

DECATUR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

Decatur Independent School District
Annual Financial Report
For The Year Ended August 31, 2011

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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, 2011, at a meeting of the board of trustees of such school district on the 15 day of December, 2011.



Signature of Board Secretary



Signature of Board President
Vice

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



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011, 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* and should be considered in assessing the results of our audit.

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.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Snow, Garrett & Company". The signature is written in black ink and is positioned above the typed name of the company.

Snow, Garrett & Company
December 8, 2011

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, 2011. 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 \$21,793,989 (*net assets*). Of this amount, \$16,305,079 (*unrestricted net assets*) 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 \$22,921,122. Approximately 26 percent of this total amount, \$5,962,262, 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 \$5,962,262, or 20 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 assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 13-14 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 15-20 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 21-23 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 assets can be found on page 24.
- **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 25-37 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 38-39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$21,793,989 as of August 31, 2011

The District's Net Assets

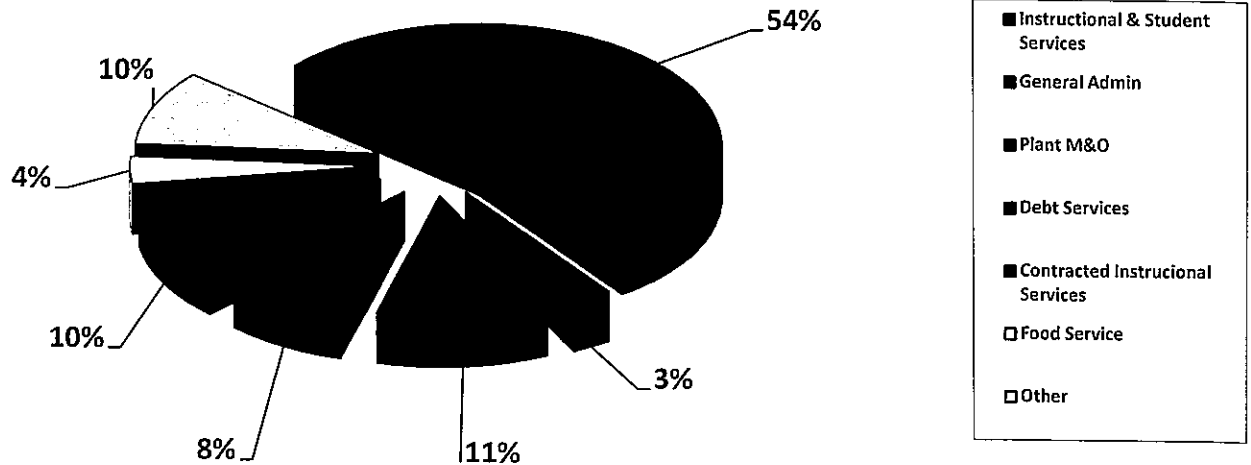
	August 31, 2011	August 31, 2010
Current assets	\$ 28,744,331	\$ 28,883,121
Capital assets	76,180,280	75,551,279
Total assets	<u>104,924,611</u>	<u>104,434,400</u>
Current liabilities	5,142,112	5,257,603
Long-term liabilities outstanding	77,988,510	80,890,348
total liabilities	<u>83,130,622</u>	<u>86,147,951</u>
Net assets:		
Invested in capital assets, net of related debt	(1,411,012)	(4,926,318)
Restricted	6,899,922	8,863,498
Unrestricted	16,305,079	14,349,269
Total net assets	<u>\$ 21,793,989</u>	<u>\$ 18,286,449</u>

Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is (\$1,411,012)). 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 assets, \$6,899,922, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$16,305,079, 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 assets increased \$3,051,827. The total cost of all *governmental activities* this year was \$38,321,405. The amount that our taxpayers paid for these activities through property taxes was \$30,567,057 or 80%.

	Fiscal Year August 31, 2011	Fiscal Year August 31, 2010
Revenues:		
Program revenues		
Charges for services	\$ 788,013	\$ 860,456
Operating grants and contributions	4,125,300	3,562,916
General revenues		
Property taxes	30,567,057	29,518,184
State grants	5,476,675	4,114,734
Other	416,187	273,872
Total revenues	<u>41,373,232</u>	<u>38,330,162</u>
Expenses:		
Instruction	17,195,595	17,015,637
Instruction resources and media services	852,218	914,874
Curriculum and staff development	305,657	315,861
Instructional leadership	318,387	298,583
School leadership	1,872,648	1,704,985
Guidance, counseling & evaluation services	907,088	877,931
Health services	281,952	266,861
Student transportation	981,278	879,508
Food service	1,385,830	1,325,301
Cocurricular/Extracurricular activities	1,010,963	1,054,822
General administration	1,036,689	1,051,992
Plant maintenance and operations	4,372,134	3,907,574
Security and monitoring services	70,057	71,521
Data processing services	257,265	1,556,321
Community Services	6,594	7,799
Debt service-interest on long-term debt	3,117,457	3,043,448
Debt service-bond issuance costs	6,654	1,600,504
Capital Outlay	138,657	156,634
Contracted instructional services between schools	3,856,605	2,494,744
Payments related to shared service arrangements	62,000	67,064
Other Intergovernmental Charges	285,677	284,486
Total expenses	<u>38,321,405</u>	<u>38,896,450</u>
Changes in net assets	3,051,827	(566,288)
Beginning net assets	18,286,449	18,852,737
Prior Period Adjustment	455,713	-
Beginning net assets-as restated	<u>18,742,162</u>	<u>18,852,737</u>
Ending net assets	<u>\$ 21,793,989</u>	<u>\$ 18,286,449</u>

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 \$22,291,122, a decrease of \$702,625. Approximately 26 percent of this total amount (\$5,962,262) 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 (\$1,871,893), (2) for construction and capital acquisitions (\$4,618,607), (3) for federal/state grant restrictions (29,355), and (4) other fund balance restrictions \$223,785), and committed for (1) construction (\$7,838,984), (2) for capital expenditures and equipment (\$1,500,000), (3) for self-insurance (\$100,000), and (4) other commitments (\$146,235). 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 \$5,962,263, out of a total fund balance of \$22,921,122. 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 20 percent of the total general fund expenditures, while total general fund balance represents 42 percent of that same amount.

