

**LONGVIEW  
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2002



## Introductory Section

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Longview Independent School District  
Annual Financial Report  
For the Year Ended August 31, 2002

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CERTIFICATE OF BOARD

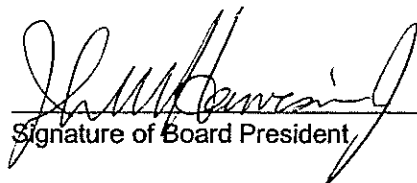
Longview Independent School District  
Name of School District

Gregg  
County

092-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2002, at a meeting of the board of trustees of such school district on the 13<sup>th</sup> day of JANUARY, 2003.

  
\_\_\_\_\_  
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)

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## Financial Section

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# KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

Karen A. Jacks, CPA  
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## Independent Auditors' Report on Financial Statements

Board of Trustees  
Longview Independent School District  
1301 E. Young  
Longview, Texas 75606

### Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Longview Independent School District as of and for the year ended August 31, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Longview 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 Longview Independent School District and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated December 17, 2002, on our consideration of Longview Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

As explained in Note A, the District has implemented a new financial reporting model, as required by GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as of August 31, 2002.

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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental 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 Longview Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
December 17, 2002

## Longview Independent School District MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Longview Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended 8/31/02. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$28,145,860 at 8/31/02.
- During the year, the District's expenses were \$747,072 less than the \$50,994,776 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$5,419,582.
- The District issued approximately \$2,700,000 in tax anticipation notes during fiscal year ending 8/31/02.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

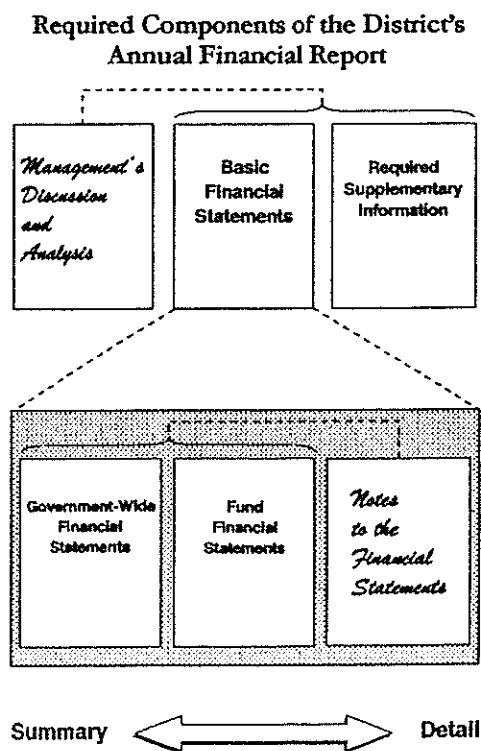


Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

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

### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Type of Statement	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures & changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of assets/liabilities determination	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that mature due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not separately report capital assets, although they do
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

### Fund Financial Statements

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

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

The District has the following kinds of funds:

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

information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$28,145,860 @ 8/31/02. (See Table A-1).

**Table A-1**  
Longview Independent School District's Net Assets  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2001
	2002	2001	2002	2001	2002	2001	
<b>Current assets:</b>							
Cash and cash equivalents	\$ 5.546	(1)	0	(1)	\$ 5.546	(1)	(1)
Property Taxes Receivable	2.462	(1)	0	(1)	2.462	(1)	(1)
Due from other Government	2.462	(1)	0	(1)	2.462	(1)	(1)
Other receivables	1.774	(1)	0	(1)	1.774	(1)	(1)
Inventories, at Cost	.336				.336		
Deferred Expenses	.197	(1)	0	(1)	.197	(1)	(1)
<b>Total current assets:</b>	<b>\$12.777</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>\$12.777</b>	<b>(1)</b>	<b>(1)</b>
<b>Noncurrent assets:</b>							
Bldg., Furn. & Eqmt.	\$ 66.011	(1)	0	(1)	\$ 66.011	(1)	(1)
Less Accum. Depr.	(20.828)				(20.828)		
Land	2.539	(1)	(0)	(1)	2.539	(1)	(1)
<b>Total noncurrent assets</b>	<b>\$ 47.722</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>\$ 47.722</b>	<b>(1)</b>	<b>(1)</b>
<b>Total Assets</b>	<b>\$ 60.499</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>\$ 60.499</b>	<b>(1)</b>	<b>(1)</b>
<b>Current liabilities:</b>							
Accounts payable and accrued liabilities	\$ 5.064	(1)	0	(1)	\$ 5.064	(1)	(1)
Claims payable	4.936	(1)	0	(1)	4.936	(1)	(1)
Due to other governments	.048	(1)	0	(1)	.048	(1)	(1)
Deferred revenue	.251	(1)	0	(1)	.251	(1)	(1)
<b>Total current liabilities</b>	<b>\$ 10.299</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>\$ 10.299</b>	<b>(1)</b>	<b>(1)</b>
<b>Long-term liabilities:</b>							
Claims payable	22.054	(1)	0	(1)	22.054	(1)	(1)
<b>Total Liabilities</b>	<b>\$ 32.353</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>\$ 32.353</b>	<b>(1)</b>	<b>(1)</b>
<b>Net Assets:</b>							
Invested in Capital Assets	\$ 26.455				\$ 26.455		
Restricted Assets	.745	(1)	0	(1)	.745	(1)	(1)
Unrestricted	.946	(1)	0	(1)	.946	(1)	(1)
<b>Total Net Assets</b>	<b>\$ 28.146</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>\$ 28.146</b>	<b>(1)</b>	<b>(1)</b>

(1) The District did not restate its 2001 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

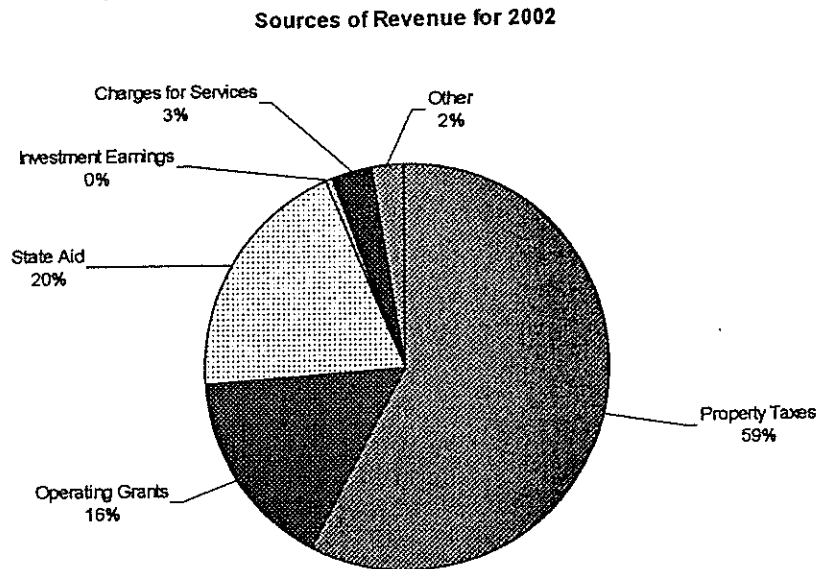
Restricted Net Assets are dedicated to various uses, namely: food service, technology uses, debt service, capital projects remaining, and campus activities. The \$946,410 of unrestricted net asset represents resources available to fund the programs of the District next year.

**Changes in net assets.** The District's total revenues were \$63,351,520. A significant portion, \$36,619,601, of the District's revenue comes from taxes. (See Figure Below.) 35.85% comes from State Aid, Operating Grants and Contributions, while only 3.44% relates to charges for services.

The total cost of all programs and services was \$62,604,448; 74.91% of these costs are for instructional and student services.

