

DECATUR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2012

Introductory Section

Decatur Independent School District
Annual Financial Report
For The Year Ended August 31, 2012

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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, 2012, at a meeting of the board of trustees of such school district on the 20th day of DECEMBER, 2012

Gary Clayton
Signature of Board Secretary

[Handwritten Signature]
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



SNOWGARRETT WILLIAMS
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, 2012, 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, 2012, 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 13, 2012, 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Other supplementary information, except for Exhibit J-3, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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. Exhibit J-3 of the other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,



Snow Garrett Williams
December 13, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report and the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$23,485,702 (*net assets*). Of this amount, \$17,676,975 (*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 \$22,083,998. Approximately 28 percent of this total amount, \$6,205,643, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,205,643, or 21 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 16-17 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 18-23 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 24-26 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 27.
- **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 28-40 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 41-42 of this report.

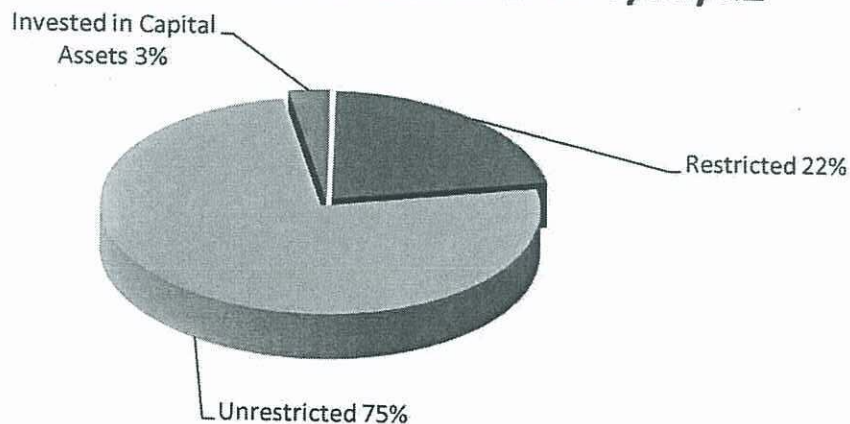
Government-wide Financial Analysis

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 \$23,485,702 as of August 31, 2012.

The District's Net Assets

	<u>August 31, 2012</u>	<u>August 31, 2011</u>
Current assets	\$ 24,584,461	\$ 28,744,331
Capital assets	76,147,166	76,180,280
Total assets	<u>100,731,627</u>	<u>104,924,611</u>
Current liabilities	1,437,589	5,142,112
Long-term liabilities outstanding	75,808,336	77,988,510
total liabilities	<u>77,245,925</u>	<u>83,130,622</u>
Net assets:		
Invested in capital assets, net of related debt	709,575	(1,411,012)
Restricted	5,099,152	6,899,922
Unrestricted	17,676,975	16,305,079
Total net assets	<u>\$ 23,485,702</u>	<u>\$ 21,793,989</u>

Net Assets as of 8/31/12



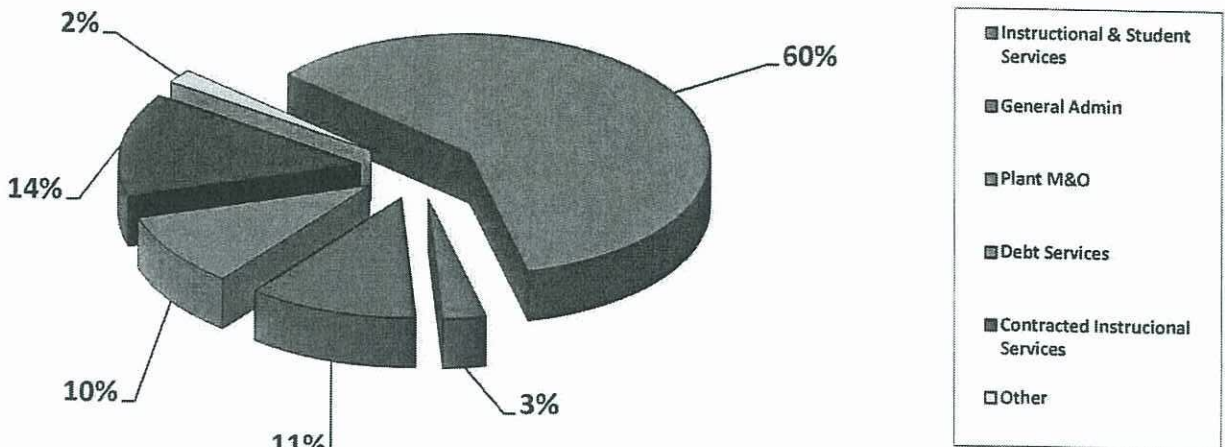
Investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding is (\$709,575). The District uses these capital assets to provide services to students; consequently, these assets are not available 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, \$5,099,152, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$17,676,975, may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

Governmental activities. The District's total net assets increased \$1,691,713. The total cost of all *governmental activities* this year was \$39,312,253. The amount that our taxpayers paid for these activities through property taxes was \$29,012,798 or 74%.