The fund balance of the District's general fund increased \$2,273,290 during the current fiscal year. Key factors in this increase are:

- The District received rental income from Weatherford College for partial use of the Support Services Building. Because of the uncertainty of the revenue source and the limited future potential of the income, the revenue was not fully budgeted.
- The cafeteria did not need the full amount set aside to supplement the fund for the year.
- The District enrollment grew more than anticipated thereby providing additional funds through the state formulas.
- The Administration uses a conservative estimate when estimating revenue in the event key programs do not generate revenue.
- Utilities budgeted in maintenance were paid for by federal stimulus funds, thereby leaving local general funds for future use.
- Fuel was budgeted at a higher price than actually was used due the historical unpredictability of the commodity.

The debt service fund has a total fund balance of \$1,871,893, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service was \$263,050.

The capital projects fund has a total fund balance of \$7,907,591 consisting of committed of \$3,288,984 and restricted from external restrictions of \$4,618,607. The net decrease in fund balance during the period was \$3,354,386.

General Fund Budgetary Highlights

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>
<u>Revenue</u>				
Local Revenue	\$ 23,061,298	\$ 550,000	\$ 5,469,950	\$ 29,081,248
State Revenue	8,442,692	10,000	-	8,452,692
Federal Revenue	30,000	660,000	-	690,000
Transfers Into Fund	-	150,000	-	150,000
Total Revenue & Transfers	<u>31,533,990</u>	<u>1,370,000</u>	<u>5,469,950</u>	<u>38,373,940</u>
<u>Expenditures & Transfers</u>				
Expenditures for Operations	25,909,992	1,370,000	5,810,808	33,090,800
Transfer to Cafeteria Fund	150,000	-	-	150,000
Local Recapture to Austin	5,473,998	-	-	5,473,998
	<u>31,533,990</u>	<u>1,370,000</u>	<u>5,810,808</u>	<u>38,714,798</u>
Net Gain or Loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (340,858)</u>	<u>\$ (340,858)</u>

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

- In 2010-2011, the State used Stimulus Funds to balance the State budget. Although the funds are accounted for in a separate special revenue fund, they were essentially part of the general fund. In 2011-2012, Stimulus Funds were removed, essentially leaving an approximately one-million dollar deficit to the District. In the Summer 2011, the State accepted federal jobs funding which had been delayed for approximately one year. For Decatur ISD, these funds represent approximately \$500,000 which may be used for any one-time purposes within the grant timelines. Decatur ISD has elected to use those funds to fund elementary teaching positions for the 2011-2012 school year. Those expenditures do not appear in the summary above.
- Other operating revenue remains materially unchanged and cannot make up for any material losses of State or tax revenues.
- Tax collections are down approximately \$1.1M, federal funds are down approximately \$1 M, state revenue is up approximately \$2.1M, recapture is up nearly \$1.15M.
- Revenue available for operations, after considering all of the changes in revenue and recapture net out to an approximate decrease \$1.1 M for operations.
- Texas Legislative Special Session - Because the Texas legislature was unable to settle on a budget within the regular session, the Governor called the legislature back into special session. The need for a special called session delayed the District's budget preparation for the 2011-2012 school year because of the materiality of the potential cuts. The first realistic revenue calculations became available in mid-July 2011.
- Spring 2011 Budget Reductions – Until final revenue and summary of finance numbers could become available, the District proposed a number of cost-reductions including a 10% cut in variable student allocations, extra-curricular & sporting variable allocation reductions of 10%, elimination of vehicle and bus purchases, elimination of capital expenditure purchases, and an employee early resignation incentive.
- The employee early resignation incentive offered selected classes of employees an opportunity to earn up to \$10,000, depending upon years of service, to notify the District of the employee's resignation. The approximate estimated savings from that program is estimated to be \$1M to \$1.2M.

- July 2011 Actual estimated 2011-2012 and 2012-2013 Budget Reductions – The actual estimated revenue estimates for the District for 2011-2012 and 2012-2013 improved from the initial early projections. Models of the actual estimates are included within this budget and include calculations of state, local, and federal funding. The primary funding, that of local, state, and recapture, result in an estimated loss as follows:

Decatur ISD	
Unaudited Administrative Schedule of Actual Estimated Budget Reductions for 2011-2012 and 2012-2013	
2011-2012 State & Local Funding Under Original Formulas:	\$26,099,575
2011-2012 State & Local Funding Under SB 1:	<u>24,619,992</u>
Projected Gain / (Loss) of Revenue:	(\$1,479,583)
2012-2013 State & Local Funding Under Original Formulas:	\$26,099,575
2012-2013 State & Local Funding Under SB 1:	<u>23,808,924</u>
Projected Gain / (Loss) of Revenue:	(\$2,290,651)
TOTAL BI-ANNUAL PROJECTED GAIN / (LOSS):	<u>\$3,770,234</u>

- Use of Prior-Year Funds (Fund Balance) in the Presented Budget – The presented budget is balanced and does not use any prior year carry-over (fund-balance) for the 2011-2012 year only.

Total capital expenditures in the 2010-2011 budget include the following:

Function 34:	Transportation	Annual Bus	\$100,000
Function 34:	Transportation	Equipment	10,000
Function 51:	Custodial & Maintenance	Equipment	25,000
Function 81:	Facilities	Capital Project Funds	<u>523,645</u>
	2011-2012	Total Capital Expenditure Funding	<u>\$523,645</u>

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2011, amounts to \$76,180,280 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2011</u>	<u>August 31, 2010</u>
Land	\$ 1,998,567	\$ 1,998,861
Buildings and improvements	70,831,284	70,157,552
Furniture and equipment	2,958,629	3,123,401
Construction in progress	391,800	271,465
Total at historical cost	<u>\$ 76,180,280</u>	<u>\$ 75,551,279</u>

Additional information on the District's capital assets can be found in note C on page 31 of this report.

Long-term debt. As of August 31, 2011, the District had total general obligation bonded debt outstanding of \$71,297,612, a decrease of \$2,620,000 from the prior year. Notes payable outstanding is \$940,000, a decrease of \$165,000 from the prior year. Accumulated accretion on capital appreciation bonds decreased \$29,695 for fiscal year 2011, resulting in an ending balance \$4,276,285. The premium on bonds is \$1,474,613, a decrease of \$87,143 from the previous year.

Additional information on the District's long-term debt can be found in note E on pages 32-33 of this report.

As of the last rating, November 2010, the outstanding unlimited tax supported debt of the District was rated "AA-" by S&P and "A2" by Moody's, without regard to credit enhancement. At the time of the last bond refinancing, December 2010, the District did not qualify for the guarantee of the Permanent School Fund of the State of Texas due to legislative limitations on the fund.

