

DECATUR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

Introductory Section

Decatur Independent School District
Annual Financial Report
For The Year Ended August 31, 2013

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CERTIFICATE OF BOARD

Decatur Independent School District
Name of School District

Wise
County

249-905
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, 2013, at a meeting of the board of trustees of such school district on the 16 day of December, 2013.

Jeff Elder

Board Secretary

Kevin Haney

Board President

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

Financial Section



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Decatur Independent School District
501 East Collins
Decatur, Texas 76234

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Decatur Independent School District as of August 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Decatur Independent School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information, except for Exhibit J-3, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Exhibit J-3 of the other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of Decatur Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decatur Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
December 12, 2013

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report and the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$23,550,594 (*net position*). Of this amount, \$17,650,709 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$21,795,880. Approximately 29 percent of this total amount, \$6,511,351, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,511,351, or 22 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 17-22 of this report.

- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District has no enterprise funds. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its health insurance. The basic proprietary financial statements can be found on pages 23-25 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and 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 position can be found on page 26.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 42-44 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$23,550,594 as of August 31, 2013.

The District's Net Position

	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Current assets	\$ 25,855,047	\$ 24,584,461
Capital assets	<u>74,232,699</u>	<u>76,147,166</u>
Total assets	<u>100,087,746</u>	<u>100,731,627</u>
Current liabilities	2,855,386	1,437,589
Long-term liabilities outstanding	<u>73,681,766</u>	<u>75,808,336</u>
total liabilities	<u>76,537,152</u>	<u>77,245,925</u>
Net position:		
Net investment in capital assets	847,828	709,575
Restricted	5,052,057	5,099,152
Unrestricted	<u>17,650,709</u>	<u>17,676,975</u>
Total net position	<u>\$ 23,550,594</u>	<u>\$ 23,485,702</u>

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) is (\$847,828). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$5,052,057, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net

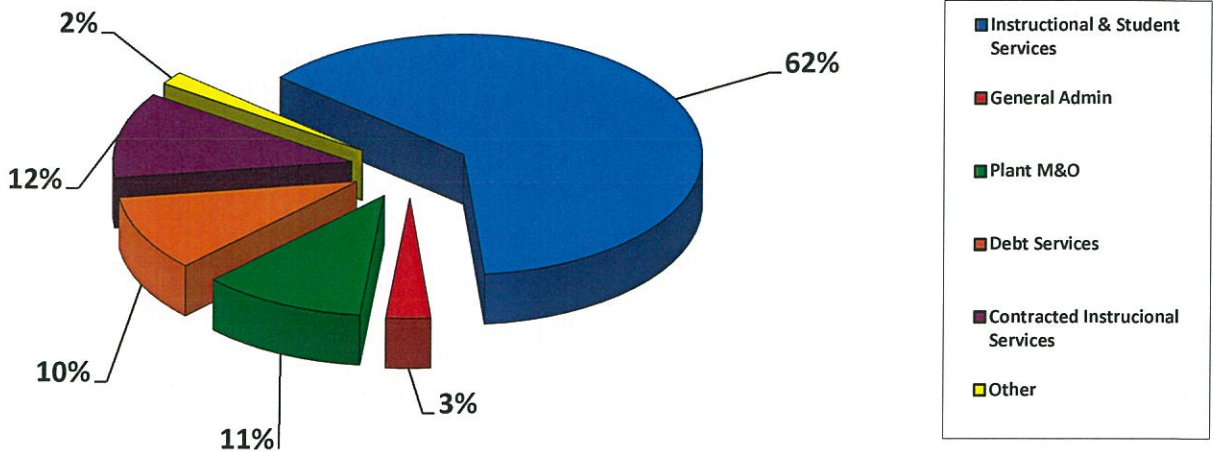
position, \$17,650,709, may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net position increased \$64,892. The total cost of all *governmental activities* this year was \$38,661,371. The amount that our taxpayers paid for these activities through property taxes was \$30,854,956 or 79%.

Changes in the District's Net Position

	Fiscal Year August 31, 2013	Fiscal Year August 31, 2012
Revenues:		
Program revenues		
Charges for services	\$ 660,184	\$ 747,984
Operating grants and contributions	2,899,953	3,682,262
General revenues		
Property taxes	30,854,956	29,012,798
State grants	3,802,165	7,168,031
Other	509,005	392,891
Total revenues	38,726,263	41,003,966
Expenses:		
Instruction	16,413,696	16,104,881
Instruction resources and media services	581,806	524,005
Curriculum and staff development	210,610	189,323
Instructional leadership	306,529	281,435
School leadership	1,867,532	1,822,122
Guidance, counseling & evaluation services	971,906	949,339
Health services	272,423	292,139
Student transportation	1,042,652	1,014,049
Food service	1,449,724	1,388,833
Cocurricular/Extracurricular activities	1,029,736	999,853
General administration	1,163,993	1,153,662
Plant maintenance and operations	4,260,976	4,497,621
Security and monitoring services	94,342	65,131
Data processing services	189,678	193,355
Community Services	14,745	11,167
Debt service-interest on long-term debt	3,899,224	3,107,041
Debt service-bond issuance costs	49,158	748,693
Capital Outlay	37,033	107,043
Contracted instructional services between schools	4,472,779	5,511,516
Payments related to shared service arrangements	64,961	83,756
Other Intergovernmental Charges	267,868	267,289
Total expenses	38,661,371	39,312,253
Changes in net position	64,892	1,691,713
Beginning net position	23,485,702	21,793,989
Ending net position	\$ 23,550,594	\$ 23,485,702

Expenditures by Function



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$21,795,880, a decrease of \$288,118. Approximately 29 percent of this total amount (\$6,511,351) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* or *committed* to indicate that it is not available for new spending because it has already been restricted (1) to pay debt service (\$2,274,131), (2) for construction and capital acquisitions (\$2,221,860), (3) for grant restrictions (\$662), and (4) other fund balance restrictions (\$394,221), and committed for (1) construction (\$8,120,659), (2) for capital expenditures and equipment (\$1,500,000), (3) for self-insurance (\$100,000), and (4) other commitments (\$672,996).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,511,351, out of a total fund balance of \$11,761,351. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 22 percent of the total general fund expenditures, while total general fund balance represents 40 percent of that same amount.

The fund balance of the District's general fund increased \$305,708 during the current fiscal year. Key factors in this increase are:

- Conservative budgeting by the District's finance department
- Actual utility expenditures were less than budgeted and less than anticipated
- Continued monitoring of the budget by the District to purchase items efficient to District operations

The debt service fund has a total fund balance of 2,274,131, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$373,288.

The capital projects fund has a total fund balance of \$7,292,519 consisting of committed of \$5,070,659 and restricted from external restrictions of \$2,221,860. The net decrease in fund balance during the period was \$1,169,804.