Changes in the District's Net Assets

	Fiscal Year August 31, 2012	Fiscal Year August 31, 2011
Revenues:		
Program revenues		
Charges for services	\$ 747,984	\$ 788,013
Operating grants and contributions	3,682,262	4,125,300
General revenues		
Property taxes	29,012,798	30,567,057
State grants	7,168,031	5,476,675
Other	392,891	416,187
Total revenues	41,003,966	41,373,232
Expenses:		
Instruction	16,104,881	17,195,595
Instruction resources and media services	524,005	852,218
Curriculum and staff development	189,323	305,657
Instructional leadership	281,435	318,387
School leadership	1,822,122	1,872,648
Guidance, counseling & evaluation services	949,339	907,088
Health services	292,139	281,952
Student transportation	1,014,049	981,278
Food service	1,388,833	1,385,830
Cocurricular/Extracurricular activities	999,853	1,010,963
General administration	1,153,662	1,036,689
Plant maintenance and operations	4,497,621	4,372,134
Security and monitoring services	65,131	70,057
Data processing services	193,355	257,265
Community Services	11,167	6,594
Debt service-interest on long-term debt	3,107,041	3,117,457
Debt service-bond issuance costs	748,693	6,654
Capital Outlay	107,043	138,657
Contracted instructional services between schools	5,511,516	3,856,605
Payments related to shared service arrangements	83,756	62,000
Other Intergovernmental Charges	267,289	285,677
Total expenses	39,312,253	38,321,405
Changes in net assets	1,691,713	3,051,827
Beginning net assets	21,793,989	18,286,449
Prior Period Adjustment	-	455,713
Beginning net assets-as restated	21,793,989	18,742,162
Ending net assets	\$ 23,485,702	\$ 21,793,989

Expenditures by Function



Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$22,083,998, a decrease of \$207,125. Approximately 28 percent of this total amount (\$6,205,643) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* or *committed* to indicate that it is not available for new spending because it has already been restricted (1) to pay debt service (\$1,900,843), (2) for construction and capital acquisitions (\$2,855,924), and (3) other fund balance restrictions (\$214,105), and committed for (1) construction (\$8,656,399), (2) for capital expenditures and equipment (\$1,500,000), (3) for self-insurance (\$100,000), and (4) other commitments (\$651,084).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,205,643, out of a total fund balance of \$22,083,998. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 21 percent of the total general fund expenditures, while total general fund balance represents 38 percent of that same amount.

The fund balance of the District's general fund decreased \$756,620 during the current fiscal year. The primary reason for the decrease was that in late August 2012 the Board of Trustees approved a transfer of \$3,000,000 to a new capital improvements fund. Without the transfer, fund balance would have actually increased \$2,243,380.

The debt service fund has a total fund balance of \$1,900,843, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service was \$28,950.

The capital projects fund has a total fund balance of \$8,462,323 consisting of committed of \$5,606,399 and restricted from external restrictions of \$2,855,924. The net increase in fund balance during the period was \$554,732.

General Fund Budgetary Highlights

Summary of Combined Tax Funds

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

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

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

Property Values

The July 25, 2011 certified tax roll showed an increase in the total taxable value within the District as follows.

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

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

Real Estate	Increased	+1%
Personal Property	Increased	+7%
Minerals	Decreased	-7%
Industrial & Utility	Decreased	-18%
Total Change	Decreased	-5%
Potential Loss of Tax Dollars:	M&O	\$1.04 * \$112,357,759 / 100 = \$1,168,000
Potential Loss of Tax Dollars:	I&S	\$0.26 * \$112,357,759 / 100 = \$ 292,000

Tax Rates

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

Tax rate necessary to fund proposed budget:

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

General Fund Summary: Revenue and Expenditures

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

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

Key features of the above general fund summary include:

- In 2010-2011, the State used Stimulus Funds to balance the State budget. Although the funds are accounted for in a separate special revenue fund, they were essentially part of the general fund. In 2011-2012, Stimulus Funds were removed, essentially leaving an approximately one-million dollar deficit to the District. In Summer 2011, the State accepted federal jobs funding which had been delayed for approximately one year. For Decatur ISD, these funds represent approximately \$500,000 which may be used for any one-time purposes within the grant timelines. Decatur ISD has elected to use those funds to fund elementary teaching positions for the 2011-2012 school year. Those expenditures do not appear in the summary above.
- Other operating revenue remains materially unchanged and cannot make up for any material losses of State or tax revenues.
- Tax collections are down approximately \$1.1M.
- Federal Funds are down approximately \$1 M.
- State revenue is up approximately \$2.1M
- Recapture is up nearly \$1.10M
- Revenue available for operations, after considering all of the changes in revenue and recapture, net out to an approximate DECREASE OF \$1.1 Million dollars for operations!

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2012, amounts to \$76,147,166 (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, 2012</u>	<u>August 31, 2011</u>
Land	\$ 1,998,567	\$ 1,998,567
Buildings and improvements	71,163,280	70,831,284
Furniture and equipment	2,985,319	2,958,629
Construction in progress	-	391,800
Total at historical cost	<u>\$ 76,147,166</u>	<u>\$ 76,180,280</u>

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

Long-term debt. As of August 31, 2012, the District had total general obligation bonded debt outstanding of \$68,662,612, a decrease of \$2,635,000 from the prior year. Notes payable outstanding is \$770,000, a decrease of \$170,000 from the prior year. Accretion on CAB's increased \$711,969 for fiscal year 2012, resulting in an ending balance \$4,988,254. The premium on bonds is \$1,387,740, a decrease of \$87,143 from the previous year.

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

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

Key features of the above general fund summary include:

- In 2011-2012, the State allocated federal jobs funds of approximately \$500,000 to allow school the District to prepare a balanced budget. Those funds are one-time funds and must be absorbed by local taxpayers for the 2012-2013 budget. Although the funds are accounted for in a separate special revenue fund, they were essentially part of the general fund. Decatur ISD elected to use those funds to fund elementary teaching positions for the 2011-2012 school year.
- Other operating revenue remains materially unchanged and cannot make up for any material losses of state, local, or federal revenues.
- Tax collections are up approximately \$925,000. However, the increase does not increase the overall operating funds of the District due the material loss of state funding.
- State revenue is down approximately \$3M.