Economic Factors and Next Year's Budgets and Rates

Property Values

The July 25, 2010 certified tax roll showed an increase in the total taxable value within the District as follows.

Decatur ISD Summary of WCAD Property Values July 25, 2011							
	2007-2008 Certified	2008-2009 Certified	2009-2010 Certified	2010-2011 Certified	2011-2012 Certified	Inc/(Dec)	%
WCAD Real Property	778,471,423	844,983,264	906,296,066	908,825,163	918,456,776	9,631,613	1%
WCAD Personal Propert	88,543,923	101,162,339	103,594,688	81,539,769	87,443,577	5,903,808	7%
Minerals	668,359,810	774,338,480	883,896,460	1,024,799,760	957,183,500	-67,616,260	-7%
Industrial / Utility	208,144,050	313,001,770	336,712,890	326,025,840	265,748,920	-60,276,920	-18%
TOT. TAXABLE VALUE	1,743,519,206	2,033,485,853	2,230,500,104	2,341,190,532	2,228,832,773	-112,357,759	-5%
Percent Increase		17%	10%	5%	-5%		

A summary of the historical values is shown below. Minerals and industrial & utility property decreased in the current year, while real estate and personal property increased. The total sum of the increases in decreases resulted in a total decrease of approximately five percent.

Real Estate	Increased	+1%
Personal Property	Increased	+7%
Minerals	Decreased	-7%
Industrial & Utility	Decreased	-18%
Total Change	Decreased	-5%

Potential Loss of Tax Dollars:	M&O	$\$1.04 * \$112,357,759 / 100$	=	\$1,168,000
Potential Loss of Tax Dollars:	I&S	$\$0.26 * \$112,357,759 / 100$	=	\$ 292,000

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:

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

General Fund Summary: Revenue and Expenditures

	<u>2010-2011</u>	<u>2011-2012</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ 23,766,138	\$ 22,639,967	\$ (1,126,171)
Other Local Revenue	490,000	421,331	(68,669)
Total Local Revenue	<u>24,256,138</u>	<u>23,061,298</u>	<u>(1,194,840)</u>
State Revenue	6,346,554	8,442,692	2,096,138
Federal Revenue (SFSF)	949,119	30,000	(919,119)
Total Revenue	<u>31,551,811</u>	<u>31,533,990</u>	<u>(17,821)</u>
<u>Expenditures & Transfers</u>			
Expenditures for Operations	27,064,697	25,909,992	(1,154,705)
Transfer to Cafeteria Fund	101,977	150,000	48,023
Local Recapture to Austin	4,385,137	5,473,998	1,088,861
	<u>31,551,811</u>	<u>31,533,990</u>	<u>(17,821)</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)

Food Service Fund Summary: Revenue and Expenditures

	<u>2010-2011</u>	<u>2011-2012</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ -	\$ -	\$ -
Other Local Revenue	550,000	550,000	-
Total Local Revenue	<u>550,000</u>	<u>550,000</u>	<u>-</u>
State Revenue	10,000	10,000	-
Federal Revenue (SFSF)	660,000	660,000	-
Transfer In	101,977	150,000	48,023
Total Revenue	<u>1,321,977</u>	<u>1,370,000</u>	<u>48,023</u>
<u>Expenditures & Transfers</u>			
Expenditures for Operations	1,321,977	1,370,000	48,023
	<u>1,321,977</u>	<u>1,370,000</u>	<u>48,023</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>2010-2011</u>	<u>2011-2012</u>	<u>Inc/Dec</u>
Revenue			
Tax Collections	\$ 5,697,017	\$ 5,414,950	\$ (282,067)
Other Local Revenue	20,000	55,000	35,000
Total Local Revenue	<u>5,717,017</u>	<u>5,469,950</u>	<u>(247,067)</u>
State Revenue	-	-	-
Federal Revenue (SFSF)	-	-	-
Transfer In	-	-	-
Total Revenue	<u>5,717,017</u>	<u>5,469,950</u>	<u>(247,067)</u>
Expenditures & Transfers			
Expenditures for Operations	<u>5,812,215</u>	<u>5,810,808</u>	<u>(1,407)</u>
	<u>5,812,215</u>	<u>5,810,808</u>	<u>(1,407)</u>
Net Gain or Loss	<u>\$ (95,198)</u>	<u>\$ (340,858)</u>	<u>\$ (245,660)</u>

*("+" 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 \$204,000 represents a planned use of fund balance to maintain the current I&S tax rate.
- The balance of the \$340,858 less the \$204,000, or approximately \$182,000 actually represents the Wise County Tax Assessor's certified excess tax collections for 2010-2011.

