

DECATUR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

Introductory Section

Decatur Independent School District
Annual Financial Report
For The Year Ended August 31, 2010

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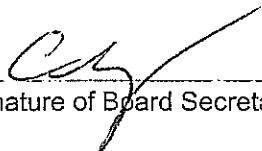
CERTIFICATE OF BOARD

Decatur Independent School District
Name of School District

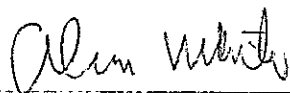
Wise
County

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, 2010, at a meeting of the board of trustees of such school district on the 9th day of DECEMBER, 2010



Signature of Board Secretary



Signature of Board President

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

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, 2010, 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.

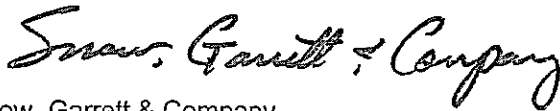
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Decatur Independent School District as of August 31, 2010, and the respective 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 3, 2010, 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 introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

A handwritten signature in cursive script that reads "Snow, Garrett & Company".

Snow, Garrett & Company
December 3, 2010

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, 2010. 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 \$18,286,449 (*net assets*). Of this amount, \$14,349,962 (*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 \$22,538,035. Approximately 28 percent of this total amount, \$6,439,804, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$6,437,034, or 23 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 10-11 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 12-17 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 18-20 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 21.
- **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 22-32 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 33-34 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 \$18,286,449 as of August 31, 2010

The District's Net Assets

	<u>August 31, 2010</u>	<u>August 31, 2009</u>
Current assets	\$ 28,883,121	\$ 42,492,956
Capital assets	75,551,279	61,528,088
Total assets	<u>104,434,400</u>	<u>104,021,044</u>
Current liabilities	5,257,603	2,962,245
Long-term liabilities outstanding	80,890,348	82,206,062
total liabilities	<u>86,147,951</u>	<u>85,168,307</u>
Net assets:		
Invested in capital assets, net of related debt	(4,926,318)	(20,367,553)
Restricted	8,863,498	26,605,712
Unrestricted	14,349,269	12,614,578
Total net assets	<u>\$ 18,286,449</u>	<u>\$ 18,852,737</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 (\$4,926,318). 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, \$8,863,498, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$14,349,269, may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources

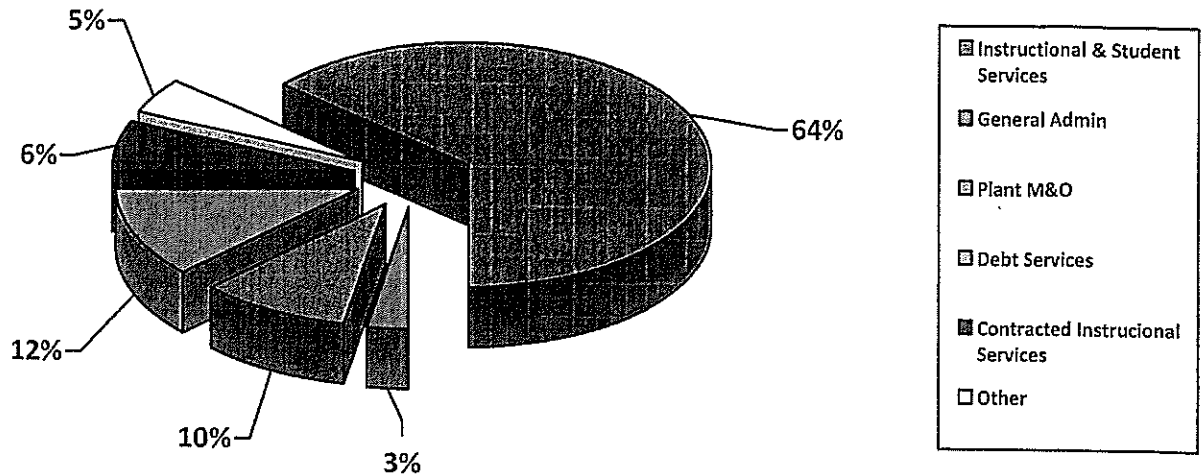
available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net assets decreased \$566,288. The total cost of all *governmental activities* this year was \$38,896,450. The amount that our taxpayers paid for these activities through property taxes was \$29,518,184 or 76%.

Changes in the District's Net Assets

	Fiscal Year August 31, 2010	Fiscal Year August 31, 2009
Revenues:		
Program revenues		
Charges for services	\$ 860,456	\$ 896,477
Operating grants and contributions	3,562,916	10,772,553
General revenues		
Property taxes	29,518,184	26,894,066
State grants	4,114,734	219,834
Other	273,872	759,374
Total revenues	38,330,162	39,542,304
Expenses:		
Instruction	17,015,637	17,346,869
Instruction resources and media services	914,874	581,605
Curriculum and staff development	315,861	293,827
Instructional leadership	298,583	301,014
School leadership	1,704,985	1,643,444
Guidance, counseling & evaluation services	877,931	845,213
Health services	266,861	259,546
Student transportation	879,508	854,261
Food service	1,325,301	1,478,597
Cocurricular/Extracurricular activities	1,054,822	1,011,018
General administration	1,051,992	1,036,086
Plant maintenance and operations	3,907,574	3,946,000
Security and monitoring services	71,521	66,618
Data processing services	1,556,321	214,304
Community Services	7,799	7,662
Debt service-interest on long-term debt	3,043,448	3,319,661
Debt service-bond issuance costs	1,600,504	640,268
Capital Outlay	156,634	97,464
Contracted instructional services between schools	2,494,744	4,717,303
Payments related to shared service arrangements	67,064	90,606
Other Intergovernmental Charges	284,486	267,998
Total expenses	38,896,450	39,019,364
Increase/(Decrease) in net assets	(566,288)	522,940
Beginning net assets	18,852,737	18,329,797
Ending net assets	\$ 18,286,449	\$ 18,852,737