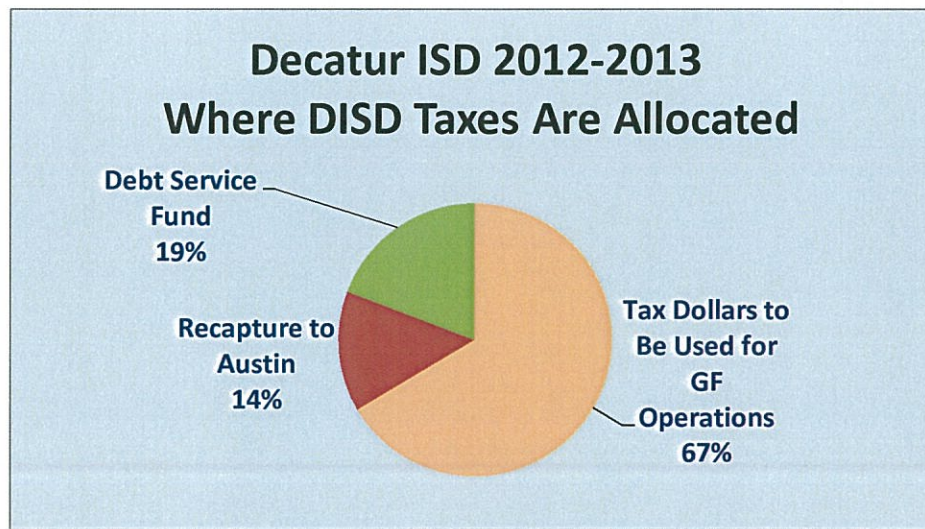
General Fund Budgetary Highlights

A. Summary of Combined Tax Funds

The combined funds from taxes and other local revenue requiring official Decatur ISD Board of Trustee adoption include the General Fund, the Food Service Fund, and the Debt Service Fund. Other funds not detailed herein include special revenue funds and trust & agency funds. Those latter funds are not generally supported by local tax dollars. A summary of the combined tax funds follows.

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Debt Service (I&S)</u>	<u>Totals</u>
Revenue				
Local Revenue	\$ 24,045,615	\$ 550,000	\$ 5,622,096	\$ 30,217,711
State Revenue	5,532,018	10,000	-	5,542,018
Federal Revenue	33,150	690,000	-	723,150
Transfers Into Fund	-	130,000	-	130,000
Total Revenue & Transfer	29,610,783	1,380,000	5,622,096	36,612,879
Expenditures & Transfers				
Expenditures for Operations	25,319,491	1,380,000	5,801,496	32,500,987
Transfer to Cafeteria Fund	130,000	-	-	130,000
Local Recapture to Austin	4,161,292	-	-	4,161,292
	29,610,783	1,380,000	5,801,496	36,792,279
Budgeted Net Gain or Loss*	\$ -	\$ -	\$ (179,400)	\$ (179,400)

*(+ Indicated a budgeted fund balance surplus and a "-" indicates a use of prior year's fund balance)



B. Property Values

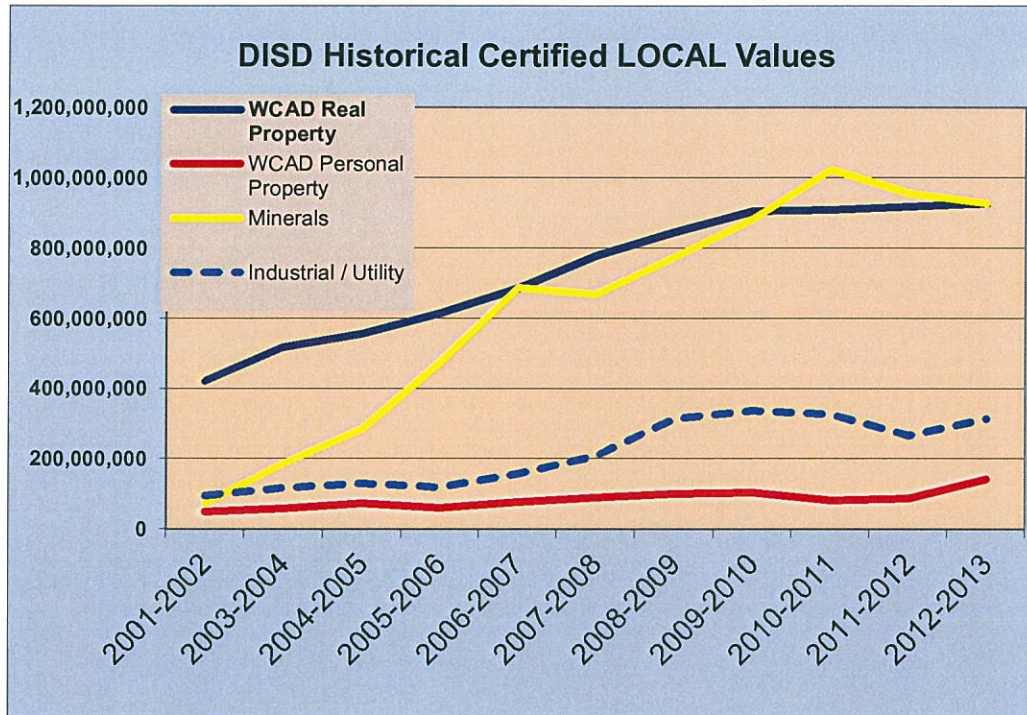
The July 25, 2012 certified tax roll showed an increase in the total taxable value within the District as follows.

	Decatur ISD						Inc/(Dec)	%
	Summary of WCAD Property Values							
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013			
	Certified	Certified	Certified	Certified	Certified			
WCAD Real Property	844,983,264	906,296,066	908,825,163	918,456,776	928,359,275	9,902,499	1%	
WCAD Personal Propert	101,162,339	103,594,688	81,539,769	87,443,577	141,628,520	54,184,943	62%	
Minerals	774,338,480	883,896,460	1,024,799,760	957,183,500	927,206,100	-29,977,400	-3%	
Industrial / Utility	313,001,770	336,712,890	326,025,840	265,748,920	313,201,570	47,452,650	18%	
TOT. TAXABLE VALUE	2,033,485,853	2,230,500,104	2,341,190,532	2,228,832,773	2,310,395,465	81,562,692	4%	
Percent Increase		10%	5%	-5%	4%			

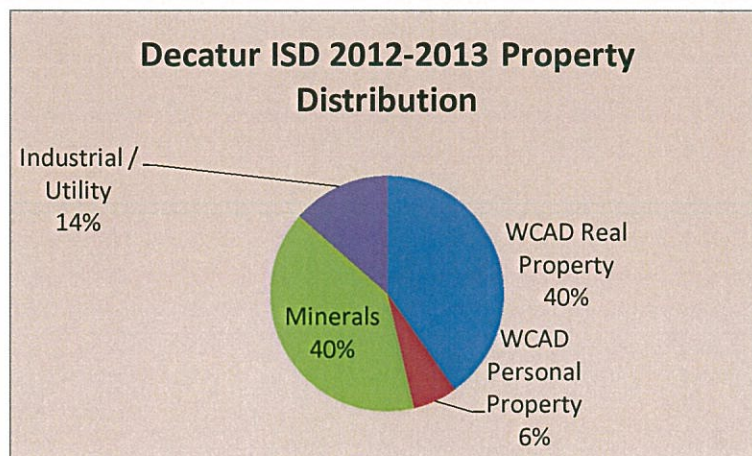
Real property, personal property and industrial property has increased while there has been a slight decline in mineral values.

A summary of the historical values is shown below.

Real Estate	Increased	+1%
Personal Property	Increased	+62%
Minerals	Decreased	-3%
Industrial & Utility	Increased	18%
Total Change	Decreased	+4%



The percentage of each value of property is detailed in the graph below. Note that while minerals entitles a large percentage of the District's values, based on current technology, the minerals which make up Decatur ISD may actually have a twenty to thirty year longevity. Of course, tax policy and future market value will have a significant impact on any future values.