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 ASSETS
AUGUST 31, 2011

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 466,334
1120	<i>Current Investments</i>	25,559,913
1225	<i>Property Taxes Receivable (Net)</i>	792,750
1240	<i>Due from Other Governments</i>	1,363,750
1267	<i>Due from Fiduciary</i>	28,957
1290	<i>Other Receivables (Net)</i>	2,374
1300	<i>Inventories</i>	12,783
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	517,470
Capital Assets:		
1510	<i>Land</i>	1,998,567
1520	<i>Buildings and Improvements, Net</i>	70,831,284
1530	<i>Furniture and Equipment, Net</i>	2,958,629
1580	<i>Construction in Progress</i>	391,800
1000	Total Assets	<u>104,924,611</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	509,605
2140	<i>Interest Payable</i>	120,252
2165	<i>Accrued Liabilities</i>	789,093
2300	<i>Unearned Revenue</i>	3,723,162
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	2,805,000
2502	<i>Due in More Than One Year</i>	75,183,510
2000	Total Liabilities	<u>83,130,622</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt Restricted For:	(1,411,012)
3820	Federal and State Programs	29,355
3850	Debt Service	2,028,175
3860	Capital Projects	4,618,607
3880	Scholarships	223,785
3900	Unrestricted	16,305,079
3000	Total Net Assets	<u>\$ 21,793,989</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 17,195,595	\$ 83,876	\$ 1,792,381	\$ (15,319,338)
12	Instructional Resources and Media Services	852,218	--	30,414	(821,804)
13	Curriculum and Staff Development	305,657	--	16,090	(289,567)
21	Instructional Leadership	318,387	--	11,363	(307,024)
23	School Leadership	1,872,648	--	66,831	(1,805,817)
31	Guidance, Counseling, & Evaluation Services	907,088	--	228,706	(678,382)
33	Health Services	281,952	--	10,062	(271,890)
34	Student Transportation	981,278	--	35,020	(946,258)
35	Food Service	1,385,830	477,725	723,394	(184,711)
36	Cocurricular/Extracurricular Activities	1,010,963	77,271	36,079	(897,613)
41	General Administration	1,036,689	--	36,997	(999,692)
51	Plant Maintenance and Operations	4,372,134	149,141	703,516	(3,519,477)
52	Security and Monitoring Services	70,057	--	2,500	(67,557)
53	Data Processing Services	257,265	--	47,377	(209,888)
61	Community Services	6,594	--	200,038	193,444
72	Interest on Long-term Debt	3,117,457	--	8,069	(3,109,388)
73	Bond Issuance Costs and Fees	6,654	--	--	(6,654)
81	Capital Outlay	138,657	--	10,538	(128,119)
91	Contracted Instructional Services between Schools	3,856,605	--	152,204	(3,704,401)
93	Payments Related to Shared Services Arrangements	62,000	--	2,447	(59,553)
99	Other Intergovernmental Charges	285,677	--	11,274	(274,403)
TG	Total Governmental Activities	<u>38,321,405</u>	<u>788,013</u>	<u>4,125,300</u>	<u>(33,408,092)</u>
TP	Total Primary Government	<u>\$ 38,321,405</u>	<u>\$ 788,013</u>	<u>\$ 4,125,300</u>	<u>(33,408,092)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				24,452,300
DT	Property Taxes, Levied for Debt Service				6,114,757
IE	Investment Earnings				44,571
GC	Grants and Contributions Not Restricted to Specific Programs				5,476,675
MI	Miscellaneous				371,616
TR	Total General Revenues				<u>36,459,919</u>
CN	Change in Net Assets				3,051,827
NB	Net Assets - Beginning				18,286,449
PA	Prior Period Adjustment				455,713
	Net Assets - Beginning, as Restated				18,742,162
NE	Net Assets - Ending				<u>\$ 21,793,989</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 78,363	\$ 33,542
1120 <i>Current Investments</i>	15,741,055	1,835,226
1225 <i>Taxes Receivable, Net</i>	636,468	156,282
1240 <i>Due from Other Governments</i>	483,818	3,125
1260 <i>Due from Other Funds</i>	560,292	--
1290 <i>Other Receivables</i>	--	--
1300 <i>Inventories</i>	12,783	--
1000 Total Assets	<u>\$ 17,512,779</u>	<u>\$ 2,028,175</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 222,391	\$ --
2160 <i>Accrued Wages Payable</i>	718,448	--
2170 <i>Due to Other Funds</i>	5,998	--
2300 <i>Deferred Revenue</i>	4,353,679	156,282
2000 Total Liabilities	<u>5,300,516</u>	<u>156,282</u>
FUND BALANCES:		
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>	--	1,871,893
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	4,550,000	--
3530 <i>Capital Expenditures for Equipment</i>	1,500,000	--
3540 <i>Self-Insurance</i>	100,000	--
3545 <i>Other Committed Fund Balance</i>	100,000	--
3600 <i>Unassigned</i>	5,962,263	--
3000 Total Fund Balances	<u>12,212,263</u>	<u>1,871,893</u>
4000 Total Liabilities and Fund Balances	<u>\$ 17,512,779</u>	<u>\$ 2,028,175</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 55,600	\$ 2,537	\$ 170,042
7,677,311	306,321	25,559,913
--	--	792,750
--	876,807	1,363,750
203,774	5,998	770,064
--	2,374	2,374
--	--	12,783
<u>\$ 7,936,685</u>	<u>\$ 1,194,037</u>	<u>\$ 28,671,676</u>
\$ 29,094	\$ 82,957	\$ 334,442
--	70,645	789,093
--	735,109	741,107
--	5,951	4,515,912
<u>29,094</u>	<u>894,662</u>	<u>6,380,554</u>
--	29,355	29,355
4,618,607	--	4,618,607
--	--	1,871,893
--	223,785	223,785
3,288,984	--	7,838,984
--	--	1,500,000
--	--	100,000
--	46,235	146,235
--	--	5,962,263
<u>7,907,591</u>	<u>299,375</u>	<u>22,291,122</u>
<u>\$ 7,936,685</u>	<u>\$ 1,194,037</u>	<u>\$ 28,671,676</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2011

Total fund balances - governmental funds balance sheet	\$ 22,291,122
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	76,180,280
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	792,750
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	121,129
Payables for bond principal which are not due in the current period are not reported in the funds.	(71,297,612)
Payables for bond interest which are not due in the current period are not reported in the funds.	(120,252)
Payables for notes which are not due in the current period are not reported in the funds.	(940,000)
Bond issuance costs are capitalized in the SNA.	517,470
Payables for bond premiums are amortized over the life of the bonds in the SNA.	(1,474,613)
Accumulated accretion on capital appreciation bonds are reported in the SNA.	<u>(4,276,285)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 21,793,989</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, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 24,808,598	\$ 6,069,015
5800 State Program Revenues	6,600,316	--
5900 Federal Program Revenues	29,601	--
5020 Total Revenues	<u>31,438,515</u>	<u>6,069,015</u>
EXPENDITURES:		
Current:		
0011 Instruction	14,265,135	--
0012 Instructional Resources and Media Services	770,644	--
0013 Curriculum and Staff Development	269,100	--
0021 Instructional Leadership	287,911	--
0023 School Leadership	1,693,397	--
0031 Guidance, Counseling, & Evaluation Services	618,177	--
0033 Health Services	254,963	--
0034 Student Transportation	887,350	--
0035 Food Service	30	--
0036 Cocurricular/Extracurricular Activities	914,193	--
0041 General Administration	937,457	--
0051 Plant Maintenance and Operations	3,451,419	--
0052 Security and Monitoring Services	63,351	--
0053 Data Processing Services	131,456	--
0061 Community Services	963	--
0071 Principal on Long-term Debt	165,000	2,620,000
0072 Interest on Long-term Debt	37,426	3,182,215
0073 Bond Issuance Costs and Fees	2,025	3,750
0081 Capital Outlay	267,015	--
0091 Contracted Instructional Services		
Between Public Schools	3,856,605	--
0093 Payments to Shared Service Arrangements	62,000	--
0099 Other Intergovernmental Charges	285,677	--
6030 Total Expenditures	<u>29,221,294</u>	<u>5,805,965</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>2,217,221</u>	<u>263,050</u>
Other Financing Sources and (Uses):		
7912 Sale of Real or Personal Property	74,125	--
7915 Transfers In	--	--
8911 Transfers Out	(18,056)	--
7080 Total Other Financing Sources and (Uses)	<u>56,069</u>	<u>--</u>
1200 Net Change in Fund Balances	2,273,290	263,050
0100 Fund Balances - Beginning	9,687,034	1,608,843
1300 Prior Period Adjustment	251,939	--
Fund Balances - Beginning, as Restated	9,938,973	1,608,843
3000 Fund Balances - Ending	<u>\$ 12,212,263</u>	<u>\$ 1,871,893</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 13,774	\$ 781,911	\$ 31,673,298
--	135,386	6,735,702
--	2,636,672	2,666,273
<u>13,774</u>	<u>3,553,969</u>	<u>41,075,273</u>
37,585	1,374,901	15,677,621
--	--	770,644
--	7,299	276,399
--	--	287,911
--	--	1,693,397
--	204,309	822,486
--	--	254,963
--	--	887,350
--	1,253,148	1,253,178
--	--	914,193
--	--	937,457
--	568,023	4,019,442
--	--	63,351
75,344	43,924	250,724
--	5,000	5,963
--	--	2,785,000
--	--	3,219,641
--	--	5,775
3,255,231	--	3,522,246
--	--	3,856,605
--	--	62,000
--	--	285,677
<u>3,368,160</u>	<u>3,456,604</u>	<u>41,852,023</u>
(3,354,386)	97,365	(776,750)
--	--	74,125
--	18,056	18,056
--	--	(18,056)
--	18,056	74,125
<u>(3,354,386)</u>	<u>115,421</u>	<u>(702,625)</u>
11,058,203	183,954	22,538,034
203,774	--	455,713
11,261,977	183,954	22,993,747
<u>\$ 7,907,591</u>	<u>\$ 299,375</u>	<u>\$ 22,291,122</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, 2011*