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, *unreserved, undesignated 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 \$22,538,035, a decrease of \$16,083,341. Approximately 28 percent of this total amount (\$6,439,804) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$1,608,843), (2) for construction and capital acquisitions (\$14,308,203), (3) for food service (\$33,974), and (4) for other miscellaneous reservations (\$147,211).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$6,437,034, out of a total fund balance of \$9,687,034. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 23 percent of the total general fund expenditures, while total fund balance represents 35 percent of that same amount.

The fund balance of the District's general fund decreased \$2,381,077 during the current fiscal year. Key factors in this decrease are:

- The District transferred four million dollars (\$4M) from the general fund to a separate construction account to be used for district improvements.
- Without the transfer, the fund balance in the general fund would have increased approximately one million six-hundred thousand dollars (\$1.6M).

The debt service fund has a total fund balance of \$1,608,843, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service was \$271,950.

The capital projects fund has a total fund balance of \$11,058,203 consisting of designations of \$4,000,900 and reserved from external restrictions of \$7,057,303. The net decrease in fund balance during the period was \$14,039,713.

General Fund Budgetary Highlights

- The 2009-2010 budget originated as a balanced budget with sufficient anticipated excess funds to allow all of the functions to be budgeted to meet any unknown contingencies which may be necessary during the year.
- Increase in certified taxable value from approximately \$2,033,000,000 to \$2,230,000,000 resulting in greater tax revenues. However, the increased values do not mean more overall funding of the District; recapture returns some local funds to the State. Accordingly the District does not always get to keep all funds from increased property values.
- The 2009 M & O tax rate remained the same at \$1.04. The 2009 I&S rate remained the same at \$0.27.
- The District is required to be part of the state-wide Texas Teachers Retirement Active-Care system and uses Blue Cross and Blue Shield for employee medical insurance. The District contributed \$ 277 per month toward the overall cost of insurance; a single employee electing Active-Care 1 would then pay \$1 per month for medical insurance.
- Salary increases for teachers were increased by \$1,000 at each step. A beginning teacher at step zero with a BS degree earned \$41,000 while experienced teachers at step 29 and above earned \$58,200.
- In 09-10 the Elementary campuses were budgeted at \$112 per student, Intermediate at \$138 /student, Middle School at \$145 /student, and High School at \$190 /student. These amounts are the same amounts as allocated in the 08-09 budget.
- An attendance incentive of \$100 to \$200 per teacher was continued to improve attendance for the 09-10 year. The incentive is for teachers only and not available to administrators or other non-teachers.
- In an effort to accomplish the Board goal of attracting and retaining excellent employees, the District has implemented an experience pay benefit outside of employee salary scales. Depending on longevity, an employee could earn an additional \$25 to \$1,000 for service with the District.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of August 31, 2010, amounts to \$75,551,279 (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, 2010</u>	<u>August 31, 2009</u>
Land	\$ 1,998,861	\$ 1,998,861
Buildings and improvements	70,157,552	54,955,478
Furniture and equipment	3,123,401	3,118,184
Construction in progress	271,465	1,455,565
Total at historical cost	<u>\$ 75,551,279</u>	<u>\$ 61,528,088</u>

Additional information on the District’s capital assets can be found in note D on page 28 of this report.

Long-term debt. As of August 31, 2010, the District had total general obligation bonded debt outstanding of \$73,917,612, a decrease of \$3,085,000 from the prior year. Notes payable outstanding is \$1,105,000, a decrease of \$160,000 from the prior year. Accretion on capital appreciation bonds was \$1,349,226 for fiscal year 2010, resulting in an ending balance \$4,305,980. The premium for the bonds is \$1,561,756, an increase of \$580,060 from the previous year.

Additional information on the District’s long-term debt can be found in note F on pages 29-30 of this report.

As of the last rating, November 2009, 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 2009, 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

- The District's 2010-2011 M&O tax rate is \$1.04 which represents a zero percent increase over the prior year. The District's I&S rate was decreased one-cent to \$0.26.
- The District's fall 2010 PEIMS student membership is approximately 3,011, up approximately 35 students from a year ago, and up approximately 40 from the District's Fall 2008 PEIMS membership.
- During 2010-2011, the District estimates recapture payments to the State of Texas will be approximately \$4,385,000. M&O taxes collected are estimated to be \$23,766,000. Accordingly, recapture represents approximately 18.5% of local tax dollars sent out of the District.
- The guaranteed price for the completion of Young Elementary and the transportation facility at 8-1-2010 was \$18,775,999. The District anticipates the project to actually come in at least \$1M under budget as of Fall 2010. That amount will be available in the bond funds for additional projects.
- The District estimated that under Option 3 the amount due for recapture to the State was approximately \$4,385,000. In 09-10 the amount was originally budgeted at \$2,468,914.
- The 10-11 general fund revenue was estimated at approximately \$2,002,000 more than the prior year. Expenditures were budgeted at approximately \$2,097,000. However, because recapture is estimated to increase approximately \$1,916,223, when recapture and legislative revenue formula changes are considered, the actual additional funds to the District is approximately \$86,000.
- Capital projects budgeted in the general fund include a vehicle (\$40,000), instructional equipment (17,123), bus (\$90,000), maintenance equipment (\$40,000), and facility improvements (\$108,453).
- The District increased teacher salaries by \$175 per step. This represents an actual gain of \$200 to \$1,200, depending on step. The cost of this increase is anticipated to be \$160,000 for the year.