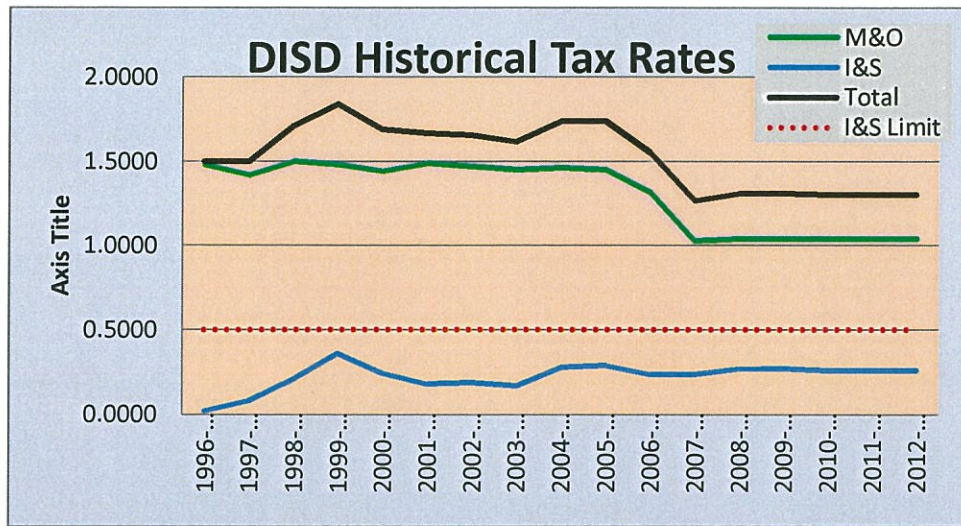


Tax Rates

A school district's property tax rate is made up of an M&O tax rate and, if applicable, an I&S tax rate. As its name suggests, the M&O tax rate provides funds for the maintenance and operations costs of a school district. The I&S tax rate provides funds for payments on the debt that finances a district's facilities.

Tax rate necessary to fund proposed budget is \$1.04 for M&O and \$0.26 for the I&S.

	2009-2010	2010-2011	2011-2012	2012-2013
Maintenance & Operations	\$1.04	\$1.04	\$1.04	\$1.04
Debt Service	0.27	0.26	0.26	0.26
Total	\$1.31	\$1.30	\$1.30	\$1.30



General Fund Summary: Revenue and Expenditures

	2011-2012	2012-2013	Inc/Dec
<u>Revenue</u>			
Tax Collections	\$ 22,639,967	\$ 23,562,315	\$ 922,348
Other Local Revenue	421,331	483,300	61,969
Total Local Revenue	23,061,298	24,045,615	984,317
State Revenue	8,442,692	5,532,018	(2,910,674)
Federal Revenue	30,000	33,150	3,150
Total Revenue	31,533,990	29,610,783	(1,923,207)
<u>Expenditures & Transfers</u>			
Expenditures for Operations	25,909,992	25,319,491	(590,501)
Transfer to Cafeteria Fund	150,000	130,000	(20,000)
Local Recapture to Austin	5,473,998	4,161,292	(1,312,706)
	31,533,990	29,610,783	(1,923,207)
Net Gain or Loss*	\$ -	\$ -	\$ -

*(+ Indicated a budgeted fund balance surplus and a "-" indicates a use of prior year's fund balance)

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2013, amounts to \$74,232,699 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Land	\$ 1,998,567	\$ 1,998,567
Buildings and improvements	68,773,404	71,163,280
Furniture and equipment	2,669,516	2,985,319
Construction in progress	791,212	-
Total at historical cost	<u>\$ 74,232,699</u>	<u>\$ 76,147,166</u>

Additional information on the District's capital assets can be found in Note C on page 34 of this report.

Long-term debt. As of August 31, 2013, the District had total general obligation bonded debt outstanding of \$64,997,612, a decrease of \$3,665,000 from the prior year. Notes payable outstanding is \$590,000, a decrease of \$180,000 from the prior year. Accretion on CAB's increased \$749,065 for fiscal year 2013, resulting in an ending balance of \$5,737,319. The premium on bonds is \$2,546,835, an increase of \$1,159,365 from the previous year.

Additional information on the District's long-term debt can be found in Note E on pages 35-36 of this report.

Economic Factors and Next Year's Budgets and Rates

General Fund Summary: Revenue and Expenditures

	<u>2012-2013</u>	<u>2013-2014</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ 23,562,315	\$ 23,088,346	\$ (473,969)
Other Local Revenue	483,300	386,941	(96,359)
Total Local Revenue	<u>24,045,615</u>	<u>23,475,287</u>	<u>(570,328)</u>
State Revenue	5,532,018	6,023,064	491,046
Federal Revenue	33,150	30,000	(3,150)
Total Revenue	<u>29,610,783</u>	<u>29,528,351</u>	<u>(82,432)</u>
<u>Expenditures & Transfers</u>			
Expenditures for Operations	25,319,491	25,565,258	245,767
Transfer to Cafeteria Fund	130,000	130,000	-
Local Recapture to Austin	4,161,292	3,833,093	(328,199)
	<u>29,610,783</u>	<u>29,528,351</u>	<u>(82,432)</u>
Net Gain or Loss*	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(+ Indicated a budgeted fund balance surplus and a "-" indicates a use of prior year's fund balance)

Key features of the above general fund summary include:

- The tax rate necessary to fund this general fund budget is maintained at \$1.0400.
- The actual amount of funding budgeted for operations, has increased \$245,767.
- Total salary and benefit costs have increased from a budgeted amount of \$19,885,771 to \$20,227,008, or by \$341,237.
- Non-salary expenditures, net of recapture, have decreased by a budgeted amount of \$95,470. This means, outside of labor, *the Administration has reduced the general fund operations budget*, by \$95,470.
- Budgeted tax collections are down \$473,969. Recapture is down \$328,199. Note that a decrease in the \$473,969 of tax collections results in only a \$145,770 reduction. Additionally, State revenue is up \$491,046 while local revenue (non-tax revenue such as rent and athletic admissions) is budgeted down \$96,359. After these considerations, the net amount of funds available for operations, including increased labor costs, is \$245,767. This matches the amount of actual increase budgeted expenditures net of recapture.
- The transfer to cafeteria remains the same as the prior year, \$130,000.
- Contracted services have decreased by \$581,443. This was due partially to a reclassification of software previously classified as contracted services to software or supplies. The supplies and materials has increased by \$251,242.
- Fees and travel have had a budgeted decrease of \$12,438.
- Debt service in the general fund is a result of \$1.7M of tax and revenue notes used to acquire buses (see function 71 detail). This object has increased \$3,970 due to the schedule payment amounts.
- Facilities improvements budgeted in the general fund have decreased from \$75,000 to \$5,000. It is expected that for 2013-2014 the Administration will use the a portion of the 2008 bond funds and a portion of the Local Construction Fund 681 for district improvements.