Food Service Fund Summary: Revenue and Expenditures

	<u>2011-2012</u>	<u>2012-2013</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ -	\$ -	\$ -
Other Local Revenue	550,000	550,000	-
Total Local Revenue	550,000	550,000	-
State Revenue	10,000	10,000	-
Federal Revenue	660,000	690,000	30,000
Transfer In	150,000	130,000	(20,000)
Total Revenue	<u>1,370,000</u>	<u>1,380,000</u>	<u>10,000</u>
<u>Expenditures & Transfers</u>			
Expenditures for Operations	<u>1,370,000</u>	<u>1,380,000</u>	<u>10,000</u>
	<u>1,370,000</u>	<u>1,380,000</u>	<u>10,000</u>
Net Gain or Loss*	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(+ Indicated a budgeted fund balance surplus and a "-" indicates a use of

Debt Service Fund Summary: Revenue and Expenditures

	<u>2011-2012</u>	<u>2012-2013</u>	<u>Inc/Dec</u>
<u>Revenue</u>			
Tax Collections	\$ 5,464,950	\$ 5,617,096	\$ 152,146
Other Local Revenue	5,000	5,000	-
Total Local Revenue	5,469,950	5,622,096	152,146
State Revenue	-	-	-
Federal Revenue	-	-	-
Transfer In	-	-	-
Total Revenue	5,469,950	5,622,096	152,146
<u>Expenditures & Transfers</u>			
Expenditures for Operations	5,810,808	5,801,496	(9,312)
	5,810,808	5,801,496	(9,312)
Net Gain or Loss*	\$ (340,858)	\$ (179,400)	\$ 161,458

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

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

- The tax rate necessary to fund this debt service budget is maintained at \$0.2600.
- Approximately \$179,400 represents a planned use of fund balance to maintain the current I&S tax rate.
- While no delinquent penalty and interest for purposes of the State Comptroller's estimated calculations, the District most likely will receive some delinquent penalty and interest revenue which will reduce the amount of actual funds budgeted from fund balance for debt service.

2012-2013 Teacher Step and Salary Scale Increases

Decatur ISD
Key Aspects of 2012-2013 Teacher, Nurse, and Counselor Scale
August 31, 2012

Days / Months:	187 days / 10 months
Pay for Additional Days:	Pro-rata additional daily rate based on the state salary scale
BS/BA Above State at Step 0:	\$14,880
BS/BA Above State at Step 37+:	\$18,730
Required Steps / DISD Steps:	20 steps required / DISD to step 37+
Approximate Average increase:	3.2%
Out-of-District Penalty:	Removed in 2011-2012
Additional Increase to Steps 1-30:	\$1,500 to steps 1-30
Additional Increase to Steps above 30:	Approximately \$2,300 to \$3,300 on steps above 30
Future Steps Above 30:	Group steps 31-33, steps 34-36, and step 37+
Smallest Actual Cash Increase:	Approximately \$1,500
Largest Actual Cash Increase:	Approximately \$3,300
Average Step Increase:	Approximately \$1,500 steps 1-30
Salary @ 187 days:	\$42,200
Maximum Salary @ 187 days:	\$63,800

Reconciliation of the 2012-2013 Budgeted Revenue with 2011-2012 Budgeted Revenue

Following is a reconciliation of the estimated budgeted revenues in the prior year budget with the 2011-2012 budget.

Decatur ISD
Reconciliation of 2011-2012 General Fund Revenue with 2012-2013 Revenue
August 31, 2012

2011-2012 Total General Fund Revenue	\$ 31,533,990
<u>Local Revenue</u>	
Increase of Local Tax Collections Due to Property Values	922,348
Increase in Local Estimates of Rent, Gate Receipts, Fees, etc.	61,969
<u>State Revenue</u>	
Decrease in the Available School Fund/Foundation Sch. Pro.	(2,908,401)
Decrease in TRS On-Behalf Matching Contribution of Retirement Benefits	(2,273)
<u>Federal Revenue</u>	
Change in Estimated Federal Aid	3,150
2012-2013 Total General Fund Revenue	<u>\$ 29,610,783</u>
2012-2013 General Fund Revenue Budgeted	
Revenue - 2011-2012 General Fund Budgeted	<u>\$ (1,923,207)</u>

Reconciliation of the 2011-2012 Budgeted Expenditures with 2012-2013 Budgeted Expenditures

Following is a reconciliation of the estimated budgeted expenditures in the prior year budget with the 2011-2012 budget.

Decatur ISD
Reconciliation of 2011-2012 General Fund Object Expenditures with 2012-2013 General Fund Object Expenditures
August 31, 2013

2011-2012 Total General Fund Budgeted Expenditures	\$ 31,533,990
<u>Labor</u>	
Increase in Labor and Benefits	332,111
<u>Contracted Services</u>	
Decrease in Utilities & Contracted Services	(118,608)
<u>Supplies</u>	
Decrease in Fuel & Supplies	(151,738)
<u>Travel and Other Operating</u>	
Decrease in Travel and Other Operating Expenses	(88,181)
<u>Debt Service on Outstanding Bus Tax Maintenance Notes</u>	
Decrease in debt costs estimates	(440)
<u>Recapture of Local Taxes to be Sent to Other Schools</u>	
Decrease In Recapture	(1,312,706)
<u>Capital Expenditures</u>	
Decrease in Vehicles and Equipment	(115,000)
Decrease in Capital Projects	(448,645)
<u>Transfers and Other Uses</u>	
Transfer to Caf�	(20,000)
2012-2013 Total General Fund Budgeted Expenditures	<u>\$ 29,610,783</u>
Total Decrease in 12/13 Budgeted General Fund Vs. 11/12	<u>\$ (1,923,207)</u>

Following is a reconciliation of the funds the District can actually spend on operations (expenditures available net of recapture to other school districts).