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, 2010

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 608,230
1120	Current Investments	26,758,164
1225	Property Taxes Receivable (Net)	545,533
1240	Due from Other Governments	393,034
1260	Internal Balances	550
1267	Due from Fiduciary	27,494
1290	Other Receivables (Net)	2,072
1420	Capitalized Bond and Other Debt Issuance Costs	548,044
Capital Assets:		
1510	Land	1,998,861
1520	Buildings and Improvements, Net	70,157,552
1530	Furniture and Equipment, Net	3,123,401
1580	Construction in Progress	271,465
1000	Total Assets	<u>104,434,400</u>
LIABILITIES:		
2110	Accounts Payable	1,203,912
2140	Interest Payable	135,293
2165	Accrued Liabilities	881,282
2300	Unearned Revenue	3,037,116
Noncurrent Liabilities:		
2501	Due Within One Year	2,785,000
2502	Due in More Than One Year	78,105,348
2000	Total Liabilities	<u>86,147,951</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt Restricted For:	(4,926,318)
3850	Debt Service	1,714,114
3860	Capital Projects	7,057,303
3870	Campus Activities	55,715
3880	Scholarships	36,366
3900	Unrestricted	14,349,269
3000	Total Net Assets	<u>\$ 18,286,449</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

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	\$ 17,015,637	\$ 168,556	\$ 1,911,923	\$ (14,935,158)
12	Instructional Resources and Media Services	914,874	3,441	37,670	(873,763)
13	Curriculum and Staff Development	315,861	1,226	84,758	(229,877)
21	Instructional Leadership	298,583	1,268	11,654	(285,661)
23	School Leadership	1,704,985	7,234	68,246	(1,629,505)
31	Guidance, Counseling, & Evaluation Services	877,931	2,799	227,586	(647,546)
33	Health Services	266,861	1,134	10,416	(255,311)
34	Student Transportation	879,508	4,151	38,140	(837,217)
35	Food Service	1,325,301	557,403	692,727	(75,171)
36	Cocurricular/Extracurricular Activities	1,054,822	76,139	41,562	(937,121)
41	General Administration	1,051,992	4,950	41,040	(1,006,002)
51	Plant Maintenance and Operations	3,907,574	16,448	227,812	(3,663,314)
52	Security and Monitoring Services	71,521	304	2,792	(68,425)
53	Data Processing Services	1,556,322	712	6,542	(1,549,068)
61	Community Services	7,799	33	304	(7,462)
72	Interest on Long-term Debt	3,043,448	936	8,599	(3,033,913)
73	Bond Issuance Costs and Fees	1,600,504	--	--	(1,600,504)
81	Capital Outlay	156,634	722	6,632	(149,280)
91	Contracted Instructional Services between Schools	2,494,744	11,495	105,626	(2,377,623)
93	Payments Related to Shared Services Arrangements	67,064	194	26,842	(40,028)
99	Other Intergovernmental Charges	284,486	1,311	12,045	(271,130)
TG	Total Governmental Activities	<u>38,896,451</u>	<u>860,456</u>	<u>3,562,916</u>	<u>(34,473,079)</u>
TP	Total Primary Government	<u>\$ 38,896,451</u>	<u>\$ 860,456</u>	<u>\$ 3,562,916</u>	<u>(34,473,079)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				23,435,883
DT	Property Taxes, Levied for Debt Service				6,082,301
IE	Investment Earnings				142,319
GC	Grants and Contributions Not Restricted to Specific Programs				4,114,734
MI	Miscellaneous				131,554
TR	Total General Revenues				<u>33,906,791</u>
CN	Change in Net Assets				<u>(566,288)</u>
NB	Net Assets - Beginning				18,852,737
NE	Net Assets - Ending				<u>\$ 18,286,449</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes		10 General Fund	50 Debt Service Fund
ASSETS:			
1110	Cash and Cash Equivalents	\$ --	\$ 37,038
1120	Current Investments	13,607,578	1,565,162
1225	Taxes Receivable, Net	440,262	105,271
1240	Due from Other Governments	60,997	6,643
1260	Due from Other Funds	306,224	--
1290	Other Receivables	--	--
1000	Total Assets	<u>\$ 14,415,061</u>	<u>\$ 1,714,114</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 379,643	\$ --
2160	Accrued Wages Payable	836,803	--
2170	Due to Other Funds	267,564	--
2300	Unearned Revenue	3,244,017	105,271
2000	Total Liabilities	<u>4,728,027</u>	<u>105,271</u>
FUND BALANCES:			
Reserved Fund Balances:			
3420	Debt Service	--	1,608,843
3450	Reserve for Food Service	--	--
3470	Capital Acquisitions & Contractual Obligations	--	--
3490	Other Reserves of Fund Balance	--	--
Designated Fund Balance:			
3510	Construction	3,250,000	--
3600	Unreserved	6,437,034	--
Unreserved, Reported in Nonmajor:			
3610	Special Revenue Funds	--	--
3000	Total Fund Balances	<u>9,687,034</u>	<u>1,608,843</u>
4000	Total Liabilities and Fund Balances	<u>\$ 14,415,061</u>	<u>\$ 1,714,114</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 118,543	\$ 134,864	\$ 290,445
11,568,456	16,968	26,758,164
--	--	545,533
--	325,394	393,034
--	267,564	573,788
--	2,072	2,072
<u>\$ 11,686,999</u>	<u>\$ 746,862</u>	<u>\$ 28,563,036</u>
\$ 628,796	\$ 6,887	\$ 1,015,326
--	44,479	881,282
--	278,180	545,744
--	233,361	3,582,649
<u>628,796</u>	<u>562,907</u>	<u>6,025,001</u>
--	--	1,608,843
--	33,974	33,974
7,057,303	--	7,057,303
--	147,211	147,211
4,000,900	--	7,250,900
--	--	6,437,034
--	2,770	2,770
<u>11,058,203</u>	<u>183,955</u>	<u>22,538,035</u>
<u>\$ 11,686,999</u>	<u>\$ 746,862</u>	<u>\$ 28,563,036</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2010