Net change in fund balances - total governmental funds	\$ (702,625)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,628,439
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,976,055)
The gain or loss on the sale of capital assets is not reported in the funds.	50,742
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(74,125)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	247,217
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,620,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	165,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(30,574)
The accretion of interest on capital appreciation bonds is not reported in the funds.	29,695
(Increase) decrease in accrued interest from beginning of period to end of period.	15,041
The net revenue (expense) of internal service funds is reported with governmental activities.	(8,071)
Bond premiums and similar items are amortized in the SOA but not in the funds.	<u>87,143</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 3,051,827</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT*STATEMENT OF NET ASSETS**INTERNAL SERVICE FUND**AUGUST 31, 2011*

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
ASSETS:		
Current Assets:		
1110	<i>Cash and Cash Equivalents</i>	\$ 296,292
	Total Current Assets	<u>296,292</u>
1000	Total Assets	<u>\$ 296,292</u>
LIABILITIES:		
Current Liabilities:		
2110	<i>Accounts Payable</i>	\$ 175,163
	Total Current Liabilities	<u>175,163</u>
2000	Total Liabilities	<u>175,163</u>
NET ASSETS:		
3900	<i>Unrestricted Net Assets</i>	121,129
3000	Total Net Assets	<u>\$ 121,129</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 186,002
5020	Total Revenues	<u>186,002</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	194,073
6030	Total Expenses	<u>194,073</u>
1300	Change in Net Assets	(8,071)
0100	Total Net Assets - Beginning	129,200
0300	Total Net Assets - Ending	<u>\$ 121,129</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ 185,457
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(207,496)
<i>Other Operating Cash Receipts (Payments)</i>	545
Net Cash Provided (Used) by Operating Activities	<u>(21,494)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(21,494)
Cash and Cash Equivalents at Beginning of Year	317,785
Cash and Cash Equivalents at End of Year	<u>\$ 296,291</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (8,071)
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accounts Payable</i>	<u>(13,423)</u>
Total Adjustments	(13,423)
Net Cash Provided (Used) by Operating Activities	<u>\$ (21,494)</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2011

Data Control Codes		Pension Trust Funds		DISD Annuity		Agency Funds
ASSETS:						
1110	Cash and Cash Equivalents		\$	--		\$ 238,368
1000	Total Assets		\$	--		\$ 238,368
LIABILITIES:						
Current Liabilities:						
2170	Due to Other Funds		\$	--		\$ 28,957
2190	Due to Student Groups			--		209,411
2000	Total Liabilities			--		238,368
NET ASSETS						
3000	Total Net Assets		\$	--		\$ --

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, 2011

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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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 tax revenues and for the payments of long-term debt and related costs for which a tax has been dedicated.

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

Capital Projects Fund: This fund is used to account for proceeds for long-term debt financing and revenues and expenditures related to authorized construction projects and other capital asset acquisitions.

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.

Pension (and Other Employee Benefit) Trust Funds: These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

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.

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

DECATUR INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2011

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

c. Inventories and Prepaid Items

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	10-40
Equipment	5-15

DECATUR INDEPENDENT SCHOOL DISTRICT
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e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

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 in 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 governing board. Committed amounts cannot be used for any other purpose unless the governing board 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 governing board. 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.

DECATUR INDEPENDENT SCHOOL DISTRICT
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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 governing board or by an official or body to which the governing board 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.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$704,702 and the bank balance was \$986,927. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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.

DECATUR INDEPENDENT SCHOOL DISTRICT
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The District's investment at August 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Wtd Avg Maturity</u>	<u>Fair Value</u>
Tex Pool LGIP	33 days	\$ 25,559,913
Total Investments		<u>\$ 25,559,913</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, 2011, 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:

Tex Pool LGIP AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

DECATUR INDEPENDENT SCHOOL DISTRICT
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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.