### Governmental Activities

- Property tax rates increased eight cents. This increase, coupled with the increasing values, enabled an increase in the tax levy by \$3.95 million over the prior year.
- The District sold tax anticipation notes totaling \$2.7 million. These notes were authorized to restore cash flow shortages caused by the Ware fire restoration and the employee benefit health plan.
- A binding agreement has been reached with the insurance company on the Ware fire restoration. Proceeds to LISD will total \$2.257 million.



**Table A-2**  
Changes in Longview Independent School District's Net Assets  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2001
	2002	2001	2002	2001	2002	2001	
Program Revenues:							
Charges for Services	2.181	(1)	0	(1)	2.181	(1)	(1)
Operating Grants and Contributions	10.176	(1)	0	(1)	10.176	(1)	(1)
Capital Grants and Contributions	0	(1)	0	(1)	0	(1)	(1)
General Revenues							
Property Taxes	36.619	(1)	0	(1)	36.619	(1)	(1)
State Aid	12.539	(1)	0	(1)	12.539	(1)	(1)
Investment Earnings	.285	(1)	0	(1)	.285	(1)	(1)
Other	1.551	(1)	0	(1)	1.551	(1)	(1)
<b>Total Revenues</b>	<b>63.351</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>	<b>63.351</b>	<b>(1)</b>	<b>(1)</b>



Instruction	34.473	(1)	0	(1)	34.473	(1)	(1)
Instructional Resources and Media Services	1.343	(1)	0	(1)	1.343	(1)	(1)
Curriculum Dev. And Instructional Staff Dev.	.812	(1)	0	(1)	.812	(1)	(1)
Instructional Leadership	1.179	(1)	0	(1)	1.179	(1)	(1)
School Leadership	3.150	(1)	0	(1)	3.150	(1)	(1)
Guidance, Counseling and Evaluation Services	2.088	(1)	0	(1)	2.088	(1)	(1)
Social Work Services	.200	(1)	0	(1)	.200	(1)	(1)
Health Services	.445	(1)	0	(1)	.445	(1)	(1)
Student (Pupil) Transportation	2.159	(1)	0	(1)	2.159	(1)	(1)
Food Services	3.636	(1)	0	(1)	3.636	(1)	(1)
Curricular/Extracurricular Activities	1.743	(1)	0	(1)	1.743	(1)	(1)
General Administration	2.375	(1)	0	(1)	2.375	(1)	(1)
Plant Maintenance & Oper.	6.473	(1)	0	(1)	6.473	(1)	(1)
Security & Monitoring Svcs.	.320	(1)	0	(1)	.320	(1)	(1)
Data Processing Services	.471	(1)	0	(1)	.471	(1)	(1)
Community Services	.115	(1)	0	(1)	.115	(1)	(1)
School District Admin. Support Services	0	(1)	0	(1)	0	(1)	(1)
Debt Service	1.236	(1)	0	(1)	1.236	(1)	(1)
Facilities Acquisition and Construction	0.386	(1)	0	(1)	0.386	(1)	(1)
Contracted Instr. Services Between Public Schools	0	(1)	0	(1)	0	(1)	(1)
Increment Costs Associated Chapter 41 (WADA)	0	(1)	0	(1)	0	(1)	(1)
Payments to Fiscal Agent/ Member Dist. – SSA	0	(1)	0	(1)	0	(1)	(1)
Public Education Grant Progr.	0	(1)	0	(1)	0	(1)	(1)
Payments to Juvenile Justice Alternative Ed. Program	0	(1)	0	(1)	0	(1)	(1)
Payments to Charter Schools	0	(1)	0	(1)	0	(1)	(1)
Payments to Tax Increment Fund	0	(1)	0	(1)	0	(1)	(1)
Total Expenses	<u>62.604</u>	(1)	<u>0</u>	(1)	<u>62.604</u>	(1)	(1)
Excess (Deficiency) Before Other Resources, Uses & Transfers	.747	(1)	0	(1)	.747	(1)	(1)
Other Resources (Uses) Transfers In (Out)							
Increase (Decrease) in Net Assets	<u>.747</u>	(1)	<u>0</u>	(1)	<u>.747</u>	(1)	(1)

(1) The District did not restate its 2001 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

Table A-3 (below) presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$62,604,448 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$36,619,601 million.
- Some of the cost was paid by those who directly benefited from the programs. These receipts totaled \$2,180,963 million. The Ware fire settlement has been included in revenue totaling \$1.4 million which offsets these costs in the current year. And, state aid and grants and contributions total \$22,714,528 million.

**Table A-3**  
**Net Cost of Longview Independent School District Functional Spending**  
*(in millions of dollars)*

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2002	2001		2002	2001	
Instruction	36.628	(1)	0	29.502	(1)	(1)
School administration	4.328	(1)	0	3.865	(1)	(1)
Student Support Services	10.271			5.938		
General Administration	2.375			2.259		
Plant Maintenance & Operations	7.265	(1)	0	6.994	(1)	(1)
Community Services	.115			.086		
Debt Service – Interest & Fiscal Charges	1.236			1.225		
Facilities Acquisition	.386	(1)	0	0.379	(1)	(1)
<b>Total</b>	<b>62.604</b>			<b>50.248</b>		

(1) The District did not restate the 2001 financial statements in this first year of implementation.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$63,287,507, an increase of 8.122% over the preceding year. The increase in local revenues is a result of two main sources: tax collections and state funding. Tax collections for the year 8/31/02 exceeded 8/31/01 by \$3,952,497. This resulted due to an increase in the tax rate as well as an increase in the tax base. State funding provided the other main source of increase. Tier II funds were higher than the prior year because of higher tax collections. Also, LISD experienced an increase in weighted funding from additional participation in Special Education and Career & Technology programs.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 14 times. Even with these adjustments, actual expenditures were \$789,668 below final budget amounts. During May of 2002, spending was curtailed in order to complete the Ware fire restoration. At that time, LISD was unsure about the timing and amount of the insurance settlement. Because expenditures were restricted across the district, savings were realized in almost all function areas.

In addition, revenues received were more than the final budgeted amounts. When this amount is netted against the shortage in other financial sources (uses), the revenues received are \$1,170,623 above the final budgeted amounts. This realization stems from the anticipated Ware fire settlement.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

##### Capital Assets

At the end of 2002, the District had invested \$68,550,630 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$1,938,190 or 2.9 percent over last year.

**Table A-4**  
Longview Independent School District's Capital Assets  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2001
	2002	2001	2002	2001	2002	2001	
Land	2.540	(1)	0	(1)	2.540	(1)	(1)
Buildings and improvements	60.490	(1)	0	(1)	60.490	(1)	(1)
Vehicles	3.427	(1)	0	(1)	3.427	(1)	(1)
Equipment	1.967	(1)	0	(1)	1.967	(1)	(1)
Other	0.127	(1)	0	(1)	0.127	(1)	(1)
Totals at historical cost	68.551	(1)	0	(1)	68.551	(1)	(1)
Total accumulated depreciation	20.829	(1)	0	(1)	20.829	(1)	(1)
Net capital assets	47.722	(1)	0	(1)	47.722	(1)	(1)

(1) The District did not restate its 2001 financial statements in this first year of implementation.

The District's fiscal year 2003 capital budget projects spending another \$307,556 for capital projects, principally for the completion of roofing projects and the Ware fire rehabilitation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Long Term Debt**

At year-end the District had \$26,932,872 million in bonds, leases and notes outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

**Bond Ratings**

The District's bonds presently carry "Aaa" ratings with underlying ratings as follows: Moody's Investor Services "A1".