Total fund balances - governmental funds balance sheet	\$ 22,538,035
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.	75,551,279
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	545,533
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	129,199
Payables for bond principal which are not due in the current period are not reported in the funds.	(73,917,612)
Payables for bond interest which are not due in the current period are not reported in the funds.	(135,293)
Payables for notes which are not due in the current period are not reported in the funds.	(1,105,000)
Accumulated accretion on Capital Appreciation Bonds are not reported in the funds.	(4,305,980)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(1,561,756)
Bond issuance costs are capitalized assets for the SNA, but not in the funds.	<u>548,044</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 18,286,449</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, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 23,747,164	\$ 6,130,840
5800 State Program Revenues	5,213,940	--
5900 Federal Program Revenues	63,806	--
5020 Total Revenues	<u>29,024,910</u>	<u>6,130,840</u>
EXPENDITURES:		
Current:		
0011 Instruction	13,921,158	--
0012 Instructional Resources and Media Services	746,834	--
0013 Curriculum and Staff Development	265,980	--
0021 Instructional Leadership	275,257	--
0023 School Leadership	1,570,013	--
0031 Guidance, Counseling, & Evaluation Services	607,478	--
0033 Health Services	246,013	--
0034 Student Transportation	900,827	--
0035 Food Service	5,827	--
0036 Cocurricular/Extracurricular Activities	981,635	--
0041 General Administration	969,307	--
0051 Plant Maintenance and Operations	3,569,851	--
0052 Security and Monitoring Services	65,934	--
0053 Data Processing Services	154,513	--
0061 Community Services	7,190	--
0071 Principal on Long-term Debt	160,000	3,085,000
0072 Interest on Long-term Debt	43,106	3,101,976
0073 Bond Issuance Costs and Fees	--	339,117
0081 Capital Outlay	156,634	--
0091 Contracted Instructional Services		
Between Public Schools	2,494,744	--
0093 Payments to Shared Service Arrangements	42,000	--
0099 Other Intergovernmental Charges	284,486	--
6030 Total Expenditures	<u>27,468,787</u>	<u>6,526,093</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>1,556,123</u>	<u>(395,253)</u>
Other Financing Sources and (Uses):		
7911 Capital-Related Debt Issued (Regular Bonds)	--	15,695,000
7912 Sale of Real or Personal Property	62,800	--
7915 Transfers In	--	--
7916 Premium or Discount on Issuance of Bonds	--	667,203
8911 Transfers Out	(4,000,000)	--
8949 Other Uses	--	(15,695,000)
7080 Total Other Financing Sources and (Uses)	<u>(3,937,200)</u>	<u>667,203</u>
1200 Net Change in Fund Balances	<u>(2,381,077)</u>	<u>271,950</u>
0100 Fund Balances - Beginning	12,068,111	1,336,893
3000 Fund Balances - Ending	<u>\$ 9,687,034</u>	<u>\$ 1,608,843</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 34,214	\$ 710,916	\$ 30,623,134
--	139,856	5,353,796
--	2,260,048	2,323,854
<u>34,214</u>	<u>3,110,820</u>	<u>38,300,784</u>
373,951	1,494,931	15,790,040
90,518	6,049	843,401
--	25,205	291,185
--	--	275,257
--	1,773	1,571,786
--	201,866	809,344
--	--	246,013
--	--	900,827
--	1,215,937	1,221,764
--	--	981,635
--	500	969,807
--	73,996	3,643,847
--	--	65,934
1,270,376	--	1,424,889
--	--	7,190
--	--	3,245,000
--	--	3,145,082
--	--	339,117
16,339,082	--	16,495,716
--	--	2,494,744
--	25,064	67,064
--	--	284,486
<u>18,073,927</u>	<u>3,045,321</u>	<u>55,114,128</u>
<u>(18,039,713)</u>	<u>65,499</u>	<u>(16,813,344)</u>
--	--	15,695,000
--	--	62,800
4,000,000	--	4,000,000
--	--	667,203
--	--	(4,000,000)
--	--	(15,695,000)
<u>4,000,000</u>	<u>--</u>	<u>730,003</u>
<u>(14,039,713)</u>	<u>65,499</u>	<u>(16,083,341)</u>
25,097,916	118,456	38,621,376
<u>\$ 11,058,203</u>	<u>\$ 183,955</u>	<u>\$ 22,538,035</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, 2010

