u>	<u>102,856</u>	<u>4,850</u>
--	--	--	235,442	206
--	--	--	--	--
--	--	--	235,442	206
<u>\$ 560</u>	<u>\$ 9,264</u>	<u>\$ 103</u>	<u>\$ 338,298</u>	<u>\$ 5,056</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2005

Data Control Codes		244 Vo Ed Basic Grant	255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	264 Community Service Grant Program
ASSETS:					
1110	Cash and Cash Equivalents	\$ 46	\$ (34,812)	\$ (5,309)	\$ (14,274)
1120	Current Investments	--	--	--	--
1240	Due from Other Governments	(29)	(229)	5,330	14,274
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	--	--
1410	Deferred Expenditures	--	--	--	--
1000	Total Assets	\$ 17	\$ (35,041)	\$ 21	\$ --
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 1,236	\$ --	\$ --
2160	Accrued Wages Payable	--	--	--	--
2170	Due to Other Funds	17	(62,758)	--	--
2180	Due to Other Governments	--	26,481	21	--
2300	Deferred Revenue	--	--	--	--
2000	Total Liabilities	17	(35,041)	21	--
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	--	--	--
3490	Other Reserves of Fund Balance	--	--	--	--
3000	Total Fund Balances	--	--	--	--
4000	Total Liabilities and Fund Balances	\$ 17	\$ (35,041)	\$ 21	\$ --

315 IDEA-B Discretionary	390 LEP Summer Program	394 Pregnancy Education and Parenting Program	397 Advanced Placement Incentives	404 Student Success Initiative
\$ (32,532)	\$ 1,258	\$ 691	\$ 3,425	\$ 1,532
--	--	--	--	--
32,532	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 1,258</u>	<u>\$ 691</u>	<u>\$ 3,425</u>	<u>\$ 1,532</u>
\$ --	\$ --	\$ 36	\$ --	\$ 900
--	--	--	--	--
--	1,258	655	--	--
--	--	--	--	--
--	--	--	3,425	632
<u>--</u>	<u>1,258</u>	<u>691</u>	<u>3,425</u>	<u>1,532</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ --</u>	<u>\$ 1,258</u>	<u>\$ 691</u>	<u>\$ 3,425</u>	<u>\$ 1,532</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2005

Data Control Codes	411 Technology Allotment	418 Active Employee Health Coverage	437 Special Education	450 Medicaid COOP
ASSETS:				
1110 Cash and Cash Equivalents	\$ --	\$ 4,828	\$ 20,658	\$ 2,727
1120 Current Investments	368,494	--	--	--
1240 Due from Other Governments	9,102	--	--	5,386
1260 Due from Other Funds	--	109	--	--
1290 Other Receivables	--	--	140	--
1410 Deferred Expenditures	--	--	--	--
1000 Total Assets	<u>\$ 377,596</u>	<u>\$ 4,937</u>	<u>\$ 20,798</u>	<u>\$ 8,113</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 18,089	\$ --	\$ 1,108	\$ --
2160 Accrued Wages Payable	--	--	--	--
2170 Due to Other Funds	--	1,517	2,443	--
2180 Due to Other Governments	--	--	17,247	8,113
2300 Deferred Revenue	--	3,420	--	--
2000 Total Liabilities	<u>18,089</u>	<u>4,937</u>	<u>20,798</u>	<u>8,113</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450 Reserve for Food Service	--	--	--	--
3490 Other Reserves of Fund Balance	359,507	--	--	--
3000 Total Fund Balances	<u>359,507</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 377,596</u>	<u>\$ 4,937</u>	<u>\$ 20,798</u>	<u>\$ 8,113</u>

461 Campus Activity Funds	482 TASB Risk Management Grant	483 General Mills Grant	484 Lions Club	485 Meadows Foundation
\$ 39,450	\$ 300	\$ 1,500	\$ 1,228	\$ 9
--	--	--	--	--
--	--	--	--	--
16,142	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 55,592</u>	<u>\$ 300</u>	<u>\$ 1,500</u>	<u>\$ 1,228</u>	<u>\$ 9</u>
\$ --	\$ 56	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	244	1,500	1,228	9
<u>--</u>	<u>300</u>	<u>1,500</u>	<u>1,228</u>	<u>9</u>
--	--	--	--	--
55,592	--	--	--	--
<u>55,592</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 55,592</u>	<u>\$ 300</u>	<u>\$ 1,500</u>	<u>\$ 1,228</u>	<u>\$ 9</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2005

Data Control Codes	487 Rural Capital Area Workforce Development	488 Mitchell Ward	492 HEADSTART	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:				
1110 Cash and Cash Equivalents	\$ (3,285)	\$ 3,500	\$ --	\$ (26,379)
1120 Current Investments	--	--	--	520,816
1240 Due from Other Governments	--	--	--	290,553
1260 Due from Other Funds	--	--	--	19,230
1290 Other Receivables	3,339	--	108	84,928
1410 Deferred Expenditures	--	--	--	1,784
1000 Total Assets	<u>\$ 54</u>	<u>\$ 3,500</u>	<u>\$ 108</u>	<u>\$ 890,932</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 54	\$ 37	\$ 108	\$ 137,864
2160 Accrued Wages Payable	--	--	--	12,708
2170 Due to Other Funds	--	--	--	19,331
2180 Due to Other Governments	--	--	--	53,264
2300 Deferred Revenue	--	3,463	--	17,018
2000 Total Liabilities	<u>54</u>	<u>3,500</u>	<u>108</u>	<u>240,185</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450 Reserve for Food Service	--	--	--	235,648
3490 Other Reserves of Fund Balance	--	--	--	415,099
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>650,747</u>
4000 Total Liabilities and Fund Balances	<u>\$ 54</u>	<u>\$ 3,500</u>	<u>\$ 108</u>	<u>\$ 890,932</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes		204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	220 Adult Education Federal
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	24,423	946,191	5,541	106,591
5020	Total Revenues	24,423	946,191	5,541	106,591
EXPENDITURES:					
Current:					
0011	Instruction	7,541	716,372	--	100,064
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	2,506	9,478	--	--
0021	Instructional Leadership	--	42,142	5,541	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	173	107,666	--	--
0032	Social Work Services	--	23,061	--	--
0033	Health Services	--	44,439	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0052	Security and Monitoring Services	2,850	--	--	--
0053	Data Processing Services	--	--	--	--
0061	Community Services	11,353	3,033	--	6,527
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	24,423	946,191	5,541	106,591
1100	Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