Decatur ISD
Reconciliation of Estimated 2012-2013 and 2011-2012 Revenue and Expenditures NET of Recapture
August 31, 2012

	Proposed 2011-2012	Proposed 2012-2013	Increase / (Decrease)
Total Available Revenue	\$ 31,533,990	\$ 29,610,783	\$ 1,923,207
Recapture due State of Texas	(5,473,998)	(4,161,292)	\$ (1,312,706)
Net Funds Available as Revenue	<u>\$ 26,059,992</u>	<u>\$ 25,449,491</u>	<u>\$ 610,501</u>
Budgeted Expenditures/Transfers	\$ 31,533,990	\$ 29,610,783	\$ 1,923,207
Recapture due State of Texas	(5,473,998)	(4,161,292)	\$ (1,312,706)
Net Funds Available for Operations	<u>\$ 26,059,992</u>	<u>\$ 25,449,491</u>	<u>\$ 610,501</u>

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, 2012

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 2,712,928
1120	Current Investments	20,390,114
1225	Property Taxes Receivable (Net)	650,013
1240	Due from Other Governments	295,859
1250	Accrued Interest	12,351
1267	Due from Fiduciary	28,296
1290	Other Receivables (Net)	4,064
1300	Inventories	3,940
1420	Capitalized Bond and Other Debt Issuance Costs	486,896
Capital Assets:		
1510	Land	1,998,567
1520	Buildings and Improvements, Net	71,163,280
1530	Furniture and Equipment, Net	2,985,319
1000	Total Assets	<u>100,731,627</u>
LIABILITIES:		
2110	Accounts Payable	703,936
2140	Interest Payable	116,151
2165	Accrued Liabilities	610,893
2300	Unearned Revenue	6,609
Noncurrent Liabilities:		
2501	Due Within One Year	3,300,000
2502	Due in More Than One Year	72,508,336
2000	Total Liabilities	<u>77,245,925</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	709,575
Restricted For:		
3850	Debt Service	2,029,123
3860	Capital Projects	2,855,924
3880	Scholarships	214,105
3900	Unrestricted	17,676,975
3000	Total Net Assets	<u>\$ 23,485,702</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 16,104,881	\$ 91,870	\$ 2,011,784	\$ (14,001,227)	
12	Instructional Resources and Media Services	524,005	--	18,170	(505,835)	
13	Curriculum and Staff Development	189,323	--	6,396	(182,927)	
21	Instructional Leadership	281,435	--	9,858	(271,577)	
23	School Leadership	1,822,122	--	61,558	(1,760,564)	
31	Guidance, Counseling, & Evaluation Services	949,339	--	233,222	(716,117)	
33	Health Services	292,139	--	9,869	(282,270)	
34	Student Transportation	1,014,049	--	88,718	(925,331)	
35	Food Service	1,388,833	433,032	752,536	(203,265)	
36	Cocurricular/Extracurricular Activities	999,853	92,657	34,160	(873,036)	
41	General Administration	1,153,662	--	38,975	(1,114,687)	
51	Plant Maintenance and Operations	4,497,621	130,425	153,003	(4,214,193)	
52	Security and Monitoring Services	65,131	--	2,407	(62,724)	
53	Data Processing Services	193,355	--	6,509	(186,846)	
61	Community Services	11,167	--	--	(11,167)	
72	Interest on Long-term Debt	3,107,041	--	7,639	(3,099,402)	
73	Bond Issuance Costs and Fees	748,693	--	--	(748,693)	
81	Capital Outlay	107,043	--	17,864	(89,179)	
91	Contracted Instructional Services between Schools	5,511,516	--	207,925	(5,303,591)	
93	Payments Related to Shared Services Arrangements	83,756	--	11,585	(72,171)	
99	Other Intergovernmental Charges	267,289	--	10,084	(257,205)	
TG	Total Governmental Activities	<u>39,312,253</u>	<u>747,984</u>	<u>3,682,262</u>	<u>(34,882,007)</u>	
TP	Total Primary Government	<u>\$ 39,312,253</u>	<u>\$ 747,984</u>	<u>\$ 3,682,262</u>	<u>(34,882,007)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				23,209,807	
DT	Property Taxes, Levied for Debt Service				5,802,991	
IE	Investment Earnings				45,804	
GC	Grants and Contributions Not Restricted to Specific Programs				7,168,031	
MI	Miscellaneous				347,087	
TR	Total General Revenues				<u>36,573,720</u>	
CN	Change in Net Assets				<u>1,691,713</u>	
NB	Net Assets - Beginning				21,793,989	
NE	Net Assets - Ending				<u>\$ 23,485,702</u>	

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 2,101,941	\$ 166,761
1120 <i>Current Investments</i>	13,025,880	1,733,152
1225 <i>Taxes Receivable, Net</i>	521,733	128,280
1240 <i>Due from Other Governments</i>	91,338	930
1250 <i>Accrued Interest</i>	12,351	--
1260 <i>Due from Other Funds</i>	194,050	--
1290 <i>Other Receivables</i>	1,310	--
1300 <i>Inventories</i>	3,940	--
1000 Total Assets	\$ 15,952,543	\$ 2,029,123
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 333,453	\$ --
2160 <i>Accrued Wages Payable</i>	579,579	--
2170 <i>Due to Other Funds</i>	3,062,135	--
2300 <i>Deferred Revenue</i>	521,733	128,280
2000 Total Liabilities	4,496,900	128,280
FUND BALANCES:		
Restricted Fund Balances:		
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	1,900,843
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	3,050,000	--
3530 <i>Capital Expenditures for Equipment</i>	1,500,000	--
3540 <i>Self-Insurance</i>	100,000	--
3545 <i>Other Committed Fund Balance</i>	600,000	--
3600 <i>Unassigned</i>	6,205,643	--
3000 Total Fund Balances	11,455,643	1,900,843
4000 Total Liabilities and Fund Balances	\$ 15,952,543	\$ 2,029,123

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 127,319	\$ 65,356	\$ 2,461,377
5,454,636	176,446	20,390,114
--	--	650,013
--	203,591	295,859
--	--	12,351
3,000,000	62,134	3,256,184
--	2,754	4,064
--	--	3,940
<u>\$ 8,581,955</u>	<u>\$ 510,281</u>	<u>\$ 27,073,902</u>
\$ 119,632	\$ 41,416	\$ 494,501
--	31,314	610,893
--	165,753	3,227,888
--	6,609	656,622
<u>119,632</u>	<u>245,092</u>	<u>4,989,904</u>
2,855,924	--	2,855,924
--	--	1,900,843
--	214,105	214,105
5,606,399	--	8,656,399
--	--	1,500,000
--	--	100,000
--	51,084	651,084
--	--	6,205,643
<u>8,462,323</u>	<u>265,189</u>	<u>22,083,998</u>
<u>\$ 8,581,955</u>	<u>\$ 510,281</u>	<u>\$ 27,073,902</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2012