Net change in fund balances - total governmental funds	\$ (16,083,341)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	16,606,196
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,471,884)
The gain or loss on the sale of capital assets is not reported in the funds.	(48,322)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(62,800)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	77,702
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,085,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	160,000
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.	(1,349,226)
(Increase) decrease in accrued interest from beginning of period to end of period.	14,491
The net revenue (expense) of internal service funds is reported with governmental activities.	(1,882)
Premium on bonds and similar items are amortized in the SOA but not in the funds.	87,143
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(15,695,000)
Bond premiums are reported in the funds but not in the SOA.	(667,203)
Bond issuance costs are reported in the funds but not in the SOA.	118,412
Payments to escrow agent for refunding are reported in the funds, but not in the SOA.	<u>15,695,000</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (566,288)</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
AUGUST 31, 2010

Data Control Codes		Nonmajor Internal Service Fund	Insurance Fund
	ASSETS:		
	Current Assets:		
1110	Cash and Cash Equivalents	\$ 317,785	
	Total Current Assets	<u>317,785</u>	
1000	Total Assets	<u>\$ 317,785</u>	
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	\$ 188,586	
	Total Current Liabilities	<u>188,586</u>	
2000	Total Liabilities	<u>188,586</u>	
	NET ASSETS:		
3900	Unrestricted Net Assets		129,199
3000	Total Net Assets	<u>\$ 129,199</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, 2010

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	Local and Intermediate Sources	\$ 196,686
5020	Total Revenues	<u>196,686</u>
	OPERATING EXPENSES:	
6400	Other Operating Costs	198,568
6030	Total Expenses	<u>198,568</u>
1300	Change in Net Assets	(1,882)
0100	Total Net Assets - Beginning	131,081
3300	Total Net Assets - Ending	<u>\$ 129,199</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, 2010

	<u>Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash Receipts for (Quasi-external)	
Operating Transactions with Other Funds	\$ 196,686
Other Operating (Payments)	<u>(198,568)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,882)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,942)
Cash and Cash Equivalents at Beginning of Year	332,728
Cash and Cash Equivalents at End of Year	<u>\$ 317,786</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (1,882)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	<u>(13,060)</u>
Total Adjustments	<u>(13,060)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,942)</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2010

Data Control Codes	Pension Trust Funds	DISD Annuity	Agency Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ --		\$ 188,429
1120 Current Investments		3,156	--
1000 Total Assets		<u>\$ 3,156</u>	<u>\$ 188,429</u>
LIABILITIES:			
Current Liabilities:			
2150 Payroll Deduction & Withholdings	\$ --		\$ 103
2170 Due to Other Funds	--		28,045
2190 Due to Student Groups	--		160,281
2400 Payable from Restricted Assets		3,156	--
2000 Total Liabilities		<u>3,156</u>	<u>188,429</u>
NET ASSETS			
3000 Total Net Assets		<u>\$ --</u>	<u>\$ --</u>

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, 2010

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 principal, interest, and long-term related costs for which a tax has been dedicated.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

Capital Projects Fund: This fund is used to account for proceeds from 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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

e. Receivable and Payable Balances

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

f. **Compensated Absences**

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

g **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.

h. **Use of Estimates**

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

i. **Data Control Codes**

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

B. Compliance and Accountability

1. **Finance-Related Legal and Contractual Provisions**

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

Violation

During the year ended August 31, 2010, expenditures exceeded appropriations in the following:

<u>Fund</u>	<u>Function</u>	<u>Expenditures Over Budget</u>	<u>Remarks</u>
General Fund	91	\$ 2,442,882	The District inadvertently netted WADA payments with State revenue.

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>
Invested in Capital Assets, Net of Related Debt	\$ (4,926,318)

Remarks

Debt has been issued, but proceeds have not been fully invested into the facilities.

C. Deposits and Investments

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$796,660 and the bank balance was \$1,226,590. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, 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.

The District's investment at August 31, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Tex Pool- LGIP	Wtd Avg 60 days	\$ 26,761,321
Total Investments		<u>\$ 26,761,321</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, 2010, 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.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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.

Public Funds Investment Pools

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

D. Capital Assets

Capital asset activity for the year ended August 31, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,998,861	\$ --	\$ --	\$ 1,998,861
Construction in progress	1,455,565	271,465	1,455,565	271,465
Total capital assets not being depreciated	<u>3,454,426</u>	<u>271,465</u>	<u>1,455,565</u>	<u>2,270,326</u>
Capital assets being depreciated:				
Buildings and improvements	72,611,864	17,276,317	210,000	89,678,181
Equipment	4,953,269	513,981	--	5,467,250
Total capital assets being depreciated	<u>77,565,133</u>	<u>17,790,298</u>	<u>210,000</u>	<u>95,145,431</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,656,386)	(1,963,121)	(98,878)	(19,520,629)
Equipment	(1,835,087)	(508,762)	--	(2,343,849)
Total accumulated depreciation	<u>(19,491,473)</u>	<u>(2,471,883)</u>	<u>(98,878)</u>	<u>(21,864,478)</u>
Total capital assets being depreciated, net	<u>58,073,660</u>	<u>15,318,415</u>	<u>111,122</u>	<u>73,280,953</u>
Governmental activities capital assets, net	<u>\$ 61,528,086</u>	<u>\$ 15,589,880</u>	<u>\$ 1,566,687</u>	<u>\$ 75,551,279</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,338,104
Instructional Resources and Media Services	71,473
Curriculum and Staff Development	24,676
Instructional Leadership	23,326
School Leadership	133,199
Guidance, Counseling, & Evaluation Services	68,587
Health Services	20,848
Student Transportation	76,339
Food Services	103,537
Extracurricular Activities	83,187
General Administration	82,185
Plant Maintenance and Operations	308,793
Security and Monitoring Services	5,587
Data Processing Services	131,433
Community Services	609
	<u>\$ 2,471,883</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 278,730	For transfer of federal receipts
General Fund	Trust and Agency Funds	27,494	Short-term loans
Other Governmental Funds	General Fund	267,564	For transfer of federal receipts
	Total	<u>\$ 573,788</u>	