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,998,861	\$ --	\$ 294	\$ 1,998,567
Construction in progress	271,465	391,800	271,465	391,800
Total capital assets not being depreciated	<u>2,270,326</u>	<u>391,800</u>	<u>271,759</u>	<u>2,390,367</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	89,678,181	3,120,666	52,364	92,746,483
Equipment	5,467,250	387,438	148,930	5,705,758
Vehicles	--	--	--	--
Total capital assets being depreciated	<u>95,145,431</u>	<u>3,508,104</u>	<u>201,294</u>	<u>98,452,241</u>
Less accumulated depreciation for:				
Buildings and improvements	(19,520,628)	(2,424,155)	(29,583)	(21,915,200)
Equipment	(2,343,850)	(551,900)	(148,622)	(2,747,128)
Total accumulated depreciation	<u>(21,864,478)</u>	<u>(2,976,055)</u>	<u>(178,205)</u>	<u>(24,662,328)</u>
Total capital assets being depreciated, net	<u>73,280,953</u>	<u>532,049</u>	<u>23,089</u>	<u>73,789,913</u>
Governmental activities capital assets, net	<u>\$ 75,551,279</u>	<u>\$ 923,849</u>	<u>\$ 294,848</u>	<u>\$ 76,180,280</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,659,516
Instructional Resources and Media Services	81,575
Curriculum and Staff Development	29,258
Instructional Leadership	30,476
School Leadership	179,251
Guidance, Counseling, & Evaluation Services	87,062
Health Services	26,989
Student Transportation	93,928
Food Services	132,652
Extracurricular Activities	96,770
General Administration	99,232
Plant Maintenance and Operations	425,469
Security and Monitoring Services	6,706
Data Processing Services	26,540
Community Services	631
	<u>\$ 2,976,055</u>

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

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2011, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 531,335	For transfer of federal receipts
General Fund	Trust & Agency Funds	28,957	Short-term loans
Special Revenue Funds	General Fund	5,998	For transfer of federal receipts
Capital Project Fund	Special Revenue Fund	203,774	Reimburse for Pre-award
	Total	<u>\$ 770,064</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, 2011, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Food Service Fund	\$ 18,056	Supplement other funds sources
	Total	<u>\$ 18,056</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, 2011, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 73,917,612	\$ --	\$ (2,620,000)	\$ 71,297,612	\$ 2,635,000
Notes	1,105,000	--	(165,000)	940,000	170,000
Accum Accretion CAB's	4,305,980	--	(29,695)	4,276,285	--
Premium (unamortized)	1,561,756	--	(87,143)	1,474,613	--
Total governmental activities	<u>\$ 80,890,348</u>	<u>\$ --</u>	<u>\$ (2,901,838)</u>	<u>\$ 77,988,510</u>	<u>\$ 2,805,000</u>

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2011, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2012	\$ 2,635,000	\$ 3,165,809	\$ 5,800,809
2013	3,120,000	2,671,498	5,791,498
2014	3,225,000	2,559,178	5,784,178
2015	3,340,000	2,438,677	5,778,677
2016	3,480,000	2,286,128	5,766,128
2017-2021	17,247,972	11,475,044	28,723,016
2022-2026	15,180,360	13,333,417	28,513,777
2027-2031	15,659,280	12,910,387	28,569,667
2032-2036	7,410,000	718,350	8,128,350
Totals	<u>\$ 71,297,612</u>	<u>\$ 51,558,488</u>	<u>\$ 122,856,100</u>

<u>Year Ending August 31,</u>	Tax Revenue Notes		
	Principal	Interest	Total
2012	\$ 170,000	\$ 32,476	\$ 202,476
2013	180,000	27,036	207,036
2014	190,000	21,006	211,006
2015	195,000	14,452	209,452
2016	205,000	7,432	212,432
Totals	<u>\$ 940,000</u>	<u>\$ 102,402</u>	<u>\$ 1,042,402</u>

The UT School Building Bonds Series 2004 interest ranges from 2.37% to 5.31% and mature in August 2031.
The UT School Refunding Bonds Series 2005 interest ranges from 3.25% to 4.25 % and mature in August 2025.
The UT School School Building Bonds Series 2008 interest ranges from 4.50% to 5.25 % and mature in August 2034.
The UT School Refunding Bonds Series 2009 interest ranges from 2.25% to 4.50 % and mature in August 2030.

The Tax Revenue Note interest ranges from 3.00% to 4.50% and matures in August 2016.

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, 2011, as follows:

<u>Year Ending August 31,</u>	
2012	\$ 63,196
2013	63,196
2014	63,196
Total Minimum Rentals	<u>\$ 189,588</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the District participated in a public entity risk pool to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 2011, 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 Special Legal Liability. The Fund was created under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in 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, 2011, 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 November or December of the current year. The Fund's audited financial statements as of August 31,2010 are available at the TASB offices.

Workers' Compensation

The District has established a self-funded workers' compensation fund through an internal service fund. 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 \$124,334 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, 2011, 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 8/31/2011	Year Ended 8/31/2010	
Unpaid claims, beginning of year	\$ 188,586	\$ 201,647	
Incurred claims	111,049	120,915	
Claim payments	(124,471)	(133,976)	
Unpaid claims, end of fiscal year	\$ 175,164	\$ 188,586	

Unemployment Compensation

During the year ended August 31, 2011, 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, 2010, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

DECATUR INDEPENDENT SCHOOL DISTRICT
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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.trs.state.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 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2011, 2010 and 2009 were \$207,266, \$201,551 and \$199,101, respectively. The District paid additional state contributions for the years ending August 31, 2011, 2010 and 2009 in the amount of \$215,169, \$206,697 and \$205,096, respectively, on The amount contributed by the State on behalf of the District was \$1,139,453 for the year ended August 31, 2011.

I. Retiree Health Care Plan

1. Plan Description

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

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$173,136, \$171,201, and \$163,929, respectively, the active member contributions were \$112,538, \$111,281, and \$106,554, respectively, and the District's contributions were \$95,225, \$94,161, and \$90,161, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$45,865, \$42,662, and \$36,167, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$277 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 Blue Cross Blue Shield are available for the year ended September 1, 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, 2011.

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Gordon	Brock	Alvord	Slidell
Graford	Garner	Boyd	
Mineral Wells	Millsap	Bridgeport	
Palo Pinto	Peaster	Chico	
Strawn	Poolville	Paradise	

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 and Peaster, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Prior Period Adjustment

The prior period adjustment was the result of expenditures from the capital projects and general fund being approved as a pre-award for a grant fund after the financial statements were issued and closed for the 2010 fiscal year. Therefore resulting in an increase to fund balance for the general and capital projects fund balance.