224	225	226	240	242
IDEA-B Formula	IDEA-B Preschool Grant	IDEA-B Discretionary	National School Breakfast/Lunch Program	Summer Feeding Program
\$ --	\$ --	\$ --	\$ 670,446	\$ 428
--	--	--	20,640	--
1,486,039	34,932	20,132	1,054,908	19,234
1,486,039	34,932	20,132	1,745,994	19,662
833,473	34,932	17,482	--	--
--	--	--	--	--
16,486	--	2,650	--	--
649	--	--	--	--
--	--	--	--	--
420,610	--	--	--	--
--	--	--	--	--
--	--	--	--	--
214,611	--	--	--	--
--	--	--	1,739,503	18,010
--	--	--	--	--
--	--	--	--	--
--	--	--	10,776	1,557
--	--	--	--	--
--	--	--	--	--
210	--	--	--	--
--	--	--	--	--
1,486,039	34,932	20,132	1,750,279	19,567
--	--	--	(4,285)	95
--	--	--	19,444	75
--	--	--	19,444	75
--	--	--	15,159	170
--	--	--	220,283	36
\$ --	\$ --	\$ --	\$ 235,442	\$ 206

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes		244 Vo Ed Basic Grant	255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	264 Community Service Grant Program
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	57,997	213,264	27,389	84,919
5020	Total Revenues	57,997	213,264	27,389	84,919
EXPENDITURES:					
Current:					
0011	Instruction	57,997	191,635	21,688	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	--	21,629	5,701	--
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0032	Social Work Services	--	--	--	--
0033	Health Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0053	Data Processing Services	--	--	--	--
0061	Community Services	--	--	--	84,919
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	57,997	213,264	27,389	84,919
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

269 Title V, Part A Innovative Programs	315 IDEA-B Discretionary	385 Supplemental Visually Impaired	390 LEP Summer Program	394 Pregnancy Education & Parenting
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	2,400	--	29,995
23,399	56,448	--	1,275	--
23,399	56,448	2,400	1,275	29,995
12,000	56,448	2,400	1,275	--
--	--	--	--	--
11,399	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	29,995
--	--	--	--	--
23,399	56,448	2,400	1,275	29,995
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes		397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	418 Active Emp. Health Coverage
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	4,278	39,547	126,145	275,472
5900	Federal Program Revenues	--	--	--	--
5020	Total Revenues	4,278	39,547	126,145	275,472
EXPENDITURES:					
Current:					
0011	Instruction	1,209	39,547	184,270	184,619
0012	Instructional Resources and Media Services	--	--	--	5,478
0013	Curriculum and Staff Development	3,069	--	23,852	292
0021	Instructional Leadership	--	--	--	2,708
0023	School Leadership	--	--	--	9,999
0031	Guidance, Counseling, & Evaluation Services	--	--	--	6,499
0032	Social Work Services	--	--	--	500
0033	Health Services	--	--	--	3,125
0034	Student Transportation	--	--	--	500
0035	Food Service	--	--	--	17,768
0036	Cocurricular/Extracurricular Activities	--	--	--	916
0041	General Administration	--	--	--	3,624
0051	Plant Maintenance and Operations	--	--	32,218	26,695
0052	Security and Monitoring Services	--	--	--	500
0053	Data Processing Services	--	--	24,210	5,333
0061	Community Services	--	--	--	6,916
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	4,278	39,547	264,550	275,472
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	(138,405)	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	(138,405)	--
0100	Fund Balances - Beginning	--	--	497,912	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ 359,507	\$ --

437	450	461	472	484
Special Education	Medicaid COOP	Campus Activity Funds	San Marcos Civic Foundation	Lions Club
\$ 469,251	\$ --	\$ 273,538	\$ 1,000	\$ 1,111
278,259	--	--	--	--
--	83,229	--	--	--
<u>747,510</u>	<u>83,229</u>	<u>273,538</u>	<u>1,000</u>	<u>1,111</u>
306,612	6,048	62,685	--	1,111
--	--	48,008	--	--
818	--	271	1,000	--
161,976	--	--	--	--
--	--	18,374	--	--
216,530	--	7,291	--	--
--	--	--	--	--
--	--	730	--	--
58,119	--	--	--	--
--	--	--	--	--
--	--	100,394	--	--
3,455	--	1,684	--	--
--	--	2,520	--	--
--	--	8,920	--	--
--	--	--	--	--
--	--	26,747	--	--
--	77,181	--	--	--
<u>747,510</u>	<u>83,229</u>	<u>277,624</u>	<u>1,000</u>	<u>1,111</u>
--	--	(4,086)	--	--
--	--	--	--	--
--	--	--	--	--
--	--	(4,086)	--	--
--	--	59,678	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 55,592</u>	<u>\$ --</u>	<u>\$ --</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	485 Meadows Foundation	487 Rural Capital Area Workforce Development
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 491	\$ 3,339
5800 <i>State Program Revenues</i>	--	--
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>491</u>	<u>3,339</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	491	--
0012 <i>Instructional Resources and Media Services</i>	--	--
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0032 <i>Social Work Services</i>	--	--
0033 <i>Health Services</i>	--	--
0034 <i>Student Transportation</i>	--	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--
0041 <i>General Administration</i>	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--
0052 <i>Security and Monitoring Services</i>	--	--
0053 <i>Data Processing Services</i>	--	--
0061 <i>Community Services</i>	--	3,339
0093 <i>Payments to Shared Service Arrangements</i>	--	--
6030 Total Expenditures	<u>491</u>	<u>3,339</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>
0100 Fund Balances - Beginning	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