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2010, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Project Fund	\$ 4,000,000	Supplement for fall capital projects
	Total	<u>\$ 4,000,000</u>	

F. Long-Term Obligations

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

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, 2010, are as follows:

	Beginning Balance	Issuance/ Increases	Defeasance/ Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 77,002,612	\$ 15,695,000	\$ (18,780,000)	\$ 73,917,612	\$ 2,620,000
Notes	1,265,000	--	(160,000)	1,105,000	165,000
Accumulated accretion CAB's	2,956,754	1,349,226	--	4,305,980	--
Premium (unamortized)	981,696	667,203	(87,143)	1,561,756	--
Total governmental activities	<u>\$ 82,206,062</u>	<u>\$ 17,711,429</u>	<u>\$ (19,027,143)</u>	<u>\$ 80,890,348</u>	<u>\$ 2,785,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2010, are as follows:

Year Ending August 31,	General Obligation Bonds		
	Principal	Interest	Total
2011	\$ 2,620,000	\$ 3,182,215	\$ 5,802,215
2012	2,635,000	3,165,809	5,800,809
2013	3,120,000	2,671,496	5,791,496
2014	3,225,000	2,559,178	5,784,178
2015	3,340,000	2,438,678	5,778,678
2016-2020	17,793,953	10,966,623	28,760,576
2021-2025	14,972,565	13,577,932	28,550,497
2026-2030	16,502,156	11,973,738	28,475,894
2031-2035	9,708,938	4,205,037	13,913,975
Totals	<u>\$ 73,917,612</u>	<u>\$ 54,740,706</u>	<u>\$ 128,658,318</u>

Year Ending August 31,	Tax Revenue Notes		
	Principal	Interest	Total
2011	\$ 165,000	\$ 37,426	\$ 202,426
2012	170,000	32,476	202,476
2013	180,000	27,036	207,036
2014	190,000	21,006	211,006
2015	195,000	14,451	209,451
2016-2020	205,000	7,431	212,431
Totals	<u>\$ 1,105,000</u>	<u>\$ 139,826</u>	<u>\$ 1,244,826</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2010, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Series 1997	\$ 290,000
Series 1999	15,065,000
Total	<u>\$ 15,355,000</u>

As a result of the advance refunding of the Series 1997 and 1999 School Building Bonds by the Series 2009 issuance of \$15,695,000 for a total defeasance, the District reduced its total debt service requirements by \$1,685,008, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,138,618.

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 2010, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$201,551, \$199,101 and \$166,309, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$206,697, \$205,096 and \$170,986, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$1,111,978 for the year ended August 31, 2010.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

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 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$171,201, \$163,929, and \$155,564, respectively, the active member contributions were \$111,281, \$106,554, and \$101,117, respectively, and the District's contributions were \$94,161, \$90,161, and \$85,560, 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, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$42,662, \$36,167, and \$35,900, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2010, 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 Section 21.922, Texas Education Code and was documented by contractual agreement.

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

Latest financial statements for the Blue Cross Blue Shield are available for the year ended September 1, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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, 2010.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for services for 'students with visual and audio impairments with the following school districts:

Member Districts

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

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 Independent School Districts, respectively, 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.

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, 2010

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original	Final					
REVENUES:								
5700	Local and Intermediate Sources	\$ 23,113,006	\$ 23,121,080	\$ 23,747,164	\$ 626,084			
5800	State Program Revenues	6,381,085	3,076,572	5,213,940	2,137,368			
5900	Federal Program Revenues	55,000	55,000	63,806	8,806			
5020	Total Revenues	<u>29,549,091</u>	<u>26,252,652</u>	<u>29,024,910</u>	<u>2,772,258</u>			
EXPENDITURES:								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	14,806,495	14,250,308	13,921,158	329,150			
0012	Instructional Resources and Media Services	774,464	774,464	746,834	27,630			
0013	Curriculum and Staff Development	233,039	303,039	265,960	37,059			
	Total Instruction & Instr. Related Services	<u>15,813,998</u>	<u>15,327,811</u>	<u>14,933,972</u>	<u>393,839</u>			
Instructional and School Leadership:								
0021	Instructional Leadership	290,052	290,052	275,257	14,795			
0023	School Leadership	1,615,260	1,597,760	1,570,013	27,747			
	Total Instructional & School Leadership	<u>1,905,312</u>	<u>1,887,812</u>	<u>1,845,270</u>	<u>42,542</u>			
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	649,391	624,391	607,478	16,913			
0033	Health Services	265,707	265,707	246,013	19,694			
0034	Student (Pupil) Transportation	1,055,727	1,013,801	900,827	112,974			
0035	Food Services	10,000	10,000	5,827	4,173			
0036	Cocurricular/Extracurricular Activities	1,031,926	1,031,926	981,635	50,291			
	Total Support Services - Student (Pupil)	<u>3,012,751</u>	<u>2,945,825</u>	<u>2,741,780</u>	<u>204,045</u>			
Administrative Support Services:								
0041	General Administration	957,886	989,886	969,307	20,579			
	Total Administrative Support Services	<u>957,886</u>	<u>989,886</u>	<u>969,307</u>	<u>20,579</u>			
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	4,109,139	3,894,227	3,569,851	324,376			
0052	Security and Monitoring Services	73,000	73,000	65,934	7,066			
0053	Data Processing Services	157,478	162,478	154,513	7,965			
	Total Support Services - Nonstudent Based	<u>4,339,617</u>	<u>4,129,705</u>	<u>3,790,298</u>	<u>339,407</u>			
Ancillary Services:								
0061	Community Services	7,500	8,500	7,190	1,310			
	Total Ancillary Services	<u>7,500</u>	<u>8,500</u>	<u>7,190</u>	<u>1,310</u>			
Debt Service:								
0071	Principal on Long-Term Debt	160,000	160,000	160,000	--			
0072	Interest on Long-Term Debt	43,106	43,106	43,106	--			
0073	Bond Issuance Costs and Fees	2,000	2,000	--	2,000			
	Total Debt Service	<u>205,106</u>	<u>205,106</u>	<u>203,106</u>	<u>2,000</u>			
Capital Outlay:								
0081	Capital Outlay	261,226	201,226	156,634	44,592			
	Total Capital Outlay	<u>261,226</u>	<u>201,226</u>	<u>156,634</u>	<u>44,592</u>			