**Table A-5**  
Longview Independent School District's Long Term Debt  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2001
	2002	2001	2002	2001	2002	2001	
Leases payable	.097	(1)	0	(1)	.097	(1)	(1)
Bonds payable	26.836	(1)	0	(1)	26.836	(1)	(1)
Claims payable	0	(1)	0	(1)	0	(1)	(1)
Less deferred amount							
On refundings	(0)	(1)	(0)	(1)	(0)	(1)	(1)
Total bonds & notes payable	26.933	(1)	0	(1)	26.933	(1)	(1)

(1) The District did not restate its 2001 financial statements in this first year of implementation

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Appraised value used for the 2003 budget preparation is up \$94.3 million, or 3.9% from 2002. General operating fund spending per student increases in the 2003 budget from \$5,991 to \$6,198. This is a 3.5% increase.
- The District's 2003 refined average daily attendance is expected to be \$7,775, down 1.3%.

The District's elected officials and administration considered many factors when setting the 2003 fiscal year budget and tax rate. Some of the factors were: a flat or slight decline in potential student population, an increase in the tax base, and a decrease in state revenue. The student population was projected to remain the same when it has actually now decreased by 1.3%. The District has budgeted approximately \$272,227 less in state revenues for 2003. This decrease in state revenues is attributed to a large increase in the local share of the Foundation School Program, but additional state revenue for employee health insurance costs partially offset this increase in the local share. Along with a budgeted increase in revenues, the District has budgeted an increase in General Fund and Debt Service expenditures of approximately \$94,114. There are significant increases for health insurance costs and teacher salary schedule adjustments, but there were corresponding reductions due to the elimination of capital outlay, across-the-board campus and department budget cuts, specific reductions in administrative costs, and savings resulting from an advanced refunding of limited debt.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 2003.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Respectfully Submitted,

  
Asst. Superintendent for Business Services

## Basic Financial Statements

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2002**

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 5,545,780
1225	Property Taxes Receivable (Net)	2,461,871
1240	Due from Other Governments	2,462,199
1250	Accrued Interest	929
1260	Internal Balances	-
1267	Due from Fiduciary	4,157
1290	Other Receivables (Net)	1,768,334
1300	Inventories, at Cost	335,969
1410	Deferred Expenses	197,210
Capital Assets:		
1510	Land	2,539,629
1525	Buildings, Furniture, and Equipment, Net	45,182,488
1000	<b>Total Assets</b>	<u>60,498,566</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	1,549,554
2150	Payroll Deduction & Withholdings	3,077
2160	Accrued Wages Payable	2,780,639
2180	Due to Other Governments	48,200
2200	Accrued Expenses	730,883
2300	Deferred Revenues	250,403
Noncurrent Liabilities:		
2125	Due within one year	4,936,221
2500	Due in more than one year	22,053,729
2000	<b>Total Liabilities</b>	<u>32,352,706</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	26,454,945
Restricted For:		
3820	State and Federal Programs	142,700
3850	Debt Service	301,371
3860	Capital Projects	171,379
3870	Campus Activities	129,055
3900	Unrestricted	946,410
3000	<b>Total Net Assets</b>	<u>\$ 28,145,860</u>

The accompanying notes are an integral part of this statement.

## LONGVIEW INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2002

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Government Activities:				
11	Instruction	\$ 34,472,752	\$ 590,749	\$ 6,172,061	\$ (27,709,942)
12	Instructional Resources and Media Services	1,342,615	51,982	61,029	(1,229,604)
13	Curriculum and Staff Development	812,488	36,124	214,250	(562,114)
21	Instructional Leadership	1,178,672	19,807	256,459	(902,406)
23	School Leadership	3,150,301	42,405	144,873	(2,963,023)
31	Guidance, Counseling, & Evaluation Services	2,087,536	107	244,884	(1,842,545)
32	Social Work Services	199,767	—	7,466	(192,301)
33	Health Services	444,882	262	24,833	(419,787)
34	Student Transportation	2,159,256	—	135,924	(2,023,332)
35	Food Services	3,636,363	1,120,421	2,457,201	(58,741)
36	Extracurricular Activities	1,743,043	306,805	35,275	(1,400,963)
41	General Administration	2,374,849	—	116,227	(2,258,622)
51	Plant Maintenance and Operations	6,473,344	12,301	195,764	(6,265,279)
52	Security and Monitoring Services	320,133	—	922	(319,211)
53	Data Processing Services	471,230	—	61,772	(409,458)
61	Community Services	115,323	—	29,148	(86,175)
71	Interest on Long-term Debt	1,222,982	—	11,170	(1,211,812)
72	Bond Issuance Costs and Fees	13,339	—	—	(13,339)
81	Facilities Acquisition and Construction	385,573	—	6,523	(379,050)
TG	Total Governmental Activities	<u>62,604,448</u>	<u>2,180,963</u>	<u>10,175,781</u>	<u>(50,247,704)</u>
TP	Total Primary Government	<u>\$ 62,604,448</u>	<u>\$ 2,180,963</u>	<u>\$ 10,175,781</u>	<u>(50,247,704)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				33,801,358
DT	Property Taxes, Levied for Debt Service				2,818,243
IE	Investment Earnings				285,282
GC	Grants and Contributions Not Restricted to Specific Programs				12,538,747
MI	Miscellaneous				1,548,467
	Sale of Real and Personal Property				2,679
FR	Transfers				—
TR	Total General Revenues and Transfers				<u>50,994,776</u>
CN	Change in Net Assets				<u>747,072</u>
NB	Net Assets - Beginning				<u>27,398,788</u>
NE	Net Assets - Ending				<u>\$ 28,145,860</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2002**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110	\$ 5,192,317	\$ 520,031	\$ 5,712,348
1225	2,223,156	238,715	2,461,871
1240	1,498,911	963,288	2,462,199
1250	864	35	899
1260	489,236	192,801	682,037
1290	1,650,716	11,409	1,662,125
1300	195,485	140,484	335,969
1410	189,043	-	189,043
<b>1000</b>	<b>\$ 11,439,728</b>	<b>\$ 2,066,763</b>	<b>\$ 13,506,491</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
2110	\$ 656,655	\$ 433,881	\$ 1,090,536
2150	2,119	959	3,078
2160	2,461,054	319,585	2,780,639
2170	193,149	11,604	204,753
2180	1,943	46,257	48,200
2200	671,532	59,351	730,883
2300	2,033,694	392,047	2,425,741
<b>2000</b>	<b>6,020,146</b>	<b>1,263,684</b>	<b>7,283,830</b>
<b>FUND BALANCES:</b>			
<b>Reserved Fund Balances:</b>			
3410	195,485	58,575	254,060
3420	-	301,371	301,371
3450	-	118,694	118,694
3490	1,506,864	153,060	1,659,924
<b>Designated Fund Balance:</b>			
3510	-	171,379	171,379
3600	3,717,233	-	3,717,233
<b>3000</b>	<b>5,419,582</b>	<b>803,079</b>	<b>6,222,661</b>
<b>4000</b>	<b>\$ 11,439,728</b>	<b>\$ 2,066,763</b>	<b>\$ 13,506,491</b>

The accompanying notes are an integral part of this statement.