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, 2011

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	\$ 24,256,138	\$ 24,356,138	\$ 24,808,598	\$	452,460	
5800	State Program Revenues	6,346,554	6,561,554	6,600,316		38,762	
5900	Federal Program Revenues	949,119	251,940	29,601		(222,339)	
5020	Total Revenues	<u>31,551,811</u>	<u>31,169,632</u>	<u>31,438,515</u>		<u>268,883</u>	
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	15,063,853	15,037,853	14,265,135		772,718	
0012	Instructional Resources and Media Services	795,741	805,741	770,644		35,097	
0013	Curriculum and Staff Development	313,526	311,026	269,100		41,926	
	Total Instruction & Instr. Related Services	<u>16,173,120</u>	<u>16,154,620</u>	<u>15,304,879</u>		<u>849,741</u>	
Instructional and School Leadership:							
0021	Instructional Leadership	290,203	298,703	287,911		10,792	
0023	School Leadership	1,683,332	1,746,832	1,693,397		53,435	
	Total Instructional & School Leadership	<u>1,973,535</u>	<u>2,045,535</u>	<u>1,981,308</u>		<u>64,227</u>	
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	710,809	719,809	618,177		101,632	
0033	Health Services	253,977	257,977	254,963		3,014	
0034	Student (Pupil) Transportation	1,044,490	964,490	887,350		77,140	
0035	Food Services	10,000	5,000	30		4,970	
0036	Cocurricular/Extracurricular Activities	1,000,681	1,000,681	914,193		86,488	
	Total Support Services - Student (Pupil)	<u>3,019,957</u>	<u>2,947,957</u>	<u>2,674,713</u>		<u>273,244</u>	
Administrative Support Services:							
0041	General Administration	965,673	970,673	937,457		33,216	
	Total Administrative Support Services	<u>965,673</u>	<u>970,673</u>	<u>937,457</u>		<u>33,216</u>	
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	3,990,584	3,504,253	3,451,419		52,834	
0052	Security and Monitoring Services	85,000	103,000	63,351		39,649	
0053	Data Processing Services	140,949	151,949	131,456		20,493	
	Total Support Services - Nonstudent Based	<u>4,216,533</u>	<u>3,759,202</u>	<u>3,646,226</u>		<u>112,976</u>	
Ancillary Services:							
0061	Community Services	3,000	3,000	963		2,037	
	Total Ancillary Services	<u>3,000</u>	<u>3,000</u>	<u>963</u>		<u>2,037</u>	
Debt Service:							
0071	Principal on Long-Term Debt	165,000	165,000	165,000		--	
0072	Interest on Long-Term Debt	37,426	37,426	37,426		--	
0073	Bond Issuance Costs and Fees	2,000	2,000	2,025		(25)	
	Total Debt Service	<u>204,426</u>	<u>211,926</u>	<u>204,451</u>		<u>7,475</u>	
Capital Outlay:							
0081	Capital Outlay	108,453	333,453	267,015		66,438	
	Total Capital Outlay	<u>108,453</u>	<u>333,453</u>	<u>267,015</u>		<u>66,438</u>	

DECATUR INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2011

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>	4,385,137	4,885,137	3,856,605	1,028,532
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	100,000	100,000	62,000	38,000
0099	<i>Other Intergovernmental Charges</i>	300,000	300,000	285,677	14,323
	Total Intergovernmental Charges	<u>4,785,137</u>	<u>5,285,137</u>	<u>4,204,282</u>	<u>1,080,855</u>
6030	Total Expenditures	<u>31,449,834</u>	<u>31,711,503</u>	<u>29,221,294</u>	<u>2,490,209</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>101,977</u>	<u>(541,871)</u>	<u>2,217,221</u>	<u>2,759,092</u>
	Other Financing Sources (Uses):				
7912	<i>Sale of Real or Personal Property</i>	--	--	74,125	74,125
7915	<i>Transfers In</i>	--	3,157	--	(3,157)
8911	<i>Transfers Out</i>	<u>(101,977)</u>	<u>(119,977)</u>	<u>(18,056)</u>	<u>101,921</u>
7080	Total Other Financing Sources and (Uses)	<u>(101,977)</u>	<u>(116,820)</u>	<u>56,069</u>	<u>172,889</u>
1200	Net Change in Fund Balance	--	<u>(658,691)</u>	<u>2,273,290</u>	<u>2,931,981</u>
0100	Fund Balance - Beginning	9,938,973	9,938,973	9,687,034	(251,939)
1300	Prior Period Adjustment	--	--	251,939	251,939
0100	Fund Balance - Beginning, as Restated	9,938,973	9,938,973	9,938,973	--
3000	Fund Balance - Ending	<u>\$ 9,938,973</u>	<u>\$ 9,280,282</u>	<u>\$ 12,212,263</u>	<u>\$ 2,931,981</u>

The accompanying notes are an integral part of this statement.

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, 2011

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.4700		.1844		726,105,536
2004		1.4500		.1667		878,705,190
2005		1.4613		.2767		1,042,184,730
2006		1.4500		.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 (School Year Under Audit)		1.0400		.2600		2,300,214,846

1000 Totals

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

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 134,367	\$ --	\$ 1,203	\$ 99	\$ (20,171)	\$ 112,894
48,207	--	1,496	188	(1,649)	44,874
46,928	--	2,169	249	(1,925)	42,585
38,148	--	3,315	628	(627)	33,578
52,690	--	5,669	1,126	(2,098)	43,797
51,271	--	8,703	1,552	(1,087)	39,629
64,533	--	14,430	3,315	(3,553)	43,235
138,768	--	76,575	19,880	44,883	87,196
476,030	--	214,968	55,809	66,898	272,151
--	29,902,793	23,744,628	5,936,157	222,341	444,349
<u>\$ 1,050,942</u>	<u>\$ 29,902,793</u>	<u>\$ 24,073,156</u>	<u>\$ 6,019,003</u>	<u>\$ 303,012</u>	<u>\$ 1,154,588</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

DECATUR INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011*

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 229,515	\$ 455,324	\$ --	\$ --	\$ 684,839
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	--	--	67,555	--	--	--	67,555
6212	Audit Services	--	--	--	28,700	--	--	28,700
6213	Tax Appraisal and Collection	--	316,483	--	--	--	--	316,483
621X	Other Prof. Services	--	--	8,043	81,754	--	--	89,797
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	1,631	--	--	1,631
6240	Contr. Maint. and Repair	--	--	--	--	2,006	--	2,006
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	7,700	--	--	7,700
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	37	299	--	--	336
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	1,330	41,839	--	--	43,169
6410	Travel, Subsistence, Stipends	4,402	--	12,951	16,498	--	--	33,851
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	75	--	--	--	--	--	75
6490	Miscellaneous Operating	3,806	--	6,161	23,133	--	--	33,100
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 8,283 \$ 316,483 \$ 325,592 \$ 656,878 \$ 2,006 \$ -- \$ 1,309,242