Total fund balances - governmental funds balance sheet	\$ 22,083,998
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	76,147,166
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	650,013
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	42,116
Payables for bond principal which are not due in the current period are not reported in the funds.	(68,662,612)
Payables for bond interest which are not due in the current period are not reported in the funds.	(116,151)
Payables for notes which are not due in the current period are not reported in the funds.	(770,000)
Bond issuance costs are capitalized in the SNA.	486,896
Payables for bond premiums are amortized over the life of the bonds in the SNA.	(1,387,470)
Accumulated accretion on capital appreciation bonds are reported in the SNA.	<u>(4,988,254)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 23,485,702</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, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 23,807,518	\$ 5,835,909
5800 <i>State Program Revenues</i>	8,154,421	--
5900 <i>Federal Program Revenues</i>	137,820	--
5020 Total Revenues	<u>32,099,759</u>	<u>5,835,909</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	12,539,650	--
0012 <i>Instructional Resources and Media Services</i>	481,625	--
0013 <i>Curriculum and Staff Development</i>	169,540	--
0021 <i>Instructional Leadership</i>	251,662	--
0023 <i>School Leadership</i>	1,631,719	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	641,102	--
0033 <i>Health Services</i>	261,612	--
0034 <i>Student Transportation</i>	1,062,233	--
0035 <i>Food Service</i>	140	--
0036 <i>Cocurricular/Extracurricular Activities</i>	905,489	--
0041 <i>General Administration</i>	1,033,110	--
0051 <i>Plant Maintenance and Operations</i>	4,055,674	--
0052 <i>Security and Monitoring Services</i>	63,799	--
0053 <i>Data Processing Services</i>	172,526	--
0061 <i>Community Services</i>	--	--
0071 <i>Principal on Long-term Debt</i>	170,000	2,635,000
0072 <i>Interest on Long-term Debt</i>	32,476	3,165,809
0073 <i>Bond Issuance Costs and Fees</i>	--	6,150
0081 <i>Capital Outlay</i>	473,523	--
0091 <i>Contracted Instructional Services</i>	--	--
0091 <i>Between Public Schools</i>	5,511,516	--
0093 <i>Payments to Shared Service Arrangements</i>	75,000	--
0099 <i>Other Intergovernmental Charges</i>	267,289	--
6030 Total Expenditures	<u>29,799,685</u>	<u>5,806,959</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>2,300,074</u>	<u>28,950</u>
Other Financing Sources and (Uses):		
7912 <i>Sale of Real or Personal Property</i>	1,310	--
7915 <i>Transfers In</i>	--	--
8911 <i>Transfers Out</i>	(3,058,004)	--
7080 Total Other Financing Sources and (Uses)	<u>(3,056,694)</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(756,620)</u>	<u>28,950</u>
0100 Fund Balances - Beginning	12,212,263	1,871,893
3000 Fund Balances - Ending	<u>\$ 11,455,643</u>	<u>\$ 1,900,843</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 95,372	\$ 559,251	\$ 30,298,050
--	326,030	8,480,451
--	2,232,003	2,369,823
<u>95,372</u>	<u>3,117,284</u>	<u>41,148,324</u>
194,641	1,685,611	14,419,902
--	--	481,625
--	--	169,540
--	364	252,026
--	--	1,631,719
--	209,036	850,138
--	--	261,612
--	48,645	1,110,878
--	1,243,567	1,243,707
--	--	905,489
--	--	1,033,110
--	--	4,055,674
--	--	63,799
19,154	3,496	195,176
--	10,000	10,000
--	--	2,805,000
--	--	3,198,285
--	--	6,150
2,326,845	--	2,800,368
--	--	5,511,516
--	8,756	83,756
--	--	267,289
<u>2,540,640</u>	<u>3,209,475</u>	<u>41,356,759</u>
<u>(2,445,268)</u>	<u>(92,191)</u>	<u>(208,435)</u>
--	--	1,310
3,000,000	58,004	3,058,004
--	--	(3,058,004)
<u>3,000,000</u>	<u>58,004</u>	<u>1,310</u>
554,732	(34,187)	(207,125)
7,907,591	299,376	22,291,123
<u>\$ 8,462,323</u>	<u>\$ 265,189</u>	<u>\$ 22,083,998</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, 2012

Net change in fund balances - total governmental funds	\$ (207,125)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,083,580
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,113,762)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,310)
The gain or loss on the sale of capital assets is not reported in the funds.	(1,622)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(142,736)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,635,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	170,000
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.	(711,969)
(Increase) decrease in accrued interest from beginning of period to end of period.	4,101
The net revenue (expense) of internal service funds is reported with governmental activities.	(79,013)
Bond premiums and similar items are amortized in the SOA but not in the funds.	<u>87,143</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 1,691,713</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

AUGUST 31, 2012

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	ASSETS:	
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 251,551
	Total Current Assets	<u>251,551</u>
1000	Total Assets	<u>\$ 251,551</u>
	LIABILITIES:	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 209,435
	Total Current Liabilities	<u>209,435</u>
2000	Total Liabilities	<u>209,435</u>
	NET ASSETS:	
3900	<i>Unrestricted Net Assets</i>	42,116
3000	Total Net Assets	<u>\$ 42,116</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, 2012

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 185,308
5020	Total Revenues	<u>185,308</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	264,321
6030	Total Expenses	<u>264,321</u>
1300	Change in Net Assets	(79,013)
0100	Total Net Assets - Beginning	121,129
3300	Total Net Assets - Ending	<u>\$ 42,116</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, 2012

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ 185,062
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(230,049)
<i>Other Operating Cash Receipts (Payments)</i>	246
Net Cash Provided (Used) by Operating Activities	<u>(44,741)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,741)
Cash and Cash Equivalents at Beginning of Year	296,292
Cash and Cash Equivalents at End of Year	<u>\$ 251,551</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (79,013)
Change in Assets and Liabilities:	
<i>Increase (Decrease) in Accounts Payable</i>	34,272
Total Adjustments	<u>34,272</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (44,741)</u>

The accompanying notes are an integral part of this statement.