**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2002**

Total fund balances - governmental funds balance sheet	\$ 6,222,661
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.	47,722,117
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,175,338
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	(984,308)
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,836,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(96,872)
Payables for bond interest which are not due in the current period are not reported in the funds.	(57,078)
Rounding	<u>2</u>
Net assets of governmental activities - statement of net assets	<u>\$ 28,145,860</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2002**

Data Control Codes	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 36,185,073	\$ 4,387,907	\$ 40,572,980
5800 State Program Revenues	14,339,317	1,938,877	16,278,194
5900 Federal Program Revenues	405,084	6,031,249	6,436,333
5020 Total Revenues	<u>50,929,474</u>	<u>12,358,033</u>	<u>63,287,507</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	28,861,631	4,664,687	33,526,318
0012 Instructional Resources and Media Services	1,222,837	64,349	1,287,186
0013 Curriculum Development and Instructional Staff Development	564,983	246,186	811,169
0021 Instructional Leadership	924,067	238,552	1,162,619
0023 School Leadership	3,052,093	59,912	3,112,005
0031 Guidance, Counseling, & Evaluation Services	1,911,104	159,916	2,071,020
0032 Social Work Services	198,679	—	198,679
0033 Health Services	436,024	1,792	437,816
0034 Student (Pupil) Transportation	1,912,268	51,212	1,963,480
0035 Food Services	—	3,554,569	3,554,569
0036 Cocurricular/Extracurricular Activities	1,460,821	2,047	1,462,868
0041 General Administration	2,349,868	236	2,350,104
0051 Plant Maintenance and Operations	6,450,699	287,117	6,737,816
0052 Security and Monitoring Services	327,824	—	327,824
0053 Data Processing Services	421,856	49,599	471,455
0061 Community Services	81,954	27,778	109,732
0071 Principal on Long-term Debt	132,513	1,925,486	2,057,999
0171 Interest on Long-term Debt	25,473	1,197,450	1,222,923
0072 Bond Issuance Costs and Fees	10,531	2,808	13,339
0080 Capital Outlay	1,657,888	716,725	2,374,613
6030 Total Expenditures	<u>52,003,113</u>	<u>13,250,421</u>	<u>65,253,534</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,073,639)</u>	<u>(892,388)</u>	<u>(1,966,027)</u>
Other Financing Sources and (Uses):			
7912 Sale of Real and Personal Property	2,679	—	2,679
7913 Proceeds from Capital Leases	92,780	—	92,780
7915 Operating Transfers In	775,034	1,102,232	1,877,266
7949 Other Resources	2,700,000	—	2,700,000
8911 Operating Transfers Out	(1,102,232)	(775,034)	(1,877,266)
Total Other Financing Sources and (Uses)	<u>2,468,261</u>	<u>327,198</u>	<u>2,795,459</u>
1200 Net Change in Fund Balances	1,394,622	(565,190)	829,432
0100 Fund Balances - Beginning	4,024,960	1,242,292	5,267,252
1300 Prior Period Adjustment	—	125,977	125,977
3000 Fund Balances - Ending	<u>\$ 5,419,582</u>	<u>\$ 803,079</u>	<u>\$ 6,222,661</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2002**

Net change in fund balances - total governmental funds	\$ 829,432
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,385,258
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,551,022)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	61,332
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(2,792,780)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,915,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	32,999
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	110,000
(Increase) decrease in accrued interest from beginning of period to end of period	(59)
The net revenue (expense) of internal service funds is reported with governmental activities.	(243,067)
Rounding	(21)
Change in net assets of governmental activities - statement of activities	<u>\$ 747,072</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUND**  
**AUGUST 31, 2002**

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	<b>ASSETS:</b>		
	Current Assets:		
	Receivables:		
1250	Accrued Interest	\$ 30	
1290	Other Receivables (net)	106,209	
1410	Deferred Expenditures	8,167	
	Total Current Assets	<u>114,406</u>	
1000	Total Assets	<u>\$ 114,406</u>	
	<b>LIABILITIES:</b>		
	Current Liabilities:		
	Cash Overdraft	\$ 166,568	
2110	Accounts Payable	459,020	
2170	Due to Other Funds	473,126	
	Total Current Liabilities	<u>1,098,714</u>	
2000	Total Liabilities	<u>1,098,714</u>	
	<b>NET ASSETS:</b>		
3900	Unrestricted Net Assets	(984,308)	
3000	Total Net Assets	<u>\$ (984,308)</u>	

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - INTERNAL SERVICE FUND**  
**YEAR ENDED AUGUST 31, 2002**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>OPERATING REVENUES:</b>	
5700	Local and Intermediate Sources	\$ 3,903,842
5020	Total Revenues	<u>3,903,842</u>
	<b>OPERATING EXPENSES:</b>	
6400	Other Operating Costs	4,146,909
6030	Total Expenses	<u>4,146,909</u>
	Operating Income (Loss)	<u>(243,067)</u>
	Income (Loss) before Contributions and Transfers	(243,067)
1300	Change in Net Assets	<u>(243,067)</u>
0100	Total Net Assets - Beginning	(741,241)
3300	Total Net Assets - Ending	<u>\$ (984,308)</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUND**  
**YEAR ENDED AUGUST 31, 2002**

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ 3,910,527
Cash Payments to Other Suppliers for Goods and Services	(4,439,769)
Other Operating Cash Receipts (Payments)	—
Net Cash Provided (Used) by Operating Activities	<u>(529,242)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Proceeds (Payments) from (for) Borrowings	473,474
Operating Transfers From (To) Other Funds	—
Net Cash Provided (Used) by Non-capital Financing Activities	<u>473,474</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Contributed Capital	—
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>—</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	1,075
Net Cash Provided (Used) for Investing Activities	<u>1,075</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54,693)
Cash and Cash Equivalents at Beginning of Year	(111,875)
Cash and Cash Equivalents at End of Year	<u>\$ (166,568)</u>
<b>Reconciliation of Operating Income to Net Cash   Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (243,067)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Interest on Investments	(1,075)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(53,785)
Increase (Decrease) in Accounts Payable	(223,148)
Increase (Decrease) in Interfund Payables	—
Increase (Decrease) in Accrued Expenses	(8,167)
Total Adjustments	<u>(286,175)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (529,242)</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2002**

Data Control Codes		Agency Funds
	<b>ASSETS:</b>	
1110	Cash and Cash Equivalents	\$ 168,549
1000	Total Assets	<u>\$ 168,549</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2170	Due to Other Funds	4,157
2180	Due to Other Governments	5,335
2190	Due to Student Groups	159,057
2000	Total Liabilities	<u>168,549</u>
	<b>NET ASSETS</b>	
3000	Total Net Assets	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

**A. Summary of Significant Accounting Policies**

The basic financial statements of Longview 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.

For the fiscal year ended August 31, 2002, the District implemented the new reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial reporting model has been implemented.

**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 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.

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

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.



**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

In addition, the District reports the following fund types:

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

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year 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.

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

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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.

c. 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.

d. 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 repair that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	60
Building Improvements	20
Vehicles	5-10
Office Equipment	5-10
Computer Equipment	5-10

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e. **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.

f. **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.

g. **Use of Estimates**

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

h. **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>
Expenditures exceeded appropriations in four functional categories in the General Fund and one function in the Food Service Fund.	The District will closely monitor expenditures in the future to ensure that overspending does not occur and will prepare budget amendments when necessary.

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>
Internal Service Fund	\$ <u>984,308</u>	This deficit is expected to be recovered through rate increases and the exploration of other insurance options.

**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

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waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At August 31, 2002, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$758,388 and the bank balance was \$893,389. The District's cash deposits at August 31, 2002 and during the year ended August 31, 2002, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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 general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. These custodial risk categories are as follows:

- Category 1 - Investments that are insured, registered or held by the District or by its agent in the District's name.
- Category 2 - Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the District's name.

The District's investments at August 31, 2002 are shown below. Those investments which are evidenced by securities that exist in physical or book entry form are categorized by the custodial risk categories described above.