Food Service Fund Summary: Revenue and Expenditures

	<u>2012-2013</u>	<u>2013-2014</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ -	\$ -	\$ -
Other Local Revenue	550,000	540,000	(10,000)
Total Local Revenue	550,000	540,000	(10,000)
State Revenue	10,000	10,000	-
Federal Revenue	690,000	700,000	10,000
Transfer In	130,000	130,000	-
Total Revenue	<u>1,380,000</u>	<u>1,380,000</u>	<u>-</u>
<u>Expenditures & Transfers</u>			
Expenditures for Opera	<u>1,380,000</u>	<u>1,380,000</u>	<u>-</u>
	<u>1,380,000</u>	<u>1,380,000</u>	<u>-</u>
Net Gain or Loss*	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(+ Indicated a budgeted fund balance surplus and a "-" indicates a use of prior year's fund balance)

Debt Service Fund Summary: Revenue and Expenditures

	<u>2012-2013</u>	<u>2013-2014</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ 5,617,096	\$ 5,466,618	\$(150,478)
Other Local Revenue	5,000	10,000	5,000
Total Local Revenue	5,622,096	5,476,618	(145,478)
State Revenue	-	-	-
Federal Revenue	-	-	-
Transfer In	-	-	-
Total Revenue	5,622,096	5,476,618	(145,478)
<u>Expenditures & Transfers</u>			
Expenditures for Operations	5,801,496	5,677,828	(123,668)
	5,801,496	5,677,828	(123,668)
Net Gain or Loss*	\$ (179,400)	\$ (201,210)	\$ (21,810)

*("+" Indicates a budgeted fund balance surplus and a "-" indicates a use of prior year's fund balance)

Key features of the above debt-service fund summary include:

- The tax rate necessary to fund this debt service budget is maintained at \$0.2600.
- Approximately \$201,210 represents a planned use of fund balance to maintain the current I&S tax rate.
- While no delinquent penalty and interest is used for purposes of the State Comptrollers estimated calculations, the District most likely will receive some delinquent penalty and interest revenue which will reduce the amount of actual funds budgeted from fund balance for Debt Service.

Teacher Step and Salary Scale Increases

Following are some of the key aspects of the presented teacher, nurse, counselor salary scales.

Decatur ISD Key Aspects of 2013-2014 Teacher, Nurse, and Counselor Scale		
Days / Months:	187 days / 10 months	
Pay for Additional Days:	Pro-rata additional daily rate based on the state salary scale	
BS/BA Above State at Step 0:	\$15,680	
BS/BA Above State at Step 40+:	\$20,130	
Required Steps / DISD Steps:	20 steps required / DISD to step 40+	
Approximate Average increase:	3%	
Out-of-District Penalty:	Removed in 2011-2012	
Additional Increase to Steps 1-10:	\$\$275-\$1,400	
Smallest Actual Cash Increase:	\$1,400	
Largest Actual Cash Increase:	\$1,400	
Average Step Increase:	\$1,400	
Salary @ 187 days:	\$43,000 (BA/BS)	\$43,800 (MA/MA/PhD)
Maximum Salary @ 187 days:	\$64,400 (BA/BS)	\$65,200 (MA/MS/PhD)

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, Decatur I.S.D., 501 East Collins, Decatur, Texas, 76234.

Basic Financial Statements

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 8,604,711
1120	Current Investments	15,540,856
1225	Property Taxes Receivable (Net)	810,031
1240	Due from Other Governments	269,880
1250	Accrued Interest	5,498
1267	Due from Fiduciary	13,669
1290	Other Receivables (Net)	3,298
1300	Inventories	13,999
1420	Capitalized Bond and Other Debt Issuance Costs	593,105
Capital Assets:		
1510	Land	1,998,567
1520	Buildings and Improvements, Net	68,773,404
1530	Furniture and Equipment, Net	2,669,516
1580	Construction in Progress	791,212
1000	Total Assets	<u>100,087,746</u>
LIABILITIES:		
2110	Accounts Payable	577,597
2120	Short-Term Debt Payable	190,000
2140	Interest Payable	106,210
2165	Accrued Liabilities	641,057
2177	Due to Fiduciary	3,810
2180	Due to Other Governments	287,394
2300	Unearned Revenue	1,049,318
Noncurrent Liabilities:		
2501	Due Within One Year	3,225,000
2502	Due in More Than One Year	70,456,766
2000	Total Liabilities	<u>76,537,152</u>
NET POSITION		
3200	Net Investment in Capital Assets	847,828
Restricted For:		
3820	Federal and State Programs	662
3850	Debt Service	2,435,314
3860	Capital Projects	2,221,860
3880	Scholarships	204,359
3890	Other Purposes	189,862
3900	Unrestricted	17,650,709
3000	Total Net Position	<u>\$ 23,550,594</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	<i>Instruction</i>	\$ 16,413,696	\$ 103,417	\$ 1,347,102	\$ (14,963,177)
12	<i>Instructional Resources and Media Services</i>	581,806	--	19,127	(562,679)
13	<i>Curriculum and Staff Development</i>	210,610	--	6,924	(203,686)
21	<i>Instructional Leadership</i>	306,529	--	10,077	(296,452)
23	<i>School Leadership</i>	1,867,532	--	61,394	(1,806,138)
31	<i>Guidance, Counseling, & Evaluation Services</i>	971,906	--	249,686	(722,220)
33	<i>Health Services</i>	272,423	--	8,956	(263,467)
34	<i>Student Transportation</i>	1,042,652	--	37,349	(1,005,303)
35	<i>Food Service</i>	1,449,724	436,140	765,860	(247,724)
36	<i>Cocurricular/Extracurricular Activities</i>	1,029,736	91,195	33,852	(904,689)
41	<i>General Administration</i>	1,163,993	--	38,266	(1,125,727)
51	<i>Facilities Maintenance and Operations</i>	4,260,976	29,432	140,616	(4,090,928)
52	<i>Security and Monitoring Services</i>	94,342	--	3,101	(91,241)
53	<i>Data Processing Services</i>	189,678	--	6,963	(182,715)
61	<i>Community Services</i>	14,745	--	116	(14,629)
72	<i>Interest on Long-term Debt</i>	3,899,224	--	--	(3,899,224)
73	<i>Bond Issuance Costs and Fees</i>	49,158	--	--	(49,158)
81	<i>Capital Outlay</i>	37,033	--	3,067	(33,966)
91	<i>Contracted Instructional Services between Schools</i>	4,472,779	--	165,099	(4,307,680)
93	<i>Payments Related to Shared Services Arrangements</i>	64,961	--	2,398	(62,563)
99	<i>Other Intergovernmental Charges</i>	267,868	--	--	(267,868)
TG	Total Governmental Activities	<u>38,661,371</u>	<u>660,184</u>	<u>2,899,953</u>	<u>(35,101,234)</u>
TP	Total Primary Government	<u>\$ 38,661,371</u>	<u>\$ 660,184</u>	<u>\$ 2,899,953</u>	<u>(35,101,234)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				24,687,704
DT	<i>Property Taxes, Levied for Debt Service</i>				6,167,252
IE	<i>Investment Earnings</i>				65,352
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,802,165
MI	<i>Miscellaneous</i>				443,653
TR	Total General Revenues and Transfers				<u>35,166,126</u>
CN	Change in Net Position				54,892
NB	Net Position - Beginning				23,485,702
NE	Net Position - Ending				<u>\$ 23,550,594</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 1,895,902	\$ 2,241,851
1120 <i>Current Investments</i>	12,102,239	27,994
1225 <i>Taxes Receivable</i>	936,987	215,709
1230 <i>Allowance for Uncollectible Taxes (Credit)</i>	(288,139)	(54,526)
1240 <i>Due from Other Governments</i>	17,166	4,286
1250 <i>Accrued Interest</i>	5,498	--
1260 <i>Due from Other Funds</i>	112,697	--
1290 <i>Other Receivables</i>	93	--
1300 <i>Inventories</i>	13,999	--
1000 <i>Total Assets</i>	<u>14,796,442</u>	<u>2,435,314</u>
1000A <i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 14,796,442</u>	<u>\$ 2,435,314</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 300,062	\$ --
2160 <i>Accrued Wages Payable</i>	601,389	--
2170 <i>Due to Other Funds</i>	154,051	--
2180 <i>Due to Other Governments</i>	287,394	--
2300 <i>Unearned Revenue</i>	1,692,195	161,183
2000 <i>Total Liabilities</i>	<u>3,035,091</u>	<u>161,183</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	13,999	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	2,274,131
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	3,050,000	--
3530 <i>Capital Expenditures for Equipment</i>	1,500,000	--
3540 <i>Self-Insurance</i>	100,000	--
3545 <i>Other Committed Fund Balance</i>	600,000	--
3600 <i>Unassigned</i>	6,497,352	--
3000 <i>Total Fund Balances</i>	<u>11,761,351</u>	<u>2,274,131</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 14,796,442</u>	<u>\$ 2,435,314</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 4,116,625	\$ 60,942	\$ 8,315,320
3,215,884	194,739	15,540,856
--	--	1,152,696
--	--	(342,665)
--	248,428	269,880
--	--	5,498
--	154,051	266,748
--	3,205	3,298
--	--	13,999
<u>7,332,509</u>	<u>661,365</u>	<u>25,225,630</u>
<u>\$ 7,332,509</u>	<u>\$ 661,365</u>	<u>\$ 25,225,630</u>
\$ 39,990	\$ 45,009	\$ 385,061
--	39,668	641,057
--	102,838	256,889
--	--	287,394
--	5,971	1,859,349
<u>39,990</u>	<u>193,486</u>	<u>3,429,750</u>
--	--	13,999
--	662	662
2,221,860	--	2,221,860
--	--	2,274,131
--	394,221	394,221
5,070,659	--	8,120,659
--	--	1,500,000
--	--	100,000
--	72,996	672,996
--	--	6,497,352
<u>7,292,519</u>	<u>467,879</u>	<u>21,795,880</u>
<u>\$ 7,332,509</u>	<u>\$ 661,365</u>	<u>\$ 25,225,630</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2013*