488	492	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
Mitchell Ward	HEADSTART	
\$ 37	\$ 108	\$ 1,419,749
--	--	776,736
--	--	4,245,911
37	108	6,442,396
37	108	2,840,044
--	--	53,486
--	--	99,151
--	--	213,016
--	--	28,373
--	--	758,769
--	--	23,561
--	--	48,294
--	--	273,230
--	--	1,775,281
--	--	101,310
--	--	8,763
--	--	73,766
--	--	12,270
--	--	29,543
--	--	173,039
--	--	77,181
37	108	6,589,077
--	--	(146,681)
--	--	19,519
--	--	19,519
--	--	(127,162)
--	--	777,909
\$ --	\$ --	\$ 650,747

LOCKHART INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2005

Data Control Codes		888 Bluebonnet Activity Funds	889 C.O. Activity Fund	890 Kindergarten Activity Fund	891 Clear Fork Activity Fund
ASSETS:					
1110	Cash and Cash Equivalents	\$ 1,889	\$ 5,924	\$ 3,724	\$ 335
1120	Current Investments	--	--	--	--
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	35	--
1000	Total Assets	<u>\$ 1,889</u>	<u>\$ 5,924</u>	<u>\$ 3,759</u>	<u>\$ 335</u>
LIABILITIES:					
Current Liabilities:					
2170	Due to Other Funds	\$ 1,889	\$ 5,924	\$ 3,759	\$ 14
2190	Due to Student Groups	--	--	--	321
2000	Total Liabilities	<u>1,889</u>	<u>5,924</u>	<u>3,759</u>	<u>335</u>
NET ASSETS					
3000	Total Net Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

892 Navarro Activity Fund	893 Community Ed. Activity Fund	895 Junior High Activity Fund	896 High School Activity Fund	897 Plum Creek Activity Fund
\$ 17,001	\$ 4,458	\$ 5,743	\$ 46,182	\$ 18,177
--	--	--	5,000	--
206	--	--	--	--
--	--	25	--	--
<u>\$ 17,207</u>	<u>\$ 4,458</u>	<u>\$ 5,768</u>	<u>\$ 51,182</u>	<u>\$ 18,177</u>
\$ --	\$ 4,458	\$ --	\$ 300	\$ 44
17,207	--	5,768	50,882	18,133
<u>17,207</u>	<u>4,458</u>	<u>5,768</u>	<u>51,182</u>	<u>18,177</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2005

Data Control Codes		898 Freshman Campus Activity Fund	899 Special Ed. Activity Fund	Total Agency Funds (See Exhibit E-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,416	\$ 112	\$ 104,961
1120	Current Investments	--	--	5,000
1260	Due from Other Funds	--	--	206
1290	Other Receivables	--	--	60
1000	Total Assets	<u>\$ 1,416</u>	<u>\$ 112</u>	<u>\$ 110,227</u>
LIABILITIES:				
Current Liabilities:				
2170	Due to Other Funds	\$ 108	\$ 112	\$ 16,608
2190	Due to Student Groups	1,308	--	93,619
2000	Total Liabilities	<u>1,416</u>	<u>112</u>	<u>110,227</u>
NET ASSETS				
3000	Total Net Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED AUGUST 31, 2005

EXHIBIT H-6

Data Control Codes	97 Balance September 1, 2004	5030 Additions	6050 Deductions	98 Balance August 31, 2005
STUDENT ACTIVITIES:				
ASSETS				
<i>Cash & Cash Equivalents</i>	\$ 98,351	\$ 261,855	\$ 255,245	\$ 104,961
<i>Current Investments</i>	--	5,000	--	5,000
<i>Due from Other Funds</i>	--	206	--	206
<i>Other Receivables</i>	--	60	--	60
Total Assets	<u>\$ 98,351</u>	<u>\$ 267,121</u>	<u>\$ 255,245</u>	<u>\$ 110,227</u>
LIABILITIES				
<i>Due to Other Funds</i>	--	16,608	--	16,608
<i>Due to Student Groups</i>	98,351	243,903	248,635	93,619
Total Liabilities	<u>\$ 98,351</u>	<u>\$ 260,511</u>	<u>\$ 248,635</u>	<u>\$ 110,227</u>

Other Supplementary Information

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

LOCKHART INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2005*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
1996 and Prior Years						
1997		0.9507		0.3546		343,770,305
1998		0.9751		0.3399		349,420,066
1999		1.0912		0.3388		407,257,183
2000		1.2800		0.1369		493,744,287
2001		1.2948		0.1329		480,079,598
2002		1.2665		0.1435		516,072,270
2003		1.2637		0.1754		638,600,612
2004		1.2637		0.2017		649,625,699
2005 (School Year Under Audit)		1.3860		0.2027		665,355,574
1000 Totals						