Investment	Category			Reported Amount	Fair Value
	1	2	3		
Money Market Sweep Account	\$ 3,332,534	\$ -	\$ -	\$ 3,332,534	\$ 3,332,534
	<u>\$ 3,332,534</u>	<u>\$ -</u>	<u>\$ -</u>	3,332,534	3,332,534
Texpool				368,795	368,556
Lone Star Investment Pool - Liquidity Corporate Fund				1,254,612	1,255,969
Total Investments				<u>\$ 4,955,941</u>	<u>\$ 4,957,059</u>

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

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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 year ended August 31, 2002, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,539,629	\$ -	\$ -	\$ 2,539,629
Construction in progress	4,006,232	322,134	4,328,366	-
Total capital assets not being depreciated	<u>6,545,861</u>	<u>322,134</u>	<u>4,328,366</u>	<u>2,539,629</u>
Capital assets being depreciated:				
Buildings and improvements	54,720,512	6,216,891	447,067	60,490,336
Equipment	1,775,369	191,496	-	1,966,865
Vehicles	3,427,208	-	-	3,427,208
Assets under capital lease	143,490	92,780	109,678	126,592
Total capital assets being depreciated	<u>60,066,579</u>	<u>6,501,167</u>	<u>556,745</u>	<u>66,011,001</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,146,160)	(1,080,725)	(231,445)	(16,995,440)
Equipment	(1,152,929)	(220,370)	-	(1,373,299)
Vehicles	(2,206,795)	(231,311)	-	(2,438,106)
Assets under capital lease	(3,052)	(18,616)	-	(21,668)
Total accumulated depreciation	<u>(19,508,936)</u>	<u>(1,551,022)</u>	<u>(231,445)</u>	<u>(20,828,513)</u>
Total capital assets being depreciated, net	40,557,643	4,950,145	325,300	45,182,488
Governmental activities capital assets, net	<u>\$ 47,103,504</u>	<u>\$ 5,272,279</u>	<u>\$ 4,653,666</u>	<u>\$ 47,722,117</u>

The beginning balance of capital assets has been restated to record assets purchased in prior years, but not capitalized in the accounting records, as well as remove assets that have been disposed of. The net adjustment was \$8,386,646 and consists primarily of the costs associated with the HVAC projects in recent years.

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Depreciation was charged to functions as follows:

Instruction	\$ 809,817
Instructional Resources and Media Services	50,322
Curriculum and Staff Development	508
Instructional Leadership	11,020
School Leadership	22,291
Guidance, Counseling, & Evaluation Services	8,536
Social Work Services	151
Health Services	3,699
Student Transportation	187,059
Food Services	88,103
Extracurricular Activities	277,111
General Administration	19,875
Plant Maintenance and Operations	50,732
Security and Monitoring Services	1,938
Data Processing Services	14,452
Community Services	5,408
	<u>\$ 1,551,022</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2002, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Internal Service Funds	\$ 473,474	Short-term loans
General Fund	Other Governmental Funds	11,606	Short-term loans
General Fund	Agency Funds	4,156	Short-term loans
Other Governmental Funds	General Fund	192,801	Capital projects expenditures
	Total	<u>\$ 682,037</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, 2002, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 1,102,232	Reimburse expenditures
Other Governmental Funds	General Fund	775,034	Reimburse expenditures
	Total	<u>\$ 1,877,266</u>	

**F. Long-Term Obligations**

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

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2002, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 26,161,000	\$ 2,700,000	\$ 2,215,000	\$ 26,836,000	4,852,000
Capital leases	37,090	92,780	32,998	96,872	27,143
Total governmental activities	<u>\$ 26,198,090</u>	<u>\$ 2,792,780</u>	<u>\$ 2,247,998</u>	<u>\$ 26,932,872</u>	<u>4,879,143</u>
			Accrued interest payable		57,078
					<u>\$ 4,936,221</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2002, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2003	\$ 4,879,143	\$ 1,124,784	\$ 6,003,927
2004	2,300,508	964,555	3,265,063
2005	2,422,895	839,281	3,262,176
2006	2,536,779	721,929	3,258,708
2007	2,748,547	598,779	3,347,326
2008-2012	9,750,000	1,269,588	11,019,588
2013-2017	2,295,000	140,500	2,435,500
2018-2022	--	--	--
2023-2027	--	--	--
2028-2032	--	--	--
Totals	<u>\$ 26,932,872</u>	<u>\$ 5,659,416</u>	<u>\$ 32,592,288</u>

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2002, as follows:

<b>Year Ending August 31:</b>	
2003	\$ 32,872
2004	25,113
2005	25,113
2006	22,644
2007	3,573
2008-2012	--
2013-2017	--
2018-2022	--
Total Minimum Rentals	<u>\$ 109,315</u>
Rental Expenditures in 2002	<u>\$ 40,470</u>

The effective interest rate on capital leases is 7.500%.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

**G. Commitments Under Noncapitalized Leases**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2002, as follows:

<u>Year Ending August 31,</u>	
2003	\$ 414,468
2004	425,994
2005	215,922
Total Minimum Rentals	<u>\$ 1,056,384</u>
Rental Expenditures in 2002	<u>\$ 403,278</u>

**H. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2002, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**I. Pension Plan**

**1. Plan Description**

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

**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 years ending August 31, 2002, 2001 and 2000 were \$2,560,480, \$2,328,580 and \$2,498,067, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2002, 2001 and 2000 were \$466,679, \$419,131 and \$358,950, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,133,421.

**J. Health Care Coverage**

During the year ended August 31, 2002, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$94 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay additional contributions for themselves and their dependents. All contributions were paid to a third party administrator, acting on behalf of the District. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable January 1, 2003, and terms of coverage and contribution costs are included in the contractual provisions.



**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Reliastar, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$75,000 and for aggregate loss in excess of \$4,023,118. Claims payable included claims reported but not paid at August 31, 2002, as well as estimated claims incurred but not reported for total claims of \$459,020. A reconciliation of changes in the liability for claims for the current fiscal year is presented below:

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Year Ended August 31, 2002	\$ 682,168	\$ 3,788,569	\$ 4,011,717	\$ 459,020

**K. 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.

As of August 31, 2002, the District had certain contractual commitments with respect to unfinished construction and repair projects. The amounts of those commitments and the available funding sources are as follows:

<u>Description</u>	<u>Funding Source</u>	<u>Amount</u>
Roofing Projects	General Fund	\$ 133,764
HVAC Projects	Capital Projects Fund	168,684
Ware Fire Rehab	General Fund	<u>167,166</u>
Total Commitments		<u>\$ 469,614</u>

**2. Litigation**

The District is involved in a claim from a former employee. The case went to trial and the District did not prevail, with the plaintiff being awarded approximately \$215,000, plus interest from the date of judgment. The District appealed the decision and the Fifth Circuit Court of Appeals issued an opinion affirming the judgment of the trial court. The District filed a petition for Rehearing en banc and the entire court will rehear the case. Due to the uncertainty of this claim, no provision has been accrued in the financial statements for this claim; however, fund balance of the general fund contains a reserve for this claim. The ultimate outcome of the claim, due to the appeal in progress, cannot be determined.

**L. Shared Services Arrangements**

**Shared Services Arrangement - Fiscal Agent**

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

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<u>Member Districts</u>	<u>Expenditures</u>
Marshall ISD	\$ 120,705
Karnack ISD	18,570
Hallsville ISD	27,855
Elysian Fields ISD	27,855
Waskom ISD	37,140
Harleton ISD	9,285
Kilgore ISD	18,570
Carthage ISD	18,570
Beckville ISD	9,285
White Oak ISD	9,285
Gladewater ISD	18,570
Spring Hill ISD	27,855
Tatum ISD	18,570
Leverett's Chapel ISD	18,570
West Rusk ISD	9,285
Gilmer ISD	27,855
Ore City ISD	18,570
Pine Tree ISD	37,140
Longview ISD	74,280
Total	<u>\$ 547,815</u>

The District also participates in a shared services arrangement for math and science programs under Title II of the Dwight D. Eisenhower Professional Development Program. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region VII Education Service Center, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**M. Subsequent Events**

On December 7, 2002, voters approved a bond issue in the amount of \$14,690,000. Proceeds will be used to refinance existing contractual obligations issued in 1998, 1999, and 2001.