DECATUR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2012

Data Control Codes		Agency Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 220,299
1000	Total Assets	<u>\$ 220,299</u>
	LIABILITIES:	
	Current Liabilities:	
2170	<i>Due to Other Funds</i>	\$ 28,296
2190	<i>Due to Student Groups</i>	192,003
2000	Total Liabilities	<u>220,299</u>
	NET ASSETS	
3000	Total Net Assets	<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, 2012

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for tax revenues and for the payments of long-term debt and related costs for which a tax has been dedicated.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

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

In addition, the District reports the following fund types:

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

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	3-15

e. Receivable and Payable Balances

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

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

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,933,227 and the bank balance was \$3,330,448. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, 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, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Tex Pool LGIP	limited to 60 days	\$ 20,390,114
Total Investments		<u>\$ 20,390,114</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.

DECATUR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

At August 31, 2012, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Tex Pool LGIP AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,998,567	\$ --	\$ --	\$ 1,998,567
Construction in progress	391,800	--	391,800	--
Total capital assets not being depreciated	<u>2,390,367</u>	<u>--</u>	<u>391,800</u>	<u>1,998,567</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	92,746,483	2,874,913	83,477	95,537,919
Equipment	5,705,758	600,467	50,380	6,255,845
Total capital assets being depreciated	<u>98,452,241</u>	<u>3,475,380</u>	<u>133,857</u>	<u>101,793,764</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,915,200)	(2,539,984)	(80,545)	(24,374,639)
Equipment	(2,747,128)	(573,778)	(50,380)	(3,270,526)
Total accumulated depreciation	<u>(24,662,328)</u>	<u>(3,113,762)</u>	<u>(130,925)</u>	<u>(27,645,165)</u>
Total capital assets being depreciated, net	<u>73,789,913</u>	<u>361,618</u>	<u>2,932</u>	<u>74,148,599</u>
Governmental activities capital assets, net	<u>\$ 76,180,280</u>	<u>\$ 361,618</u>	<u>\$ 394,732</u>	<u>\$ 76,147,166</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,682,637
Instructional Resources and Media Services	56,200
Curriculum and Staff Development	19,783
Instructional Leadership	29,409
School Leadership	190,403
Guidance, Counseling, & Evaluation Services	99,201
Health Services	30,527
Student Transportation	129,627
Food Services	145,126
Extracurricular Activities	105,660
General Administration	120,552
Plant Maintenance and Operations	473,250
Security and Monitoring Services	7,445
Data Processing Services	22,775
Community Services	1,167
	<u>\$ 3,113,762</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 165,753	For transfer of federal receipts
General Fund	Trust & Agency Funds	28,296	Short-term loans
Special Revenue Funds	General Fund	62,135	For transfer of federal receipts
Capital Projects Fund	General Fund	3,000,000	Capital projects expenditures
	Total	<u>\$ 3,256,184</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Revenue Fund	\$ 58,004	Supplement other fund sources
General Fund	Capital Projects Fund	3,000,000	For future capital projects
	Total	<u>\$ 3,058,004</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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 71,297,612	\$ --	\$ 2,635,000	\$ 68,662,612	\$ 3,120,000
Notes Payable	940,000	--	170,000	770,000	180,000
Accumulated Accretion CAB's Premium (unamortized)	4,276,285	711,969	--	4,988,254	--
	1,474,613	--	87,143	1,387,470	--
Total governmental activities	<u>\$ 77,988,510</u>	<u>\$ 711,969</u>	<u>\$ 2,892,143</u>	<u>\$ 75,808,336</u>	<u>\$ 3,300,000</u>

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2012, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2013	\$ 3,120,000	\$ 2,671,498	\$ 5,791,498
2014	3,225,000	2,559,178	5,784,178
2015	3,340,000	2,438,677	5,778,677
2016	3,480,000	2,286,128	5,766,128
2017	3,635,000	2,125,828	5,760,828
2018-2022	16,571,190	12,108,999	28,680,189
2023-2027	15,438,992	13,052,283	28,491,275
2028-2032	14,792,430	10,786,712	25,579,142
2033-2037	5,060,000	363,376	5,423,376
Totals	\$ 68,662,612	\$ 48,392,679	\$ 117,055,291

<u>Year Ending August 31,</u>	Tax Revenue Notes		
	Principal	Interest	Total
2013	\$ 180,000	\$ 27,036	\$ 207,036
2014	190,000	21,006	211,006
2015	195,000	14,452	209,452
2016	205,000	7,432	212,432
Totals	\$ 770,000	\$ 69,926	\$ 839,926

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 Building Bonds Series 2008 interest ranges from 4.75% to 5.25% and mature in August 2034.
 The UT School Refunding Bonds Series 2009 interest ranges from 2.25% to 4.50% and mature in August 2030.

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

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2012, as follows:

<u>Year Ending August 31,</u>	
2013	\$ 63,249
2014	63,249
Total Minimum Rentals	\$ 126,498
Rental Expenditures in 2012	\$ 63,249

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

H. Risk Management

Property Casualty Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Crime, Equipment Breakdown, General Liability, Property, Sexual Misconduct Endorsement and Special Legal Liability. The Fund was created under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2012, the Fund anticipates Decatur ISD has no additional liability the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in November or December of the current year. The Fund's audited financial statements as of August 31, 2011 are available at the TASB offices.