10 Beginning Balance 9/1/04	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/05
\$ 239,414	\$ --	\$ 18,385	\$ 7,204	\$ (2,042)	\$ 211,783
39,216	--	5,168	1,928	(210)	31,910
46,864	--	6,454	2,250	(145)	38,015
71,091	--	17,021	4,653	(602)	48,815
93,773	--	34,752	3,716	6,272	61,577
131,947	--	51,685	5,306	6,345	81,301
217,857	--	88,429	9,886	4,740	124,282
346,108	--	152,099	20,553	5,790	179,246
697,481	--	296,772	48,321	(25,824)	326,564
--	10,570,504	8,590,280	1,256,228	(84,745)	639,251
<u>\$ 1,883,751</u>	<u>\$ 10,570,504</u>	<u>\$ 9,261,045</u>	<u>\$ 1,360,045</u>	<u>\$ (90,421)</u>	<u>\$ 1,742,744</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2006-2007 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2005

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ 3,696	\$ --	\$ 169,325	\$ 535,530	\$ 15	\$ 1,874	\$ 710,440
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	71,768	--	--	--	71,768
6212	Audit Services	--	--	--	17,500	--	--	17,500
6213	Tax Appraisal and Collection	--	311,423	--	--	--	--	311,423
621X	Other Prof. Services	9,246	--	--	166,645	--	--	175,891
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	9,218	--	--	--	9,218
6240	Contr. Maint. and Repair	--	--	--	--	9,460	--	9,460
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	1,789	--	--	1,789
6290	Miscellaneous Contr.	--	--	--	3,264	--	--	3,264
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	591	--	--	983	--	--	1,574
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	7,935	--	2,489	21,347	18,639	--	50,410
6410	Travel, Subsistence, Stipends	11,037	--	5,944	26,541	--	--	43,522
6420	Ins. and Bonding Costs	--	--	--	5,117	--	--	5,117
6430	Election Costs	20,429	--	--	--	--	--	20,429
6490	Miscellaneous Operating	5,259	--	75	26,364	--	--	31,698
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	12,723	12,723

Total \$ 58,193 \$ 311,423 \$ 258,819 \$ 805,080 \$ 28,114 \$ 14,597 \$ 1,476,226

Total expenditures for General and Special Revenue Funds (9) \$ 34,559,795

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 302,083
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,306,595
Food (Function 35, 6341 and 6499)	(13)	\$ 695,627
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 805,080

Subtotal 5,109,385

Net Allowed Direct Cost \$ 29,450,410

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 55,204,674
Historical Cost of Buildings over 50 years old	(16)	2,248,240
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	3,192,326
Historical Cost of Furniture & Equipment over 16 years old	(19)	86,588
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 43,000

(8) Note A - \$101,577 in Function 53 expenditures are included in this report on administrative costs.

LOCKHART INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-3**

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2005

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2005 (Exhibit C-1 object 3000 for the General Fund only)	\$ 6,920,005
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	--
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	3,429,845
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	383,640
5	Estimate of one month's average cash disbursements during the regular school session (9/1/05 - 5/31/06)	2,917,213
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	4,458
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	6,735,156
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 184,849

If Item 11 is a Positive Number

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

Undesignated Unreserved General Fund Fund Balance:

Funds remaining will be used to offset the projected budget deficit for the 2005-2006 school year.

LOCKHART INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 632,510	\$ 670,446	\$ 37,936
5800	State Program Revenues	27,000	20,640	(6,360)
5900	Federal Program Revenues	1,053,639	1,054,908	1,269
5020	Total Revenues	1,713,149	1,745,994	32,845
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	1,773,809	1,739,503	34,306
	Total Support Services - Student (Pupil)	1,773,809	1,739,503	34,306
	Support Services - Nonstudent Based:			
0051	Plant Maintenance and Operations	11,200	10,776	424
	Total Support Services - Nonstudent Based	11,200	10,776	424
6030	Total Expenditures	1,785,009	1,750,279	34,730
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(71,860)	(4,285)	67,575
	Other Financing Sources (Uses):			
7915	Transfers In	27,000	19,444	(7,556)
7080	Total Other Financing Sources and (Uses)	27,000	19,444	(7,556)
1200	Net Change in Fund Balance	(44,860)	15,159	60,019
0100	Fund Balance - Beginning	220,283	220,283	--
3000	Fund Balance - Ending	\$ 175,423	\$ 235,442	\$ 60,019

LOCKHART INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 1,412,024	\$ 1,469,068	\$ 57,044
5800	State Program Revenues	1,677,866	1,709,841	31,975
5020	Total Revenues	3,089,890	3,178,909	89,019
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	1,445,000	1,515,000	(70,000)
0072	Interest on Long-Term Debt	1,573,051	1,503,536	69,515
0073	Bond Issuance Costs and Fees	8,000	68,099	(60,099)
	Total Debt Service	3,026,051	3,086,635	(60,584)
6030	Total Expenditures	3,026,051	3,086,635	(60,584)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	63,839	92,274	28,435
Other Financing Sources (Uses):				
7901	Refunding Bonds Issued	--	1,799,996	(1,799,996)
7916	Premium or Discount on Issuance of Bonds	--	127,862	127,862
8940	Payment to Bond Refunding Escrow Agent	--	(1,864,835)	(1,864,835)
7080	Total Other Financing Sources and (Uses)	--	63,023	63,023
1200	Net Change in Fund Balance	63,839	155,297	91,458
0100	Fund Balance - Beginning	213,008	213,008	--
3000	Fund Balance - Ending	\$ 276,847	\$ 368,305	\$ 91,458

WEST, DAVIS AND COMPANY, LLP

11615 Angus Road, Suite 219

Austin, Texas 78759

Independent Auditors' Report

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

Board of Trustees
Lockhart Independent School District
Lockhart, Texas

Members of the Board of Trustees:

We have audited the basic and combining financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lockhart Independent School District as of and for the year ended August 31, 2005, which collectively comprise the Lockhart Independent School District's basic financial statements and have issued our report thereon dated November 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

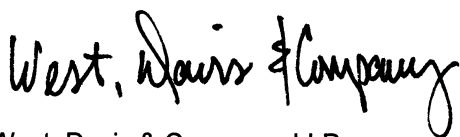
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lockhart Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lockhart Independent School 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.