Total Expenditures for General and Special Revenue Funds (9) \$ 32,677,898

LESS: Deductions of Unallowable Costs

	FISCAL YEAR		
Total Capital Outlay (6600)	(10)	\$ 391,413	
Total Debt & Lease (6500)	(11)	\$ 204,451	
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,946,665	
Food (Function 35, 6341 and 6499)	(13)	\$ 507,021	
Stipends (6413)	(14)	\$ --	
Column 4 (above) - Total Indirect Cost		\$ 656,878	
Subtotal			5,706,428
Net Allowed Direct Cost			\$ 26,971,470

	CUMULATIVE		
Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 92,746,483	
Historical Cost of Buildings over 50 years old	(16)	501,892	
Amount of Federal Money in Building Cost (Net of #16)	(17)	--	
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	5,705,758	
Historical Cost of Furniture & Equipment over 16 years old	(19)	46,462	
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 79,102	

(8) Note A - \$86,108 in Function 53 expenditures and \$285,677 in 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, 2011

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2011 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>12,212,263</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u> --</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> 6,250,000</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> 2,435,108</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u> 4,870,216</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> 13,555,324</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ <u> (1,343,061)</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 550,000	\$ 477,725	\$ (72,275)
5800 <i>State Program Revenues</i>	10,000	25,668	15,668
5900 <i>Federal Program Revenues</i>	660,000	697,725	37,725
5020 Total Revenues	<u>1,220,000</u>	<u>1,201,118</u>	<u>(18,882)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,321,977	1,253,148	68,829
Total Support Services - Student (Pupil)	<u>1,321,977</u>	<u>1,253,148</u>	<u>68,829</u>
6030 Total Expenditures	<u>1,321,977</u>	<u>1,253,148</u>	<u>68,829</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(101,977)</u>	<u>(52,030)</u>	<u>49,947</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	101,977	18,056	(83,921)
7080 Total Other Financing Sources and (Uses)	<u>101,977</u>	<u>18,056</u>	<u>(83,921)</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>(33,974)</u>	<u>(33,974)</u>
0100 Fund Balance - Beginning	<u>33,974</u>	<u>33,974</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 33,974</u>	<u>\$ --</u>	<u>\$ (33,974)</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT J-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,717,017	\$ 6,069,015	\$ 351,998
5020 <i>Total Revenues</i>	<u>5,717,017</u>	<u>6,069,015</u>	<u>351,998</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	2,620,000	2,620,000	--
0072 <i>Interest on Long-Term Debt</i>	3,182,215	3,182,215	--
0073 <i>Bond Issuance Costs and Fees</i>	10,000	3,750	6,250
<i>Total Debt Service</i>	<u>5,812,215</u>	<u>5,805,965</u>	<u>6,250</u>
6030 <i>Total Expenditures</i>	<u>5,812,215</u>	<u>5,805,965</u>	<u>6,250</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	(95,198)	263,050	358,248
1200 <i>Net Change in Fund Balance</i>	<u>(95,198)</u>	<u>263,050</u>	<u>358,248</u>
0100 <i>Fund Balance - Beginning</i>	1,608,843	1,608,843	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 1,513,645</u>	<u>\$ 1,871,893</u>	<u>\$ 358,248</u>

The accompanying notes are an integral part of this statement.



Snow, Garrett & Company
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

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

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Independent School District as of and for the year ended August 31, 2011, which collectively comprise the Decatur Independent School District's basic financial statements and have issued our report thereon dated December 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Decatur Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Decatur Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Decatur Independent School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Decatur Independent School District in a separate letter dated December 8, 2011.

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

Respectfully submitted,

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

Snow, Garrett & Company
December 8, 2011



Snow, Garrett & Company

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and
Material Effect on each Major Program and on Internal Control Over Compliance
In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Decatur Independent School District's management. Our responsibility is to express an opinion on Decatur Independent School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

Respectfully submitted,

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

Snow, Garrett & Company
December 8, 2011

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA of 2009 State Fiscal Stabilization Fund
84.391	ARRA IDEA B Formula
84.392	ARRA IDEA B Preschool
84.027	IDEA B Formula
84.173	IDEA B Preschool

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

Auditee qualified as low-risk auditee? 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, 2011

<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, 2011

A corrective action plan is not needed.

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

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			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	1161010124990	\$ 200,567
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	12610101249905	14,213
Total CFDA Number 84.010A			<u>214,780</u>
<i>IDEA-B Formula *</i>	84.027A	116600012499056601	321,687
<i>IDEA-B Formula *</i>	84.027A	126600012499056601	31,412
Total CFDA Number 84.027A			<u>353,099</u>
<i>Career and Technical - Basic Grant</i>	84.048A	11420006249905	21,052
<i>IDEA-B Preschool *</i>	84.173A	116610012499056611	2,407
<i>IDEA-B Preschool *</i>	84.173A	126610012499056611	356
Total CFDA Number 84.173A			<u>2,763</u>
<i>Career and Technical - Technical Preparation</i>	84.243A	11086	2,485
<i>Title III Part A English Language Acquisition and Language Enhance</i>	84.365A	10671001249905	40,757
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	11694501249905	73,070
<i>Summer School lep</i>	84.369A	69551002	2,149
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389A	10551001249905	31,307
<i>ARRA - IDEA-Part B Formula *</i>	84.391A	10554001249905	309,940
<i>ARRA - IDEA-Part B Formula *</i>	84.391A	10554001249905	--
Total CFDA Number 84.391A			<u>309,940</u>
<i>ARRA - IDEA Part B, Preschool *</i>	84.392A	1055501249905	7,831
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394A	10557001249905	454,573
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394A	11557001249905	393,405
Total CFDA Number 84.394A			<u>847,978</u>
<i>Education Jobs Fund</i>	84.410A	11550101249905	31,736
Total Passed Through State Department of Education			<u>1,938,947</u>
Total U. S. Department of Education			<u>1,938,947</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Wise County:			
<i>Grasslands Grant *</i>	10.666	DECISD	29,601
Passed Through State Department of Education:			
<i>School Breakfast Program *</i>	10.553	71401101	134,190
<i>National School Lunch Program *</i>	10.555	71301101	496,522
<i>Commodity Supplemental Food Program (Non-cash)</i>	10.565	249905A	67,013
Total Passed Through State Department of Education			<u>697,725</u>
Total U. S. Department of Agriculture			<u>727,326</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,666,273</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, 2011

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, 2011*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 4,276,285