Total fund balances - governmental funds balance sheet	\$ 21,795,880
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	74,232,699
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	810,031
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	96,855
Payables for bond principal which are not due in the current period are not reported in the funds.	(64,997,612)
Payables for bond interest which are not due in the current period are not reported in the funds.	(106,210)
Payables for notes which are not due in the current period are not reported in the funds.	(590,000)
Bond issuance costs are capitalized in the SNP but not in the funds.	593,105
Payables for bond premiums are amortized over the life of the bonds in the SNP.	(2,546,835)
Accumulated accretion on capital appreciation bonds is reported in the SNP.	<u>(5,737,319)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 23,550,594</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 24,898,276	\$ 6,167,354
5800 <i>State Program Revenues</i>	4,783,864	--
5900 <i>Federal Program Revenues</i>	93,858	--
5020 Total Revenues	<u>29,775,998</u>	<u>6,167,354</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	13,460,132	--
0012 <i>Instructional Resources and Media Services</i>	518,165	--
0013 <i>Curriculum and Staff Development</i>	187,572	--
0021 <i>Instructional Leadership</i>	272,999	--
0023 <i>School Leadership</i>	1,663,251	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	639,514	--
0033 <i>Health Services</i>	242,624	--
0034 <i>Student Transportation</i>	1,011,832	--
0035 <i>Food Service</i>	7,499	--
0036 <i>Cocurricular/Extracurricular Activities</i>	917,098	--
0041 <i>General Administration</i>	1,036,669	--
0051 <i>Facilities Maintenance and Operations</i>	3,809,490	--
0052 <i>Security and Monitoring Services</i>	84,022	--
0053 <i>Data Processing Services</i>	188,635	--
0061 <i>Community Services</i>	3,132	--
0071 <i>Principal on Long-term Debt</i>	180,000	3,160,000
0072 <i>Interest on Long-term Debt</i>	27,036	2,628,138
0073 <i>Bond Issuance Costs and Fees</i>	--	155,367
0081 <i>Capital Outlay</i>	83,096	--
0091 <i>Contracted Instructional Services</i>		
0091 <i>Between Public Schools</i>	4,472,779	--
0093 <i>Payments to Shared Service Arrangements</i>	64,961	--
0099 <i>Other Intergovernmental Charges</i>	267,868	--
6030 Total Expenditures	<u>29,138,374</u>	<u>5,943,505</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>637,624</u>	<u>223,849</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	9,220,000
7915 <i>Transfers In</i>	--	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,359,826
8911 <i>Transfers Out</i>	(331,916)	--
8949 <i>Other Uses</i>	--	(10,430,387)
7080 Total Other Financing Sources and (Uses)	<u>(331,916)</u>	<u>149,439</u>
1200 Net Change in Fund Balances	<u>305,708</u>	<u>373,288</u>
0100 Fund Balances - Beginning	<u>11,455,643</u>	<u>1,900,843</u>
3000 Fund Balances - Ending	<u>\$ 11,761,351</u>	<u>\$ 2,274,131</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 8,166	\$ 799,228	\$ 31,873,024
--	150,729	4,934,593
--	1,673,667	1,767,525
<u>8,166</u>	<u>2,623,624</u>	<u>38,575,142</u>
241,505	983,124	14,684,761
--	--	518,165
--	--	187,572
--	--	272,999
--	--	1,663,251
--	226,080	865,594
--	--	242,624
--	--	1,011,832
--	1,283,646	1,291,145
--	--	917,098
--	--	1,036,669
--	--	3,809,490
--	--	84,022
--	--	188,635
--	10,000	13,132
--	--	3,340,000
--	--	2,655,174
--	--	155,367
1,186,465	--	1,269,561
--	--	4,472,779
--	--	64,961
--	--	267,868
<u>1,427,970</u>	<u>2,502,850</u>	<u>39,012,699</u>
<u>(1,419,804)</u>	<u>120,774</u>	<u>(437,557)</u>
--	--	9,220,000
250,000	81,916	331,916
--	--	1,359,826
--	--	(331,916)
--	--	(10,430,387)
<u>250,000</u>	<u>81,916</u>	<u>149,439</u>
(1,169,804)	202,690	(288,118)
8,462,323	265,189	22,083,998
<u>\$ 7,292,519</u>	<u>\$ 467,879</u>	<u>\$ 21,795,880</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013*