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



West, Davis & Company, LLP
November 29, 2005

WEST, DAVIS AND COMPANY, LLP

11615 Angus Road, Suite 219
Austin, Texas 78759

Independent Auditors' Report

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

Board of Trustees
Lockhart Independent School District
Lockhart, Texas

Members of the Board of Trustees:

Compliance

We have audited the compliance of Lockhart Independent School District with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to its major federal program for the year ended August 31, 2005. Lockhart Independent School District's major federal program is 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 its major federal program is the responsibility of Lockhart Independent School District's management. Our responsibility is to express an opinion on Lockhart Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lockhart Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lockhart Independent School District's compliance with those requirements.

In our opinion, Lockhart Independent School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2005.

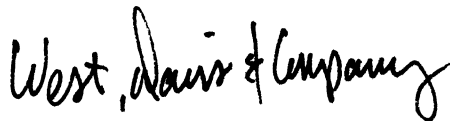
Internal Control Over Compliance

The management of Lockhart Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lockhart Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

A handwritten signature in black ink that reads "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP
November 29, 2005

LOCKHART INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FOR THE YEAR ENDED AUGUST 31, 2005

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

84.027	IDEA-Part B Formula
--------	---------------------

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LOCKHART INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2005

EXHIBIT K-1

Page 1 of 2

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U. S. DEPARTMENT OF EDUCATION			
	Passed Through The Texas Center for Service-Learning of Region 14:			
264	Community Service Grant Program	84.184C	028-902	\$ 84,919
	Passed Through State Department of Education:			
220	Adult Education (ABE) - Federal	84.002	054100087110063	93,824
220	Adult Education (ABE) - Federal	84.002	064100087110063	12,767
	Total CFDA Number 84.002			<u>106,591</u>
211	ESEA Title I Part A - Improving Basic Programs	84.010A	05610101028902	921,486
211	ESEA Title I Part A - Improving Basic Programs	84.010A	06610101028902	24,705
	Total CFDA Number 84.010A			<u>946,191</u>
224	IDEA-B Formula	84.027	0566000102890266	1,450,339
224	IDEA-B Formula	84.027	0666000102890266	35,700
226	IDEA-B Discretionary	84.027	0566000402890266	20,186
226	IDEA-B Discretionary	84.027	0666000402890266	(54)
226	SSA IDEA-B Discretionary	84.027	0566000202890266	56,448
	Total CFDA Number 84.027			<u>1,562,619</u>
244	Vocational Education - Basic Grant	84.048	0542000602890213	58,026
244	Vocational Education - Basic Grant	84.048	0642000602890213	(29)
	Total CFDA Number 84.048			<u>57,997</u>
225	IDEA-B Preschool	84.173	0566100102890266	35,098
225	IDEA-B Preschool	84.173	0666100102890266	(166)
	Total CFDA Number 84.173			<u>34,932</u>
204	ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186A	05691001028902	23,423
204	ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186A	06691001028902	1,000
	Total CFDA Number 84.186A			<u>24,423</u>
269	Title V, Part A - Innovative Programs	84.298	05685001028902	23,399
262	Title II Part D Enhancing Education Through Technology	84.318	05630001028902	22,182
262	Title II Part D Enhancing Education Through Technology	84.318	06630001028902	5,207
	Total CFDA Number 84.318			<u>\$ 27,389</u>
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	05694501028902	213,517
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	06694501028902	(253)
	Total CFDA Number 84.367A			<u>213,264</u>
	Total Passed Through State Department of Education			<u>2,996,805</u>
	Passed Through Region XIII, Education Service Center:			
212	ESEA Title I Part C - Education of Migratory Children	84.011	028-902	5,541
	Total U. S. Department of Education			<u>3,087,265</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2005*

EXHIBIT K-1

Page 2 of 2

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
240	School Breakfast Program *	10.553	71400501	243,220
240	National School Lunch Program *	10.555	71300501	778,574
242	Summer Feeding Program *	10.559	71400501	19,234
241	Commodity Supplemental Food Program	10.565	028-902	33,114
	Total Passed Through State Department of Education			<u>1,074,142</u>
	Total U. S. Department of Agriculture			<u>1,074,142</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,161,407</u>

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

The accompanying notes are an integral part of this schedule.

LOCKHART INDEPENDENT SCHOOL DISTRICT***NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2005*****Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lockhart Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

LOCKHART INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2005*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No

Statistical Section

LOCKHART INDEPENDENT SCHOOL DISTRICT**TABLE M-1**

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS

(UNAUDITED)

Fiscal Year	(11) Instructional Services	(12,13,20) Instruction Related and Leadership Services	Pupil Services	(40,70) Administrative and Debt Service	Plant and Security Services	Data Processing Services	Community Services	Payments to Fiscal Agent Member Districts	Total
2004	\$ 19,636,033	\$ 3,099,484	\$ 6,257,069	\$ 3,119,147	\$ 3,370,856	\$ 358,488	\$ 1,265,257	\$ 452,230	\$ 37,558,564
2005	20,017,666	3,975,617	6,575,009	3,104,964	3,720,967	227,977	1,056,004	387,167	39,065,371

Note: Ten years of information is not available since the District only recently implemented GASB #34 that required government-wide financial reporting.