DECATUR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1
 Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	2,468,914	51,862	2,494,744	(2,442,882)
0093	Payments to Fiscal Agent/Member Dist.-SSA	100,000	100,000	42,000	58,000
0099	Other Intergovernmental Charges	280,000	288,000	284,486	3,514
	Total Intergovernmental Charges	2,848,914	439,862	2,821,230	(2,381,368)
6030	Total Expenditures	29,352,310	26,135,733	27,468,787	(1,333,054)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	196,781	116,919	1,556,123	1,439,204
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	--	--	62,800	62,800
8911	Transfers Out	(196,781)	(4,196,781)	(4,000,000)	196,781
7080	Total Other Financing Sources and (Uses)	(196,781)	(4,196,781)	(3,937,200)	259,581
1200	Net Change in Fund Balance	--	(4,079,862)	(2,381,077)	1,698,785
0100	Fund Balance - Beginning	12,068,111	12,068,111	12,068,111	--
3000	Fund Balance - Ending	\$ 12,068,111	\$ 7,988,249	\$ 9,687,034	\$ 1,698,785

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, 2010

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2001 and Prior Years	\$ Various	\$ Various	\$ Various
2002	1.487	.1789	639,472,499
2003	1.47	.1844	726,105,536
2004	1.45	.1667	878,705,190
2005	1.4613	.2767	1,042,184,730
2006	1.45	.288	1,269,706,752
2007	1.3157	.2346	1,606,833,645
2008	1.03	.237	1,743,519,206
2009	1.04	.27	1,991,922,824
2010 (School Year Under Audit)	1.04	.27	2,188,087,557

1000 Totals

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

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 96,886	\$ --	\$ 1,860	\$ 219	\$ (181)	\$ 94,626
41,270	--	569	68	(892)	39,741
50,915	--	2,381	299	(28)	48,207
53,342	--	5,599	644	(171)	46,928
51,859	--	11,414	2,161	(136)	38,148
69,316	--	13,351	2,652	(623)	52,690
81,797	--	26,861	4,790	1,125	51,271
107,718	--	35,423	8,137	375	64,533
339,475	--	155,982	40,496	(4,229)	138,768
--	28,663,947	22,911,972	5,948,301	672,356	476,030
\$ 892,578	\$ 28,663,947	\$ 23,165,412	\$ 6,007,767	\$ 667,596	\$ 1,050,942
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

DECATUR INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-2

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	\$ --	\$ --	\$ 237,957	\$ 477,329	\$ --	\$ --	\$ 715,286
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	--	--	72,188	--	--	--	72,188
6212	Audit Services	--	--	--	26,515	--	--	26,515
6213	Tax Appraisal and Collection	--	311,027	--	--	--	--	311,027
621X	Other Prof. Services	--	--	3,643	62,065	--	--	65,708
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	--	--	--	10,323	--	--	10,323
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	328	955	--	--	1,283
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	5,233	58,437	--	--	63,670
6410	Travel, Subsistence, Stipends	6,602	--	8,021	18,087	--	--	32,710
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	9,921	--	--	--	--	--	9,921
6490	Miscellaneous Operating	5,454	--	12,278	31,596	--	367	49,695
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 21,977 \$ 311,027 \$ 339,648 \$ 686,938 \$ 2,006 \$ 367 \$ 1,361,963

Total Expenditures for General and Special Revenue Funds (9) \$ 30,513,998

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 267,117
Total Debt & Lease (6500)	(11)	\$ 203,106
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,598,781
Food (Function 35, 6341 and 6499)	(13)	\$ 493,083
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 686,938

Subtotal

5,249,025

Net Allowed Direct Cost

\$ 25,264,973

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 89,678,181
Historical Cost of Buildings over 50 years old	(16)	--
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	5,467,250
Historical Cost of Furniture & Equipment over 16 years old	(19)	95,165
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 59,103

(8) Note A - \$107,670 in Function 53 expenditures and \$284,486 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, 2010