**N. Workers' Compensation**

The District joined together with other school districts in the East Texas area to form the East Texas Educational Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2001-02 school year, the District paid a fixed cost in the amount of \$145,884 for administration of claims, loss control, record keeping, and the cost of stop-loss insurance. Total workers' compensation claims paid amounted to \$417,609 for the year. However, the District may be required to pay, and retains the risk of loss for, workers' compensation claims up to \$452,959, the loss fund maximum. When and if other schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. The District does not anticipate any ongoing claims from District employees or from other school districts in the Association.

A reconciliation of changes in the liability for claims for the current fiscal year is presented below:

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Year Ended August 31, 2002	\$ <u>685,480</u>	\$ <u>463,012</u>	\$ <u>417,609</u>	\$ <u>730,883</u>

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

O. Successor-In-Interest Agency Fund

County education districts were established on September 1, 1992, to assess, levy, and distribute Tier 1 property tax revenues for the State's Foundation Program. The Texas Supreme Court declared that the county education districts' methodology in assessing and collecting property taxes to supplement State Foundation revenues was unconstitutional. The Supreme Court also deferred the effect of their ruling not to interfere with the collection of all 1992 and 1993 delinquent taxes. The Texas Legislature subsequently approved a new bill providing for corrective measures to school funding that eliminated county education districts. At that time, the Gregg County Education District (CED) elected Longview ISD to serve as the Successor-in-Interest for the purpose of collecting 1992 and 1993 delinquent taxes.

As Successor-In-Interest, Longview ISD collects the delinquent taxes for the CED and distributes the collections to member districts in accordance with CED allocation standards. Tax collections are recorded as receipts in a separate Agency Fund. The related distributions to member districts are summarized as follows:

<u>District</u>	<u>Amount</u>
Gladewater ISD	\$ 1,351
Kilgore ISD	1,997
Longview ISD	4,657
Pine Tree ISD	2,565
Sabine ISD	768
Spring Hill ISD	817
White Oak ISD	747
 Total	 <u>\$ 12,902</u>

The following schedule summarizes property tax activity related to the county education district as reported by member districts.

Delinquent Taxes Receivable, 08/31/01	\$ 472,568
Less Current Year Collections	(13,580)
Less Current Year Adjustments	<u>(140,744)</u>
 Delinquent Taxes Receivable, 08/31/02	 <u>\$ 318,244</u>

P. Other Reserves of Fund Balance

Other reservations of fund balance consist of the following:

<u>General Fund</u>	
Reserved for deficit in insurance fund	\$ 984,308
Reserved for settlement of lawsuit	215,000
Reserved for completion of Ware fire rehabilitation	172,802
Reserved for completion of roof repair and carpet projects	<u>134,754</u>
	<u>\$ 1,506,864</u>
 <u>Other Governmental Funds</u>	
Reserved for state technology allotment	\$ 24,008
Reserved for campus activity funds	<u>129,052</u>
	<u>\$ 153,060</u>

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2002**

Q. Prior Period Adjustment

Beginning fund balance in Other Governmental Funds has been increased by \$125,977 to properly account for campus activity funds. These had previously been reported as student activity funds.

## 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.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED AUGUST 31, 2002**

**EXHIBIT G-1**  
Page 1 of 2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 34,749,619	\$ 34,157,055	\$ 36,185,073	\$ 2,028,018
5800	State Program Revenues	11,018,134	14,112,639	14,339,317	226,678
5900	Federal Program Revenues	385,001	634,000	405,084	(228,916)
5020	Total Revenues	<u>46,152,754</u>	<u>48,903,694</u>	<u>50,929,474</u>	<u>2,025,780</u>
	<b>EXPENDITURES:</b>				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	26,123,682	28,978,708	28,861,631	117,077
0012	Instructional Resources and Media Services	1,123,730	1,241,157	1,222,837	18,320
0013	Curriculum Dev. & Instructional Staff Dev.	590,837	617,521	564,983	52,538
	Total Instruction & Instr. Related Services	<u>27,838,249</u>	<u>30,837,385</u>	<u>30,649,451</u>	<u>187,934</u>
	Instructional and School Leadership:				
0021	Instructional Leadership	873,691	961,317	924,067	37,250
0023	School Leadership	2,861,870	3,163,727	3,052,093	111,634
	Total Instructional & School Leadership	<u>3,735,561</u>	<u>4,125,044</u>	<u>3,976,160</u>	<u>148,884</u>
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	1,879,212	1,911,802	1,911,104	698
0032	Social Work Services	197,536	198,513	198,679	(166)
0033	Health Services	413,823	456,214	436,024	20,190
0034	Student (Pupil) Transportation	2,028,999	2,053,323	1,912,258	141,055
0036	Curricular/Extracurricular Activities	1,391,827	1,540,687	1,460,821	79,866
	Total Support Services - Student (Pupil)	<u>5,911,397</u>	<u>6,160,539</u>	<u>5,918,896</u>	<u>241,643</u>
	Administrative Support Services:				
0041	General Administration	2,037,427	2,299,499	2,349,868	(50,369)
	Total Administrative Support Services	<u>2,037,427</u>	<u>2,299,499</u>	<u>2,349,868</u>	<u>(50,369)</u>
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	5,698,993	6,609,930	6,450,699	159,231
0052	Security and Monitoring Services	246,552	313,044	327,824	(14,780)
0053	Data Processing Services	457,128	442,080	421,856	20,224
	Total Support Services - Nonstudent Based	<u>6,402,673</u>	<u>7,365,054</u>	<u>7,200,379</u>	<u>164,675</u>
	Ancillary Services:				
0061	Community Services	81,183	91,184	81,954	9,230
	Total Ancillary Services	<u>81,183</u>	<u>91,184</u>	<u>81,954</u>	<u>9,230</u>
	Debt Service:				
0071	Principal on Long-Term Debt	146,264	131,142	132,513	(1,371)
0171	Interest on Long-Term Debt	-	25,033	25,473	(440)
0072	Bond Issuance Costs and Fees	-	7,285	10,531	(3,246)
	Total Debt Service	<u>146,264</u>	<u>163,460</u>	<u>168,517</u>	<u>(5,057)</u>
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	1,750,616	1,657,888	92,728
	Total Capital Outlay	<u>-</u>	<u>1,750,616</u>	<u>1,657,888</u>	<u>92,728</u>
6030	Total Expenditures	<u>46,152,754</u>	<u>52,792,781</u>	<u>52,003,113</u>	<u>789,668</u>

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED AUGUST 31, 2002

EXHIBIT G-1  
 Page 2 of 2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Other Financing Sources (Uses):				
7912	Proceeds from Sale of Fixed Assets	-	-	2,679	2,679
7913	Proceeds from Capital Leases	-	-	92,780	92,780
7915	Operating Transfers In	-	775,034	775,034	-
7949	Other Resources	-	3,650,616	2,700,000	(950,616)
8911	Operating Transfers Out	-	(1,102,232)	(1,102,232)	-
	Total Other Financing Sources and (Uses)	-	3,323,418	2,468,261	(855,157)
1200	Net Change in Fund Balance	-	(565,669)	1,394,622	1,960,291
0100	Fund Balance - Beginning	4,024,960	4,024,960	4,024,960	-
3000	Fund Balance - Ending	\$ 4,024,960	\$ 3,459,291	\$ 5,419,582	\$ 1,960,291