LOCKHART INDEPENDENT SCHOOL DISTRICT**GOVERNMENT-WIDE REVENUES****LAST TEN FISCAL YEARS****(UNAUDITED)****TABLE M-2**

Fiscal Year	PROGRAM REVENUES		GENERAL REVENUES				Total
	Charges for Services	Operating Grants and Contributions	Property Taxes	Grants and Contributions Not Restricted To Specific Programs	Investment Earnings	Miscellaneous	
2004	\$ 2,458,955	\$ 6,602,377	\$ 9,773,223	\$ 16,725,219	\$ 277,719	\$ 916,431	\$ 36,753,924
2005	1,953,753	5,006,376	10,837,644	18,482,913	405,202	749,193	37,435,081

Note: Ten years of information is not available since the District only recently implemented GASB #34 that required government-wide financial reporting.

LOCKHART INDEPENDENT SCHOOL DISTRICT
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

TABLE M-3

Fiscal Year	Instructional Services	Instruction Related and Leadership Services	Pupil Services	Administrative and Debt Service	Plant and Security Services	Data Processing Services	Community Services	Capital Outlay	Payments to Fiscal Agent Member Districts	Total
1996	\$ 11,851,765	\$ 1,919,494	\$ 1,816,234	\$ 613,496	\$ 1,999,891	\$ 190,894	\$ 236,277	\$ 108,281	\$ 190,862	18,927,194
1997	10,502,894	1,968,907	2,057,469	1,323,944	1,943,990	216,084	257,442	322,683	243,085	18,836,498
1998	11,177,563	1,989,084	2,223,911	1,465,171	2,139,375	229,830	276,063	341,865	234,563	20,077,425
1999	11,475,387	2,210,194	2,304,203	1,506,726	2,322,210	290,711	384,819	470,244	244,619	21,209,113
2000	13,300,733	2,554,104	2,525,435	1,332,336	2,563,820	258,200	461,548	846,139	269,207	24,111,522
2001	14,562,575	1,950,333	2,913,117	1,041,540	2,608,074	333,462	421,072	336,751	259,300	24,426,224
2002	14,032,627	2,695,366	2,866,234	1,255,358	2,713,134	529,366	438,728	643,990	268,888	25,443,691
2003	14,806,340	2,754,796	3,083,125	1,090,550	2,932,663	350,476	532,179	592,073	262,783	26,404,985
2004	15,188,117	2,583,782	3,088,851	1,281,715	3,062,543	309,069	641,123	23,900	289,032	26,468,132
2005	15,567,802	3,243,250	3,323,562	1,367,570	3,363,290	184,078	820,313	89,749	287,944	28,247,558

(1) Includes General Fund only.

LOCKHART INDEPENDENT SCHOOL DISTRICT

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

(UNAUDITED)

TABLE M-4

Fiscal Year	Local and Intermediate Sources			State Sources			Federally Distributed	Total
	Property Taxes	Other	Total	Per Capita and Foundation	Transportation	Other		
1996	\$ 2,660,830	\$ 622,914	\$ 3,283,744	\$ 13,721,423	\$ 341,818	\$ 721,507	\$ 108,572	\$ 18,177,064
1997	3,259,990	647,587	3,907,577	13,650,011	408,365	789,837	58,851	18,814,641
1998	3,303,032	847,859	4,150,891	15,327,955	361,446	837,612	34,969	20,712,873
1999	3,816,748	1,566,123	5,382,871	15,618,544	392,310	850,924	185,853	22,430,502
2000	4,941,454	1,177,169	6,118,623	16,852,123	405,360	974,031	148,717	24,498,854
2001	5,669,227	1,307,543	6,976,770	16,654,805	455,305	1,018,069	219,034	25,323,983
2002	6,453,796	1,420,476	7,874,272	18,464,146	508,934	1,087,284	249,057	28,183,693
2003	7,554,231	2,252,719	9,806,950	15,999,228	548,308	1,016,648	202,700	27,573,834
2004	8,106,666	2,001,755	10,108,421	14,160,927	563,911	1,050,276	214,497	26,098,032
2005	9,260,393	1,875,609	11,136,002	14,882,823	604,197	1,100,379	165,294	27,888,695

(1) Includes General Fund only.

LOCKHART INDEPENDENT SCHOOL DISTRICT**TABLE M-5***PROPERTY TAX LEVIES AND COLLECTIONS**LAST TEN FISCAL YEARS**(UNAUDITED)*

Fiscal Year	Net Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Cumulative Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1996	\$ 3,823,720	\$ 3,549,452	92.8%	\$ 212,929	\$ 3,762,381	\$ 98.4%	\$ 1,187,875	\$ 31.1%
1997	4,264,726	3,970,450	93.1%	280,231	4,250,681	99.7%	1,170,413	27.4%
1998	4,420,068	4,077,468	92.2%	256,384	4,333,852	98.0%	1,190,818	26.9%
1999	5,151,690	4,921,698	95.5%	216,176	5,137,874	99.7%	1,314,119	25.5%
2000	5,732,050	5,236,040	91.3%	277,391	5,513,431	96.2%	1,489,676	26.0%
2001	6,470,101	5,939,877	91.8%	338,862	6,278,739	97.0%	1,638,233	25.3%
2002	7,276,619	6,734,738	92.6%	467,260	7,201,998	99.0%	1,712,849	23.5%
2003	8,768,635	8,118,213	92.6%	496,165	8,614,378	98.2%	1,794,836	20.5%
2004	9,519,615	8,860,817	93.1%	587,844	9,448,661	99.3%	1,883,751	19.8%
2005	10,570,504	9,846,508	93.2%	773,932	10,620,440	100.5%	1,742,744	16.5%