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>9,687,034</u>
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>--</u>
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>3,250,000</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>4,578,131</u>
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	<u>2,289,066</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	<u>--</u>
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>--</u>
8	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>--</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>10,117,197</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ <u>(430,163)</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 640,000	\$ 557,431	\$ (82,569)
5800 State Program Revenues	7,500	22,796	15,296
5900 Federal Program Revenues	536,594	669,684	133,090
5020 Total Revenues	<u>1,184,094</u>	<u>1,249,911</u>	<u>65,817</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	1,380,875	1,215,937	164,938
Total Support Services - Student (Pupil)	<u>1,380,875</u>	<u>1,215,937</u>	<u>164,938</u>
6030 Total Expenditures	<u>1,380,875</u>	<u>1,215,937</u>	<u>164,938</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(196,781)</u>	33,974	<u>230,755</u>
Other Financing Sources (Uses):			
7915 Transfers In	196,781	--	(196,781)
7080 Total Other Financing Sources and (Uses)	<u>196,781</u>	<u>--</u>	<u>(196,781)</u>
1200 Net Change in Fund Balance	--	33,974	33,974
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 33,974</u>	<u>\$ 33,974</u>

DECATUR INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 5,780,105	\$ 6,130,840	\$ 350,735
5020 Total Revenues	<u>5,780,105</u>	<u>6,130,840</u>	<u>350,735</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	2,735,000	3,085,000	(350,000)
0072 Interest on Long-Term Debt	3,455,984	3,101,976	354,008
0073 Bond Issuance Costs and Fees	377,324	339,117	38,207
Total Debt Service	<u>6,568,308</u>	<u>6,526,093</u>	<u>42,215</u>
6030 Total Expenditures	<u>6,568,308</u>	<u>6,526,093</u>	<u>42,215</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(788,203)</u>	<u>(395,253)</u>	<u>392,950</u>
Other Financing Sources (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	15,695,000	15,695,000	--
7916 Premium or Discount on Issuance of Bonds	667,203	667,203	--
8949 Other Uses	<u>(15,695,000)</u>	<u>(15,695,000)</u>	<u>--</u>
7080 Total Other Financing Sources and (Uses)	<u>667,203</u>	<u>667,203</u>	<u>--</u>
1200 Net Change in Fund Balance	<u>(121,000)</u>	<u>271,950</u>	<u>392,950</u>
0100 Fund Balance - Beginning	1,336,893	1,336,893	--
3000 Fund Balance - Ending	<u>\$ 1,215,893</u>	<u>\$ 1,608,843</u>	<u>\$ 392,950</u>



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, 2010, which collectively comprise the Decatur Independent School District's basic financial statements and have issued our report thereon dated December 3, 2010. 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 3, 2010.

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 cursive script that reads "Snow, Garrett & Company".

Snow, Garrett & Company
December 3, 2010



Snow, Garrett & Company
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To 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 the compliance of Decatur Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

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 in order to determine our 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 cursive script that reads "Snow, Garrett & Company".

Snow, Garrett & Company
December 3, 2010

DECATUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

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 Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	TITLE I, PART A-IMPROVING BASIC
84.389A	TITLE I, PART A - ARRA/STIMULUS
84.027A	IDEA-B FORMULA
84.173A	IDEA-B PRESCHOOL
84.391A	IDEA-B FORMULA - ARRA
84.392A	IDEA-B PRESCHOOL-ARRA
84.394A	ARRA TTL XIV SFSF

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, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

There are no prior year audit findings.

DECATUR INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010

A corrective action plan is not needed.

DECATUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

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 HEALTH AND HUMAN SERVICES			
Direct Program:			
Medicaid Administrative Claims *	93.778		\$ 46,048
Total U. S. Department of Health and Human Services			<u>46,048</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010A	10610101249905	228,690
ESEA Title I Part A - Improving Basic Programs *	84.010A	11610101249905	12,650
Total CFDA Number 84.010A			<u>241,340</u>
IDEA-B Formula *	84.027A	10660001249905660	378,609
IDEA-B Formula *	84.027A	11660001249905660	16,530
Total CFDA Number 84.027A			<u>395,139</u>
Career and Technical - Basic Grant	84.048A	10420006249905	20,056
IDEA-B Preschool *	84.173A	10661001249905661	11,055
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186A	10691001249905	6,772
Career and Technical - Technical Preparation	84.243A	11086	5,200
Title III Part A English Language Acquisition and Language Enhance	84.365A	10671001249905	55,075
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	10694501249905	99,783
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	11694501249905	3,680
Total CFDA Number 84.367A			<u>103,463</u>
Summer School LEP	84.369A	69550902	3,079
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389A	10551001249905	66,201
ARRA - IDEA-Part B Formula *	84.391A	10554001249905	242,925
ARRA - IDEA Part B, Preschool *	84.392A	1055501249905	6,720
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394A	10557001249905	433,339
Total Passed Through State Department of Education			<u>1,590,364</u>
Total U. S. Department of Education			<u>1,590,364</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Wise County:			
Grasslands Grant *	10.666	DECISD	17,758
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71400801	141,803
National School Lunch Program *	10.555	71300801	475,279
Commodity Supplemental Food Program (Non-cash)	10.565	249905A	52,602
Total Passed Through State Department of Education			<u>669,684</u>
Total U. S. Department of Agriculture			<u>\$ 687,442</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,323,854</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, 2010

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, 2010

<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?	\$ 4,305,980