Net change in fund balances - total governmental funds	\$ (288,118)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,372,303
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,277,873)
The gain or loss on the sale of capital assets is not reported in the funds.	(8,897)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	160,018
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,160,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	180,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(43,008)
The accretion of interest on capital appreciation bonds is not reported in the funds.	(749,065)
(Increase) decrease in accrued interest from beginning of period to end of period.	9,941
The net revenue (expense) of internal service funds is reported with governmental activities.	54,739
Premiums on bonds are amortized in the SOA but not in the funds.	200,461
Bond issuance costs are reported as expenditures in the funds but not in the SOA.	149,217
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(9,220,000)
Bond premiums are reported in the funds but not in the SOA.	(1,359,826)
Payment to escrow agent for refunding bonds is not reported as expenditures in the SOA.	10,430,387
Interest paid in defeasance of bonds payable.	<u>(705,387)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 64,892</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUND
 AUGUST 31, 2013

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
ASSETS:		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 289,391
	Total Current Assets	<u>289,391</u>
1000	Total Assets	<u>289,391</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 192,536
	Total Current Liabilities	<u>192,536</u>
2000	Total Liabilities	<u>192,536</u>
NET POSITION:		
3900	Unrestricted	96,855
3000	Total Net Position	<u>\$ 96,855</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 204,331
5020	Total Revenues	<u>204,331</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	149,592
6030	Total Expenses	<u>149,592</u>
1300	Change in Net Position	54,739
0100	Total Net Position - Beginning	42,116
3300	Total Net Position - Ending	<u>\$ 96,855</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013

	<u>Internal Service Funds</u>
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ 204,316
<i>Cash Payments to Other Suppliers for Goods and Services Other Operating Cash Receipts (Payments)</i>	(166,491) 15
Net Cash Provided (Used) by Operating Activities	<u>37,840</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,840
Cash and Cash Equivalents at Beginning of Year	251,551
Cash and Cash Equivalents at End of Year	<u>\$ 289,391</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 54,739
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accounts Payable</i>	<u>(16,899)</u>
Total Adjustments	<u>(16,899)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,840</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2013

Data Control Codes		Agency Funds
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 188,536
1260	<i>Due from Other Funds</i>	3,810
1000	Total Assets	192,346
 LIABILITIES:		
Current Liabilities:		
2150	<i>Payroll Deduction & Withholdings</i>	\$ 1,109
2170	<i>Due to Other Funds</i>	13,669
2190	<i>Due to Student Groups</i>	177,568
2000	Total Liabilities	192,346
 NET POSITION:		
3000	Total Net Position	\$

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position 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.

Debt Service Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

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 sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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**

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	5-40
Equipment	3-15

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.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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 positions.

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.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board delegates authority to assign fund balance to the Superintendent or Deputy Superintendent.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,793,246 and the bank balance was \$9,136,019. The District's cash deposits at August 31, 2013 were fully secured but were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name on the highest cash day.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Legend Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$7,585,924.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$8,502,597 and occurred during the month of December 2012.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$643,443.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

2. Investments:

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

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

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

The District's investment at August 31, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool LGIP	Wtd. Avg. maturity < 60 days	\$ 15,540,856
Total Investments		<u>\$ 15,540,856</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2013, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TexPool LGIP	AAAm
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b. Custodial Credit Risk

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

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

C. Capital Assets

Capital asset activity for the year ended August 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,998,567	\$ --	\$ --	\$ 1,998,567
Construction in progress	--	791,212	--	791,212
Total capital assets not being depreciated	<u>1,998,567</u>	<u>791,212</u>	<u>--</u>	<u>2,789,779</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	95,537,919	280,250	--	95,818,169
Equipment	6,255,845	300,841	38,457	6,518,229
Total capital assets being depreciated	<u>101,793,764</u>	<u>581,091</u>	<u>38,457</u>	<u>102,336,398</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,374,639)	(2,670,126)	--	(27,044,765)
Equipment	(3,270,526)	(607,747)	(29,560)	(3,848,713)
Total accumulated depreciation	<u>(27,645,165)</u>	<u>(3,277,873)</u>	<u>(29,560)</u>	<u>(30,893,478)</u>
Total capital assets being depreciated, net	74,148,599	(2,696,782)	8,897	71,442,920
Governmental activities capital assets, net	<u>\$ 76,147,166</u>	<u>\$ (1,905,570)</u>	<u>\$ 8,897</u>	<u>\$ 74,232,699</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,791,474
Instructional Resources and Media Services	63,641
Curriculum and Staff Development	23,038
Instructional Leadership	33,530
School Leadership	204,281
Guidance, Counseling, & Evaluation Services	106,312
Health Services	29,799
Student Transportation	124,273
Food Services	158,579
Extracurricular Activities	112,638
General Administration	127,324
Plant Maintenance and Operations	467,883
Security and Monitoring Services	10,320
Data Processing Services	23,168
Community Services	1,613
	<u>\$ 3,277,873</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 99,028	For transfer of federal receipts
General Fund	Trust and Agency Funds	13,669	Short-term loans
Special Revenue Funds	General Fund	154,051	For transfer of federal receipts
Trust and Agency Fund	Special Revenue Funds	3,810	Short-term loans
	Total	<u>\$ 270,558</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, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	\$ 250,000	For future capital projects
General Fund	Food Service Fund	81,916	Supplement other funds sources
	Total	<u>\$ 331,916</u>	

E. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 68,662,612	\$ 9,220,000	\$ 12,885,000	\$ 64,997,612	\$ 3,225,000
Notes Payable	770,000	--	180,000	590,000	190,000
Accumulated Accretion CAB's	4,988,254	749,065	--	5,737,319	--
Premium (unamortized)	1,387,470	1,359,826	200,461	2,546,835	--
Total governmental activities	<u>\$ 75,808,336</u>	<u>\$ 11,328,891</u>	<u>\$ 13,265,461</u>	<u>\$ 73,871,766</u>	<u>\$ 3,415,000</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2013, are as follows:

Year Ending August 31,	Governmental Activities - Bonds		
	Principal	Interest	Total
2014	\$ 3,225,000	\$ 2,442,828	\$ 5,667,828
2015	3,290,000	2,322,327	5,612,327
2016	3,390,000	2,206,478	5,596,478
2017	3,525,000	2,068,228	5,593,228
2018	3,660,000	1,920,203	5,580,203
2019-2023	15,599,928	12,871,847	28,471,775
2024-2028	15,747,083	12,729,791	28,476,874
2029-2033	13,970,601	8,624,753	22,595,354
2034-2038	2,590,000	123,026	2,713,026
Totals	<u>\$ 64,997,612</u>	<u>\$ 45,309,481</u>	<u>\$ 110,307,093</u>

Year Ending August 31,	Governmental Activities - Tax Revenue Notes		
	Principal	Interest	Total
2014	\$ 190,000	\$ 21,006	\$ 211,006
2015	195,000	14,452	209,452
2016	205,000	7,432	212,432
Totals	<u>\$ 590,000</u>	<u>\$ 42,890</u>	<u>\$ 632,890</u>

The UT School Building Bonds Series 2004 interest ranges from 3.50% to 5.31% and mature in August 2031.
The UT School Refunding Bonds Series 2005 interest ranges from 4.00% to 4.25% and mature in August 2025.
The UT School Building Bonds Series 2008 interest ranges from 4.75% to 5.25% and mature in August 2034.
The UT School Refunding Bonds Series 2009 interest ranges from 2.50% to 4.00% and mature in August 2030.
The UT School Refunding Bonds Series 2013 interest ranges from 3.00% to 5.00% and mature in August 2019.