LOCKHART INDEPENDENT SCHOOL DISTRICT

ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

LAST TEN FISCAL YEARS

(UNAUDITED)

Fiscal Year	Real Property		Personal Property		Total Market Value	Total Assessed Value	Exemptions	
	Market Value		Market Value				State	Local
1996	\$ 456,337,384	\$	47,314,925	\$	503,652,309	\$ 341,023,985	\$ 24,201,550	\$ 3,483,430
1997	502,069,187		47,463,514		549,532,701	374,447,370	25,964,315	3,620,460
1998	559,225,657		47,864,239		607,089,896	411,333,955	54,245,770	3,309,640
1999	619,848,990		49,125,012		668,974,002	444,058,368	59,617,570	3,405,146
2000	693,923,248		49,646,155		743,569,403	494,727,383	62,761,134	3,582,919
2001	753,832,717		54,400,943		808,233,660	549,982,990	66,088,272	3,815,120
2002	860,661,945		60,928,138		921,590,083	618,408,827	68,533,706	4,014,320
2003	998,481,808		67,796,848		1,066,278,656	720,456,576	72,633,220	4,238,474
2004	1,059,606,931		67,911,899		1,127,518,830	766,782,160	76,825,205	4,423,174
2005	1,073,241,894		72,807,610		1,146,049,504	835,713,583	131,164,515	4,556,717

Source: Caldwell County Appraisal District

TABLE M-6

	Net Taxable Value	Ratio Value to Market
\$	313,339,005	1.11%
	344,862,595	1.05%
	353,778,545	0.94%
	381,035,652	0.89%
	428,383,330	0.84%
	480,079,598	0.79%
	545,860,801	0.74%
	643,584,882	0.66%
	685,533,781	0.65%
	699,992,351	0.65%

LOCKHART INDEPENDENT SCHOOL DISTRICT**TABLE M-7**

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(UNAUDITED)

<u>Lockhart Independent School District</u>						
<u>Fiscal Year</u>	<u>General</u>	<u>Debt Serviced</u>	<u>Total</u>	<u>Caldwell County</u>	<u>City of Lockhart</u>	<u>Total</u>
1996	0.9078	0.3739	1.2817	0.6170	0.4495	2.3482
1997	0.9507	0.3546	1.3053	0.6043	0.4145	2.3241
1998	0.9751	0.3399	1.3139	0.6030	0.4758	2.3927
1999	1.0912	0.3388	1.2281	0.5865	0.4944	2.3090
2000	1.2800	0.1369	1.4129	0.5761	0.4857	2.4747
2001	1.2948	0.1329	1.4383	0.5447	0.4766	2.4596
2002	1.2665	0.1435	1.4419	0.5409	0.4766	2.4594
2003	1.2637	0.1754	1.4391	0.5674	0.5166	2.5231
2004	1.2637	0.2017	1.4654	0.5992	0.5566	2.6212
2005	1.3860	0.2027	1.5887	0.6297	0.5700	2.7884

LOCKHART INDEPENDENT SCHOOL DISTRICT

PRINCIPAL TAXPAYERS

AUGUST 31, 2005

(UNAUDITED)

TABLE M-8

	Taxpayer	Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation
1	LCRA Transmission Service Corp	Electricity Transmission	\$ 10,610,470	23.6%
2	Southwestern Bell Telephone	Telephone Utility	5,803,940	12.9%
3	Flint Hills Resources LP	Refining and Chemicals	4,685,760	10.4%
4	Lockhart Village Partners LP	Real Estate	4,601,890	10.2%
5	Bluebonnet Electric Co-op	Electric Utility	3,883,380	8.6%
6	H.E. Butt Grocery	Grocery Chain	3,485,140	7.8%
7	Lockhart II Partners Ltd.	Real Estate	3,310,870	7.4%
8	Fred W. Hoskins	Real Estate	2,971,380	6.6%
9	Union Pacific Railroad	Railroad	2,862,100	6.4%
10	Wal-Mart Properties, Inc.	Discount Store	2,702,250	6.0%
	Totals		<u>\$ 44,917,180</u>	<u>100.0%</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT**TABLE M-9***COMPUTATION OF LEGAL DEBT MARGIN**AUGUST 31, 2005**(UNAUDITED)*

Assessed valuations:		
Total assessed value		\$ <u>699,992,351</u>
Legal debt margin:		
Debt Limitation-- 7 percent of total assessed value		\$ 48,999,465
Debt applicable to limitation:		
Total bonded debt	\$ 31,134,993	
Less: Amount available for repayment of general obligation bonds	368,305	
Total debt applicable to limitation	<u> </u>	30,766,688
Legal debt margin		\$ <u>18,232,777</u>

LOCKHART INDEPENDENT SCHOOL DISTRICT**TABLE M-10**

RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Average Daily Enrollment (1)	Assessed Value	Gross Bonded Debt	Less Debt Service Fund (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Student
1996	3,860	\$ 312,654,191	\$ 8,154,779	\$ 193,330	\$ 7,961,449	2.55%	2,063
1997	3,972	343,770,305	22,099,777	320,506	21,779,271	6.34%	5,483
1998	4,148	349,420,066	21,239,777	323,062	20,916,715	5.99%	5,043
1999	4,275	407,257,183	20,764,777	173,748	20,591,029	5.06%	4,817
2000	4,405	493,744,287	20,176,600	193,502	19,983,098	4.05%	4,536
2001	4,420	480,079,598	19,677,982	188,850	19,489,132	4.06%	4,409
2002	4,524	516,072,270	34,607,925	240,138	34,367,787	6.66%	7,597
2003	4,453	638,600,612	33,619,224	167,948	33,451,276	5.24%	7,512
2004	4,466	685,489,421	32,649,994	213,009	32,436,985	4.73%	7,263
2005	4,492	699,992,351	31,134,993	368,305	30,766,688	4.40%	6,849

(1) Annual daily enrollment is the average daily enrollment of students District-wide over the prescribed 180 days which constitute a full school year.