Workers' Compensation

The District has established a self-funded workers' compensation fund through an internal service fund. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$118,703 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2012, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due. Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 08/31/2012	Year Ended 08/31/2011
Unpaid claims, beginning of year	\$ 175,164	\$ 188,586
Incurred claims	180,580	111,049
Claim payments	(146,309)	(124,471)
Unpaid claims, end of fiscal year	<u>\$ 209,435</u>	<u>\$ 175,164</u>

Unemployment Compensation

During the year ended August 31, 2012, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

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

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2011, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

I. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$1,001,846, \$1,139,453 and \$1,111,978, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$185,662, \$215,169 and \$206,697, respectively, on portion of the employees' salaries that exceeded the statutory minimum and federal grant salaries.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 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 2012, 2011 and 2010. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$164,452, \$173,136, and \$171,201, respectively, the active member contributions were \$106,894, \$112,538, and \$111,281, respectively, and the District's contributions were \$90,448, \$95,225, and \$94,161, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$36,973, \$45,865, and \$42,662, respectively.

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

DECATUR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-Care on behalf of the District was \$40,769.

K. Employee Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$324 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

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

L. 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, 2012.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Palo Pinto County Co-op	Castleberry ISD	Weatherford ISD	Gainesville ISD
Parker County Co-op	Decatur ISD	White Settlement ISD	Lake Dallas ISD
Wise Count Co-op	Lake Worth ISD	Denton ISD	Lewisville ISD
Aledo ISD	Northwest ISD	Cooke County SpEd SSA	Little Elm ISD
Azle ISD	Springtown ISD	Denton County Co-op	

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Denton ISD and Peaster ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden 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, 2012

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 23,061,298	\$ 23,551,763	\$ 23,807,518	\$ 255,755
5800	State Program Revenues	8,442,692	8,442,692	8,154,421	(288,271)
5900	Federal Program Revenues	30,000	30,000	137,820	107,820
5020	Total Revenues	<u>31,533,990</u>	<u>32,024,455</u>	<u>32,099,759</u>	<u>75,304</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	13,652,724	13,222,924	12,539,650	683,274
0012	Instructional Resources and Media Services	485,171	508,971	481,625	27,346
0013	Curriculum and Staff Development	235,173	239,173	169,540	69,633
	Total Instruction & Instr. Related Services	<u>14,373,068</u>	<u>13,971,068</u>	<u>13,190,815</u>	<u>780,253</u>
Instructional and School Leadership:					
0021	Instructional Leadership	256,182	276,182	251,662	24,520
0023	School Leadership	1,639,517	1,664,517	1,631,719	32,798
	Total Instructional & School Leadership	<u>1,895,699</u>	<u>1,940,699</u>	<u>1,883,381</u>	<u>57,318</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	700,621	700,621	641,102	59,519
0033	Health Services	277,158	297,158	261,612	35,546
0034	Student (Pupil) Transportation	1,144,003	1,284,003	1,062,233	221,770
0035	Food Services	7,500	7,500	140	7,360
0036	Cocurricular/Extracurricular Activities	1,014,949	1,014,949	905,489	109,460
	Total Support Services - Student (Pupil)	<u>3,144,231</u>	<u>3,304,231</u>	<u>2,870,576</u>	<u>433,655</u>
Administrative Support Services:					
0041	General Administration	1,056,356	1,070,356	1,033,110	37,246
	Total Administrative Support Services	<u>1,056,356</u>	<u>1,070,356</u>	<u>1,033,110</u>	<u>37,246</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,078,708	4,228,708	4,055,674	173,034
0052	Security and Monitoring Services	80,000	100,000	63,799	36,201
0053	Data Processing Services	169,809	179,809	172,526	7,283
	Total Support Services - Nonstudent Based	<u>4,328,517</u>	<u>4,508,517</u>	<u>4,291,999</u>	<u>216,518</u>
Ancillary Services:					
0061	Community Services	3,000	3,000	-	3,000
	Total Ancillary Services	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Debt Service:					
0071	Principal on Long-Term Debt	170,000	170,000	170,000	--
0072	Interest on Long-Term Debt	32,476	32,476	32,476	--
0073	Bond Issuance Costs and Fees	8,000	10,000	-	10,000
	Total Debt Service	<u>210,476</u>	<u>212,476</u>	<u>202,476</u>	<u>10,000</u>
Capital Outlay:					
0081	Capital Outlay	523,645	614,110	473,523	140,587
	Total Capital Outlay	<u>523,645</u>	<u>614,110</u>	<u>473,523</u>	<u>140,587</u>

DECATUR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2012

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	5,473,998	5,873,998	5,511,516	362,482
0093	Payments to Fiscal Agent/Member Dist.-SSA	75,000	76,000	75,000	1,000
0099	Other Intergovernmental Charges	300,000	300,000	267,289	32,711
	Total Intergovernmental Charges	5,848,998	6,249,998	5,853,805	396,193
6030	Total Expenditures	31,383,990	31,874,455	29,799,685	2,074,770
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	150,000	150,000	2,300,074	2,150,074
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	1,310	1,310
8911	Transfers Out	(150,000)	(3,150,000)	(3,058,004)	91,996
7080	Total Other Financing Sources and (Uses)	(150,000)	(3,150,000)	(3,056,694)	93,306
1200	Net Change in Fund Balance	--	(3,000,000)	(756,620)	2,243,380
0100	Fund Balance - Beginning	12,212,263	12,212,263	12,212,263	--
3000	Fund Balance - Ending	\$ 12,212,263	\$ 9,212,263	\$ 11,455,643	\$ 2,243,380

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, 2012

Year Ended August 31	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service			
2003 and Prior Years	\$ Various	\$ Various		\$	Various
2004	1.4500	.1667			878,705,190
2005	1.4613	.2767			1,042,184,730
2006	1.4500	.2880			1,269,706,752
2007	1.3157	.2346			1,606,833,645
2008	1.0300	.2370			1,743,519,206
2009	1.0400	.2700			1,991,922,824
2010	1.0400	.2700			2,188,087,557
2011	1.0400	.2600			2,300,214,846
2012 (School Year Under Audit)	1.0400	.2600			2,192,024,538
1000 Totals					