The Tax Revenue Note interest ranges from 3.45% to 3.625% and matures August 2016.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2013, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Unlimited Tax School Building Bonds, Series 2004	\$ 9,725,000
Total	<u>\$ 9,725,000</u>

As a result of the advance refunding of principal maturities from the Unlimited Tax School Building Bonds Series 2004 by the issuance of Unlimited Tax Refunding Bonds Series 2013, the District decreased its total debt service requirements by \$987,861, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 955,864.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2013, as follows:

<u>Year Ending August 31,</u>	
2014	\$ 65,195
2015	1,946
2016	1,054
Total Minimum Rentals	<u>\$ 68,195</u>
Rental Expenditures in 2013	<u>\$ 64,141</u>

G. Risk Management

Property Casualty Program

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 2013, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Crime, Equipment Breakdown, General Liability, Property, Sexual Misconduct Endorsement and School Professional Legal Liability. The Fund was created under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipates Decatur ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$112,878 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2013, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 08/31/2013	Year Ended 08/31/2012
Unpaid claims, beginning of year	\$ 209,435	\$ 175,164
Incurred claims	69,719	180,580
Claim payments	(86,618)	(146,309)
Unpaid claims, end of fiscal year	<u>\$ 192,536</u>	<u>\$ 209,435</u>

Unemployment Compensation

During the year ended August 31, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$1,000,145, \$1,001,846 and \$1,139,453, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$223,919, \$185,662 and \$215,169, respectively, on portion of the employees' salaries that exceeded the statutory minimum and federal grant salaries.

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 0.5% and 0.65% in 2013 and 1.0% and 0.65% in 2012 and 2011 of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$85,159, \$164,452, and \$173,136, respectively, the active member contributions were \$110,706, \$106,894, and \$112,538, respectively, and the District's contributions were \$93,675, \$90,448, and \$95,225, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$65,895, \$36,973, and \$45,865, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$337 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. 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 annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

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.

2. Litigation

No reportable litigation was pending against the District at August 31, 2013.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for deaf education with the following school districts:

Member Districts

Denton ISD	Wise County Co-op
Cooke County SpEd SSA	Decatur ISD
Denton County Co-op	Lewisville ISD
Gainesville ISD	Northwest ISD
Lake Dallas ISD	Little Elm ISD

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, Denton ISD, 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 of the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Visual Impaired Services with the following school districts:

Member Districts

Palo Pinto County Co-op	Castleberry ISD	Weatherford ISD
Parker County Co-op	Decatur ISD	White Settlement ISD
Wise County Co-op	Lake Worth ISD	
Aledo ISD	Northwest ISD	
Azle ISD	Springtown ISD	

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, Peaster ISD, 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 of the District. The fiscal agent manager is responsible for all financial activities of the SSA.

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.

DECATUR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 24,045,615	\$ 24,645,615	\$ 24,898,276	\$ 252,661		
5800	State Program Revenues	5,532,018	5,532,018	4,783,864	(748,154)		
5900	Federal Program Revenues	33,150	33,150	93,858	60,708		
5020	Total Revenues	<u>29,610,783</u>	<u>30,210,783</u>	<u>29,775,998</u>	<u>(434,785)</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	13,614,782	13,604,881	13,460,132	144,749		
0012	Instructional Resources and Media Services	507,346	538,346	518,165	20,181		
0013	Curriculum and Staff Development	193,440	200,554	187,572	12,982		
	Total Instruction & Instr. Related Services	<u>14,315,568</u>	<u>14,343,781</u>	<u>14,165,869</u>	<u>177,912</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	268,375	288,375	272,999	15,376		
0023	School Leadership	1,680,227	1,690,613	1,663,251	27,362		
	Total Instructional & School Leadership	<u>1,948,602</u>	<u>1,978,988</u>	<u>1,936,250</u>	<u>42,738</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	657,785	677,785	639,514	38,271		
0033	Health Services	254,943	259,943	242,624	17,319		
0034	Student (Pupil) Transportation	1,036,118	1,091,676	1,011,832	79,844		
0035	Food Services	7,500	8,500	7,499	1,001		
0036	Cocurricular/Extracurricular Activities	1,001,875	1,051,375	917,098	134,277		
	Total Support Services - Student (Pupil)	<u>2,958,221</u>	<u>3,089,279</u>	<u>2,818,567</u>	<u>270,712</u>		
Administrative Support Services:							
0041	General Administration	1,033,680	1,060,180	1,036,669	23,511		
	Total Administrative Support Services	<u>1,033,680</u>	<u>1,060,180</u>	<u>1,036,669</u>	<u>23,511</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	4,111,474	4,091,474	3,809,490	281,984		
0052	Security and Monitoring Services	73,000	103,000	84,022	18,978		
0053	Data Processing Services	207,910	207,910	188,635	19,275		
	Total Support Services - Nonstudent Based	<u>4,392,384</u>	<u>4,402,384</u>	<u>4,082,147</u>	<u>320,237</u>		
Ancillary Services:							
0061	Community Services	1,000	6,000	3,132	2,868		
	Total Ancillary Services	<u>1,000</u>	<u>6,000</u>	<u>3,132</u>	<u>2,868</u>		
Debt Service:							
0071	Principal on Long-Term Debt	180,000	180,000	180,000	--		
0072	Interest on Long-Term Debt	27,036	27,036	27,036	--		
0073	Bond Issuance Costs and Fees	3,000	3,000		3,000		
	Total Debt Service	<u>210,036</u>	<u>210,036</u>	<u>207,036</u>	<u>3,000</u>		
Capital Outlay:							
0081	Capital Outlay	75,000	115,000	83,096	31,904		
	Total Capital Outlay	<u>75,000</u>	<u>115,000</u>	<u>83,096</u>	<u>31,904</u>		

DECATUR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Intergovernmental Charges:				
0091	<i>Contracted Instr. Services Between Public Schools</i>	4,161,292	4,761,292	4,472,779	288,513
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	85,000	85,000	64,961	20,039
0099	<i>Other Intergovernmental Charges</i>	300,000	300,000	267,868	32,132
	Total Intergovernmental Charges	4,546,292	5,146,292	4,805,608	340,684
6030	Total Expenditures	29,480,783	30,351,940	29,138,374	1,213,566
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	130,000	(141,157)	637,624	778,781
	Other Financing Sources (Uses):				
8911	<i>Transfers Out</i>	(130,000)	(407,401)	(331,916)	75,485
7080	Total Other Financing Sources and (Uses)	(130,000)	(407,401)	(331,916)	75,485
1200	Net Change in Fund Balance	--	(548,558)	305,708	854,266
0100	Fund Balance - Beginning	11,455,653	11,455,643	11,455,643	--
3000	Fund Balance - Ending	\$ --	\$ (548,558)	\$ 11,761,351	\$ 12,309,909

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2013

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

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.