(2) Amount available for repayment of general obligation bonds.

LOCKHART INDEPENDENT SCHOOL DISTRICT**TABLE M-11**

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL OBLIGATION BONDED DEBT
 TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Principal	Interest (1)	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 700,000	\$ 555,812	\$ 1,255,812	\$ 18,927,194	6.6%
1997	650,000	480,993	1,130,993	18,836,498	6.0%
1998	755,000	979,330	1,734,330	20,077,425	8.6%
1999	1,015,000	1,077,185	2,092,185	21,209,113	9.9%
2000	1,200,000	1,039,283	2,239,283	24,111,522	9.3%
2001	1,205,000	1,028,997	2,233,997	24,426,224	9.1%
2002	1,100,000	986,063	2,086,063	25,443,691	8.2%
2003	1,470,000	1,616,257	3,086,257	26,404,985	11.7%
2004	1,415,000	1,608,389	3,023,389	26,468,132	11.4%
2005	1,515,000	1,503,537	3,018,537	28,267,077	10.7%

(1) Excludes bond fees

(2) Includes general fund only

LOCKHART INDEPENDENT SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
AUGUST 31, 2001
(UNAUDITED)

TABLE M-12

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
Direct:			
Lockhart Independent School District	\$ 31,134,993	100.00%	\$ 31,134,993
Overlapping:			
City of Lockhart	16,290,000	100.00%	16,290,000
Caldwell County	4,840,000	55.32%	2,677,488
Total	<u>\$ 52,264,993</u>		<u>\$ 50,102,481</u>
Total Direct and Overlapping Debt % of A. V.			7.34%
Total Direct and Overlapping Debt per capita			\$ 2,474

LOCKHART INDEPENDENT SCHOOL DISTRICT

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

(UNAUDITED)

Fiscal Year	Average Daily Attendance	Pupil/Teacher Ratio	Teachers	Other Professionals	Classified (2)	Total Employees (1)	Estimated Poulation Caldwell County (3)	Estimated Poulation Lockhart, Texas (3)
1996	3,699	17:1	240	58	221	519	29,546	10,754
1997	3,778	17:1	248	63	217	528	30,208	11,109
1998	3,889	16:1	252	64	240	556	30,763	11,469
1999	3,954	17:1	257	71	250	578	31,485	11,803
2000	4,075	16:1	280	66	246	592	32,194	11,615
2001	4,105	15:1	302	74	249	625	32,474	11,695
2002	4,227	15:1	297	69	247	613	33,808	12,086
2003	4,125	15:1	304	64	211	579	34,877	12,728
2004	4,153	15:1	303	67	216	586	35,554	13,086
2005	4,180	15:1	317	76	252	645	36,498	13,523

Data Sources:

(1) Permanent full-time positions

(2) Includes maintenance, transportation, tax office, community education, technology and administratvie

(3) Source: U.S. Census Bureau

(4) Source: U.S. Bureau of Economic Analysis

(5) Source: Texas Workforce Commission

(5) Unavailable

TABLE M-13

Caldwell County Per Capita Income (4)	Caldwell County Employment (5)	Unemployment Rate (5)
15,943	14,267	3.8%
16,878	14,676	4.2%
17,944	15,132	3.8%
18,997	15,649	3.4%
19,744	15,782	3.6%
20,505	15,047	4.6%
20,223	14,891	6.7%
13,987	14,903	7.5%
(5)	15,082	6.2%
(5)	15,686	4.9%

LOCKHART INDEPENDENT SCHOOL DISTRICT

TABLE M-14

BUILDING FUNCTIONAL AND EDUCATIONAL CAPACITY

AUGUST 31, 2005

(UNAUDITED)

Buildings	Date of Original Building	Age (years)	Functional Capacity (1)	Educational Capacity (2)
Carver Kindergarten	1953	52	385	594
Clear Fork Elementary	1953	52	441	814
Plum Creek Elementary	1986	19	449	858
Navarro Elementary	1972	33	415	682
Bluebonnet Elementary	2005	--	479	770
Elementary Total 5			2,169	3,718
Lockhart Junior High	2000	5	1,036	1,500
Lockhart HS Freshman Campus	1923	82	361	868
Lockhart High School	1965	40	924	1,736
Pride High School	1992	13	58	84
Secondary Total 4			2,379	4,188
Discipline Management Center	1997	8	40	112
Alternative Total 1			40	112
Community Education	1996	9	N/A	N/A
Special Education/Food Service	1956	49	N/A	N/A
Administration Office	1993	12	N/A	N/A
Technology Annex	1995	10	N/A	N/A
Tax Office	1980	25	N/A	N/A
Maintenance	1999	6	N/A	N/A
Support Total 6				

(1) Functional Capacity is based upon how a building is used currently and changes every school year depending on the space usage as determined by the school principal.

(2) Educational Capacity is based upon the premise that all standard and classroom spaces can be used to the fullest with 22 students per classroom at the elementaries and 25 students per classroom including special education rooms and other classroom spaces. Gymnasiums, computer labs, shops and other spaces where safety or vandalism is a concern are not considered.