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**CAPITAL PROJECTS FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED AUGUST 31, 2002**

EXHIBIT H-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ --	\$ --	\$ 14,595	\$ 14,595
5020	Total Revenues	<u>    --</u>	<u>    --</u>	<u>14,595</u>	<u>14,595</u>
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	<u>    --</u>	<u>395,430</u>	<u>238,685</u>	<u>156,745</u>
	Total Support Services - Nonstudent Based	<u>    --</u>	<u>395,430</u>	<u>238,685</u>	<u>156,745</u>
	Capital Outlay:				
0081	Facilities Acquisition and Construction	<u>    --</u>	<u>709,727</u>	<u>709,688</u>	<u>39</u>
	Total Capital Outlay	<u>    --</u>	<u>709,727</u>	<u>709,688</u>	<u>39</u>
6030	Total Expenditures	<u>    --</u>	<u>1,105,157</u>	<u>948,373</u>	<u>156,784</u>
	Other Financing Sources (Uses):				
7915	Operating Transfers In	<u>    --</u>	<u>1,102,232</u>	<u>1,102,232</u>	<u>    --</u>
8911	Operating Transfers Out	<u>    --</u>	<u>(775,034)</u>	<u>(775,034)</u>	<u>    --</u>
	Total Other Financing Sources and (Uses)	<u>    --</u>	<u>327,198</u>	<u>327,198</u>	<u>    --</u>
1200	Net Change in Fund Balance	<u>    --</u>	<u>(777,959)</u>	<u>(606,580)</u>	<u>171,379</u>
0100	Fund Balance - Beginning	<u>777,959</u>	<u>777,959</u>	<u>777,959</u>	<u>    --</u>
3000	Fund Balance - Ending	<u>\$ 777,959</u>	<u>\$ --</u>	<u>\$ 171,379</u>	<u>\$ 171,379</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.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**YEAR ENDED AUGUST 31, 2002**

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
1993 and Prior Years	\$ Various	\$ Various	\$ Various
1994	1.2494	.1306	1,622,957,932
1995	1.2632	.1168	1,661,820,330
1996	1.27	.11	1,788,909,034
1997	1.2631	.1324	1,866,128,699
1998	1.2631	.1467	2,145,009,222
1999	1.2911	.1377	2,358,054,088
2000	1.3387	.1001	2,046,438,236
2001	1.384	.0902	2,384,838,232
2002 (School Year Under Audit)	1.4342	.12	2,323,115,236

1000 Totals

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

10 Beginning Balance 9/1/01	20 Current Year's Total Levy	30 Maintenance Collections	30a Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/02
\$ 262,767	\$ -	\$ 5,351	\$ 3,016	\$ (21,190)	\$ 233,210
116,879	-	5,248	549	(2,888)	108,194
113,988	-	7,794	721	(1,804)	103,667
136,493	-	9,432	817	(1,884)	124,360
154,897	-	11,638	1,220	(1,552)	140,487
198,926	-	19,251	2,236	(14,721)	162,718
184,184	-	20,836	2,222	(2,015)	159,111
397,714	-	69,913	5,228	(24,385)	298,188
1,107,631	-	539,893	35,187	(32,251)	500,300
-	36,105,857	32,512,075	2,720,296	175,934	1,049,420
<u>\$ 2,673,477</u>	<u>\$ 36,105,857</u>	<u>\$ 33,201,432</u>	<u>\$ 2,771,491</u>	<u>\$ 73,244</u>	<u>\$ 2,879,655</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2003-2004  
 GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED AUGUST 31, 2002

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	\$ --	\$ --	\$ 296,906	\$ 955,662	\$ 63,692	\$ 114,070	\$ 1,430,330
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	--	--	96,833	--	--	--	96,833
6212	Audit Services	--	--	--	19,150	--	--	19,150
6213	Tax Appraisal and Collection	--	554,335	--	--	--	--	554,335
621X	Other Prof. Services	1,941	--	--	18,766	929	--	21,636
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	4,316	--	--	4,316
6240	Contr. Maint. and Repair	--	--	--	--	1,202	--	1,202
6250	Utilities	--	--	--	--	2,613	--	2,613
6260	Rentals	--	--	--	24,599	--	--	24,599
6290	Miscellaneous Contr.	--	--	9,785	25,294	9,362	236	44,677
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	1,710	570	494	--	2,774
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	888	--	1,736	64,571	7,899	--	75,094
6410	Travel, Subsistence, Stipends	7,909	--	4,476	13,021	3,890	--	29,296
6420	Ins. and Bonding Costs	20,528	--	--	--	--	--	20,528
6430	Election Costs	689	--	--	--	--	--	689
6490	Miscellaneous Operating	6,424	--	6,416	23,918	37,184	--	73,942
6500	Debt Service	--	--	--	--	--	11,782	--
6600	Capital Outlay	--	--	--	--	--	--	11,782

Total \$ 38,379 \$ 554,335 \$ 417,862 \$ 1,149,867 \$ 127,265 \$ 126,088 \$ 2,413,796

Total expenditures for General and Special Revenue Funds (9) \$ 61,190,587

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,765,879
Total Debt & Lease (6500)	(11)	\$ 179,687
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 6,463,232
Food (Function 35, 6341 and 6499)	(13)	\$ 1,215,678
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 1,149,867

Subtotal 11,774,343

Net Allowed Direct Cost \$ 49,416,244

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ --
Historical Cost of Buildings over 50 years old	(16)	--
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	--
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$63,692 in Function 53 expenditures are included in this report on administrative costs.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2002**

EXHIBIT J-3

<u>Data Control Codes</u>		
1	Total General Fund Fund Balance as of August 31, 2002 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>5,419,582</u>
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>1,702,349</u>
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>—</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues)	<u>—</u>
5	Estimate of one month's average cash disbursements during the regular school session (9/1/02 - 5/31/03)	<u>4,067,601</u>
6	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5)	<u>5,769,950</u>
7	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 6)	\$ <u>(350,368)</u>

If Item 7 is a Positive Number

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED AUGUST 31, 2002**

**EXHIBIT J-4**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 1,190,935	\$ 1,190,935	\$ 1,122,942	\$ (67,993)
5800	State Program Revenues	32,000	153,577	84,143	(69,434)
5900	Federal Program Revenues	2,139,000	2,139,000	2,310,153	171,153
5020	Total Revenues	<u>3,361,935</u>	<u>3,483,512</u>	<u>3,517,238</u>	<u>33,726</u>
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	3,361,935	3,483,512	3,504,246	(20,734)
	Total Support Services - Student (Pupil)	<u>3,361,935</u>	<u>3,483,512</u>	<u>3,504,246</u>	<u>(20,734)</u>
6030	Total Expenditures	<u>3,361,935</u>	<u>3,483,512</u>	<u>3,504,246</u>	<u>(20,734)</u>
1200	Net Change in Fund Balance	--	--	12,992	12,992
0100	Fund Balance - Beginning	144,370	144,370	144,370	--
3000	Fund Balance - Ending	<u>\$ 144,370</u>	<u>\$ 144,370</u>	<u>\$ 157,362</u>	<u>\$ 12,992</u>

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED AUGUST 31, 2002**

EXHIBIT J-5

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 2,804,609	\$ 2,804,609	\$ 2,839,497	\$ 34,888
5800	State Program Revenues	312,158	312,158	304,591	(7,567)
5020	Total Revenues	<u>3,116,767</u>	<u>3,116,767</u>	<u>3,144,088</u>	<u>27,321</u>
	<b>EXPENDITURES:</b>				
	Debt Service:				
0071	Principal on Long-Term Debt	1,915,000	1,915,000	1,915,000	-
0171	Interest on Long-Term Debt	1,196,767	1,196,767	1,196,766	1
0072	Bond Issuance Costs and Fees	4,810	4,810	2,808	2,002
	Total Debt Service	<u>3,116,767</u>	<u>3,116,767</u>	<u>3,114,574</u>	<u>2,193</u>
6030	Total Expenditures	<u>3,116,767</u>	<u>3,116,767</u>	<u>3,114,574</u>	<u>2,193</u>
1200	Net Change in Fund Balance	-	-	29,514	29,514
0100	Fund Balance - Beginning	271,857	271,857	271,857	-
3000	Fund Balance - Ending	<u>\$ 271,857</u>	<u>\$ 271,857</u>	<u>\$ 301,371</u>	<u>\$ 29,514</u>

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# KAREN A. JACKS & ASSOCIATES, P.C.