DECATUR INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2013*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2004 and Prior Years	\$ Various	\$ Various	\$ Various
2005	1.4613	.2767	1,042,184,730
2006	1.450	.2880	1,269,706,752
2007	1.3157	.2346	1,606,833,645
2008	1.0300	.2370	1,743,519,206
2009	1.0400	.2700	1,991,922,824
2010	1.0400	.2700	2,188,087,557
2011	1.0400	.2600	2,300,214,846
2012	1.0400	.2600	2,192,024,538
2013 (School Year Under Audit)	1.0400	.2600	2,278,497,385

1000 Totals

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

Column 20, the current year's levy is the ending levy due provided by Wise County Appraisal District.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 148,268	\$ --	\$ 994	\$ 111	\$ (33,135)	\$ 114,028
32,569	--	172	33	(73)	82,291
39,321	--	446	89	(70)	88,716
34,338	--	4,101	731	(65)	29,441
35,496	--	7,366	1,692	1,552	27,990
55,485	--	19,995	5,191	1,373	81,652
113,747	--	50,658	13,152	26,915	78,852
149,610	--	74,084	18,521	20,099	77,104
369,214	--	378,631	94,658	234,353	130,278
	29,620,466	23,807,666	5,951,917	733,461	594,344
<u>\$ 978,028</u>	<u>\$ 29,620,466</u>	<u>\$ 24,344,113</u>	<u>\$ 6,086,095</u>	<u>\$ 984,410</u>	<u>\$ 1,152,696</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

DECATUR INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013*

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	\$ --	\$ --	\$ 193,419	\$ 501,849	\$ 4,607	\$ 127,205	\$ 827,080
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	--	--	32,202		--		32,202
6212	Audit Services				28,270			28,270
6213	Tax Appraisal and Collection		30,980					30,980
621X	Other Prof. Services	135	--	3,456	6,501	--	--	10,092
6220	Tuition and Transfer Payments						--	--
6230	Education Service Centers	850	--	159	10,915	--	--	11,924
6240	Contr. Maint. and Repair					3,396		3,396
6250	Utilities							--
6260	Rentals	--	--	--	4,181	--	--	4,181
6290	Miscellaneous Contr.	--	--	--	3,664	--	--	3,664
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	242	--	--	242
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	3,878	94,296	--	--	98,174
6410	Travel, Subsistence, Stipends	2,865	--	11,407	17,320	--	--	31,592
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	1,794						1,794
6490	Miscellaneous Operating	4,462	--	4,130	17,048	--	351	25,991
6500	Debt Service						--	--
6600	Capital Outlay						--	--

Total \$ 10,106 \$ 30,980 \$ 248,651 \$ 684,286 \$ 8,003 \$ 127,556 \$ 1,109,582

Total Expenditures for General and Special Revenue Funds (9) \$ 31,556,609

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 185,838
Total Debt & Lease (6500)	(11)	\$ 207,036
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,793,093
Food (Function 35, 6341 and 6499)	(13)	\$ 462,051
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 684,286

Subtotal 5,332,304

Net Allowed Direct Cost \$ 26,224,305

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 95,818,170
Historical Cost of Buildings over 50 years old	(16)	\$ 506,908
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ --
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	\$ 6,518,228
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 104,605
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 79,102

(8) Note A - \$72,913 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

DECATUR INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2013

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2013 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>11,761,351</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>13,999</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>--</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>5,250,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>--</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>2,428,198</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>4,856,396</u>
8	Estimate of delayed payments from state sources (58XX)	<u>--</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>--</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>--</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>12,548,593</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	<u>\$ (787,242)</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 550,000	\$ 436,147	\$ (113,853)
5800 <i>State Program Revenues</i>	10,000	24,459	14,459
5900 <i>Federal Program Revenues</i>	690,000	741,124	51,124
5020 Total Revenues	<u>1,250,000</u>	<u>1,201,730</u>	<u>(48,270)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,407,401	1,283,646	123,755
Total Support Services - Student (Pupil)	<u>1,407,401</u>	<u>1,283,646</u>	<u>123,755</u>
6030 Total Expenditures	<u>1,407,401</u>	<u>1,283,646</u>	<u>123,755</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(157,401)</u>	<u>(81,916)</u>	<u>75,485</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	157,401	81,916	(75,485)
7080 Total Other Financing Sources and (Uses)	<u>157,401</u>	<u>81,916</u>	<u>(75,485)</u>
1200 Net Change in Fund Balance	--		--
0100 Fund Balance - Beginning	--		--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

DECATUR INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT J-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,649,899	\$ 6,167,354	\$ 517,455
5020 Total Revenues	<u>5,649,899</u>	<u>6,167,354</u>	<u>517,455</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	2,671,496	3,160,000	(488,504)
0072 <i>Interest on Long-Term Debt</i>	3,120,000	2,628,138	491,862
0073 <i>Bond Issuance Costs and Fees</i>	159,217	155,367	3,850
Total Debt Service	<u>5,950,713</u>	<u>5,943,505</u>	<u>7,208</u>
6030 Total Expenditures	<u>5,950,713</u>	<u>5,943,505</u>	<u>7,208</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300,814)</u>	<u>223,849</u>	<u>524,663</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	9,220,000	9,220,000	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	1,359,826	1,359,826	--
8949 <i>Other Uses</i>	(10,430,387)	(10,430,387)	--
7080 Total Other Financing Sources and (Uses)	<u>149,439</u>	<u>149,439</u>	<u>--</u>
1200 Net Change in Fund Balance	<u>(151,375)</u>	<u>373,288</u>	<u>524,663</u>
0100 Fund Balance - Beginning	<u>1,900,843</u>	<u>1,900,843</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ (151,376)</u>	<u>\$ 2,274,131</u>	<u>\$ 2,425,507</u>



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Decatur Independent School District
501 East Collins
Decatur, Texas 76234

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Decatur Independent School District's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decatur Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Decatur Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Decatur Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Decatur Independent School District in a separate letter dated December 12, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Snow Garrett Williams
December 12, 2013



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Decatur Independent School District
501 East Collins
Decatur, Texas 76234

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Decatur Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Decatur Independent School District's major federal programs for the year ended August 31, 2013. Decatur 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Decatur Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Decatur 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Decatur Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Decatur Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of Decatur Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Decatur Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Decatur Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Snow Garrett Williams
December 12, 2013

DECATUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

DECATUR INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There are no prior audit findings		

DECATUR INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

A corrective action plan is not needed.

DECATUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
<i>Title VII Indian Education Formula</i>	84.060	Direct	\$ 6,233
Total CFDA Number 84.060			<u>6,233</u>
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	13610101249905	252,985
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	14610101249905	11,086
Total CFDA Number 84.010			<u>264,071</u>
<i>IDEA-B Formula *</i>	84.027	126600012499056600	2,576
<i>IDEA-B Formula *</i>	84.027	136600012499056600	474,332
<i>IDEA-B Formula *</i>	84.027	146600012499056000	33,653
Total CFDA Number 84.027			<u>510,561</u>
<i>Career and Technical - Basic Grant</i>	84.048	13420006249905	26,543
<i>IDEA-B Preschool *</i>	84.173	136610012499056610	13,403
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	13671001249905	38,344
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	13694501249905	71,157
<i>Summer School LEP</i>	84.369	69551202	2,231
Total Passed Through State Department of Education			<u>926,310</u>
Total U. S. Department of Education			<u>932,543</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Wise County:			
Grasslands Grant **	10.666	DECISD	40,852
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401301	161,057
National School Lunch Program *	10.555	71301301	512,991
Commodity Supplemental Food Program (Non-cash) *	10.565	249905A	67,076
Total Passed Through State Department of Education			<u>741,124</u>
Total U. S. Department of Agriculture			<u>781,976</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,714,519</u>

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

The accompanying notes are an integral part of this schedule.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

Basis of Presentation

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

DECATUR INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 5,737,319