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## Independent Auditors' Report

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

Board of Trustees  
Longview Independent School District  
1301 E. Young  
Longview, Texas 75606

Members of the Board of Trustees:

We have audited the basic financial statements of Longview Independent School District as of and for the year ended August 31, 2002, and have issued our report thereon dated December 17, 2002. 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.

### Compliance

As part of obtaining reasonable assurance about whether Longview Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS which are described in the accompanying schedule of findings and questioned costs as items 2002-01 and 2002-02. We also noted certain immaterial instances of noncompliance that we have reported to management of Longview Independent School District in a separate letter dated December 17, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Longview Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the basic 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.

We also noted other matters involving the internal control over financial reporting that we have reported to management of Longview Independent School District in a separate letter dated December 17, 2002.

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.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.

December 17, 2002

# KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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## 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  
Longview Independent School District  
1301 E. Young  
Longview, Texas 75606

Members of the Board of Trustees:

### Compliance

We have audited the compliance of Longview Independent School District with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended August 31, 2002. Longview Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Longview Independent School District's management. Our responsibility is to express an opinion on Longview 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 Longview 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 Longview Independent School District's compliance with those requirements.

In our opinion, Longview Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2002.

### Internal Control Over Compliance

The management of Longview 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 Longview 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 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 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.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
December 17, 2002

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2002**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' 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?   X   Yes      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 auditors' 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>
84.010	ESEA Title I Part A
84.340	ESEA Title VI - Class Size Reduction Program

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

Auditee qualified as low-risk auditee?   X   Yes      No

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2002**

**B. Financial Statement Findings**

**#2002-01**

Expenditures exceeded appropriations in the following functional areas:

**General Fund**

- Function 32 - Social Work Services
- Function 41 - General Administration
- Function 52 - Security and Monitoring Services
- Function 71 - Debt Service

**National School Lunch and Breakfast Program Fund**

- Function 35 - Food Services

**#2002-02**

The Insurance Internal Service Fund reported a deficit fund balance at August 31, 2002.

**C. Federal Award Findings and Questioned Costs**

NONE

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED AUGUST 31, 2002**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p><u>Finding #2001-01</u>            The District's Board of Trustees approved a budget amendment for TRS on-behalf payments at the fund level, but not at the function level as required by law.</p>	<p>All budget amendments were properly approved at the function level during the year ended August 31, 2002.</p>	
<p><u>Finding #2001-02</u>            The Insurance Internal Service Fund had a deficit retained earnings at August 31, 2001.</p>	<p>Repeat. See 2002-02.</p>	

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**YEAR ENDED AUGUST 31, 2002**

The person responsible for implementing this corrective action plan is Zane Beck, Assistant Superintendent of Business Services. The corrective actions discussed below will be implemented immediately.

#2002-01

Although the District amended the budget 14 times last year, the functional overspending occurred due to end of year adjustments. We will continue to monitor the budget each month and provide for adjustments as necessary. Closer scrutiny during the latter months of the year will occur in all future fiscal years.

#2002-02

The District has reserved fund balance in the general fund in an amount equal to the deficit in the internal service fund. The rate structure implemented in September, 2002, provides for the recovery of this deficit over the next two years. The District is also investigating the State Health Insurance Plan for future participation by our staff. Decisions regarding the stability of the self-funded plan will be made in the upcoming months.



**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2002**

**EXHIBIT K-1**  
Page 1 of 2

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed Through Region XX Education Service Center:			
Child Care Development Block Grant *	93.575	T071	\$ 16,614
Total U. S. Department of Health and Human Services			<u>16,614</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	2610103092903	1,892,699
ESEA Title I Part A - Improving Basic Programs	84.010	3610101092903	133,839
Total CFDA Number 84.010			<u>2,026,538</u>
IDEA-B Formula	84.027	2660001092903	892,380
IDEA-B Formula	84.027	3660001092903	66,694
IDEA-B Discretionary	84.027	2661404092903	13,194
IDEA-B Deaf	84.027	2660101092903	21,422
Total CFDA Number 84.027			<u>993,689</u>
Vocational Education - Basic Grant	84.048	242000609290307	54,777
Vocational Education - Basic Grant	84.048	342000609290307	81
Total CFDA Number 84.048			<u>54,858</u>
IDEA-B Preschool	84.173	2661001092903	25,860
IDEA-B Preschool	84.173	3661001092903	2,349
IDEA-B Preschool Deaf	84.173	2661101092903	1,908
Total CFDA Number 84.173			<u>30,117</u>
IDEA-C Early Intervention (Deaf)	84.181	2391101092903	222
ESEA Title IV Safe & Drug Free Schools & Communities	84.186	2691001092903	114,389
ESEA Title IV Safe & Drug Free Schools & Communities	84.186	3691001092903	616
Total CFDA Number 84.186			<u>115,005</u>
ESEA Title VI - Innovative Education Program Strategies	84.298	2685001092903	59,980
Title V, Part A Innovative	84.298	3685001092903	2,385
Total CFDA Number 84.298			<u>62,365</u>
ESEA Title VI - Class Size Reduction Program	84.340	2686001092903	340,781
ESEA Title VI - Class Size Reduction Program	84.340	3686001092903	36,445
Total CFDA Number 84.340			<u>377,226</u>
Total Passed Through State Department of Education			<u>3,660,020</u>
Total U. S. Department of Education			<u>3,660,020</u>
<b><u>U. S. DEPARTMENT OF DEFENSE</u></b>			
Direct Program:			
ROTC	12.000	092-903	56,069
Total U. S. Department of Defense			<u>56,069</u>
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Education:			
Food Distribution	10.550	092-903	186,648
School Breakfast Program *	10.553	092-903	559,603

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2002**

**EXHIBIT K-1**  
**Page 2 of 2**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National School Lunch Program *	10.555	092-903	1,563,902
Summer Feeding Program *	10.559	092-903	61,398
Total Passed Through State Department of Education			<u>2,371,551</u>
Total U. S. Department of Agriculture			<u>2,371,551</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Passed Through Texas Department of Public Safety:			
Public Assistance Grant	83.544	092-903	56,509
Total Federal Emergency Management Agency			<u>56,509</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 6,160,763</u></u>

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

The accompanying notes are an integral part of this schedule.

**LONGVIEW INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED AUGUST 31, 2002**

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Longview 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.

Note B - Reconciliation of Schedule of Expenditures of Federal Awards to Total Federal Revenues

The accompanying schedule of expenditures of federal awards (SEFA) does not include certain amounts that are federal-source revenues but are not considered "federal financial assistance" for SEFA reporting purposes. A reconciliation follows:

Total Federal Expenditures, Exhibit K-1	\$ 6,160,763
Other Federal Revenue Sources:	
School Health and Related Services (SHARS)	194,815
Medicaid Administrative Claiming (MAC)	<u>80,755</u>
Total Federal Revenues, Exhibit C-2	<u>\$ 6,436,333</u>

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