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

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

Column 30, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 157,768	\$ --	\$ 1,681	\$ 189	\$ (49,029)	\$ 106,869
42,585	--	866	100	(220)	41,399
33,578	--	647	122	(240)	32,569
43,797	--	3,500	695	(281)	39,321
39,929	--	4,491	801	(299)	34,338
43,235	--	7,370	1,693	1,324	35,496
87,196	--	25,354	6,582	205	55,465
272,151	--	122,302	31,752	(4,350)	113,747
444,349	--	231,521	57,880	(5,338)	149,610
--	28,496,319	22,692,858	5,673,215	238,968	369,214
<u>\$ 1,164,588</u>	<u>\$ 28,496,319</u>	<u>\$ 23,090,590</u>	<u>\$ 5,773,029</u>	<u>\$ 180,740</u>	<u>\$ 978,028</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

DECATUR INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012*

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 241,082	\$ 448,187	\$ --	\$ 131,541	\$ 820,810
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	--	--	12,147	--	--	--	12,147
6212	Audit Services	--	--	--	29,770	--	--	29,770
6213	Tax Appraisal and Collection	--	30,064	--	--	--	--	30,064
621X	Other Prof. Services	--	--	3,810	78,876	--	--	82,686
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	800	--	--	4,144	--	--	4,944
6240	Contr. Maint. and Repair	--	--	--	--	2,831	--	2,831
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	4,879	--	--	4,879
6290	Miscellaneous Contr.	--	--	31	--	--	4,360	4,391
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	30	--	211	647	--	--	888
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	6,600	38,467	--	116	45,183
6410	Travel, Subsistence, Stipends	2,780	--	9,217	19,192	--	--	31,189
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	110	--	--	--	--	--	110
6490	Miscellaneous Operating	2,463	--	9,661	28,363	--	--	40,487
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	5,442	5,442

Total \$ 6,183 \$ 30,064 \$ 282,759 \$ 652,525 \$ 2,831 \$ 141,459 \$ 1,115,821

Total Expenditures for General and Special Revenue Funds (9) \$ 33,009,160

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 758,329
Total Debt & Lease (6500)	(11)	\$ 202,476
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 4,024,371
Food (Function 35, 6341 and 6499)	(13)	\$ 500,333
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 652,525

Subtotal 6,138,034

Net Allowed Direct Cost \$ 26,871,126

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 95,537,918
Historical Cost of Buildings over 50 years old	(16)	506,908
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	6,255,845
Historical Cost of Furniture & Equipment over 16 years old	(19)	112,972
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 79,102

(8) Note A - \$82,711 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

DECATUR INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2012

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2012 (Exhibit C-1 object 3000 for the General Fund only)	\$ 11,455,643
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	5,250,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	2,483,307
7	Estimate of two months' average cash disbursements during the fiscal year	4,966,614
8	Estimate of delayed payments from state sources (58XX)	63,521
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	12,763,442
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (1,307,799)

DECATUR INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 550,000	\$ 433,051	\$ (116,949)
5800 State Program Revenues	10,000	22,599	12,599
5900 Federal Program Revenues	660,000	729,913	69,913
5020 Total Revenues	<u>1,220,000</u>	<u>1,185,563</u>	<u>(34,437)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	1,370,000	1,243,567	126,433
Total Support Services - Student (Pupil)	<u>1,370,000</u>	<u>1,243,567</u>	<u>126,433</u>
6030 Total Expenditures	<u>1,370,000</u>	<u>1,243,567</u>	<u>126,433</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(150,000)</u>	<u>(58,004)</u>	<u>91,996</u>
Other Financing Sources (Uses):			
7915 Transfers In	150,000	58,004	(91,996)
7080 Total Other Financing Sources and (Uses)	<u>150,000</u>	<u>58,004</u>	<u>(91,996)</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

DECATUR INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 5,469,950	\$ 5,835,909	\$ 365,959
5020	Total Revenues	<u>5,469,950</u>	<u>5,835,909</u>	<u>365,959</u>
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	2,635,000	2,635,000	--
0072	Interest on Long-Term Debt	3,165,808	3,165,809	(1)
0073	Bond Issuance Costs and Fees	10,000	6,150	3,850
	Total Debt Service	<u>5,810,808</u>	<u>5,806,959</u>	<u>3,849</u>
6030	Total Expenditures	<u>5,810,808</u>	<u>5,806,959</u>	<u>3,849</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(340,858)	28,950	369,808
1200	Net Change in Fund Balance	<u>(340,858)</u>	<u>28,950</u>	<u>369,808</u>
0100	Fund Balance - Beginning	1,871,893	1,871,893	--
3000	Fund Balance - Ending	<u>\$ 1,531,035</u>	<u>\$ 1,900,843</u>	<u>\$ 369,808</u>



SNOWGARRETT WILLIAMS
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, 2012, which collectively comprise the Decatur Independent School District's basic financial statements and have issued our report thereon dated December 13, 2012. 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

Management of Decatur Independent School District is responsible for establishing and maintaining effective 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 13, 2012.

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,



Snow Garrett Williams
December 13, 2012



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

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

Members of the Board of Trustees:

Compliance

We have audited Decatur Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Decatur Independent School District's major federal programs for the year ended August 31, 2012. Decatur Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Decatur Independent School District's management. Our responsibility is to express an opinion on Decatur Independent School District's compliance based on our audit.

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

In our opinion, Decatur Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Snow Garrett Williams

December 13, 2012

DECATUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.410	Education Jobs Fund

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, 2012

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

DECATUR INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

A corrective action plan is not needed.

DECATUR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	12610101249905	211,388
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	13610101249905	10,771
Total CFDA Number 84.010			<u>222,159</u>
<i>IDEA-B Formula *</i>	84.027	126600012499056600	441,787
<i>IDEA-B Formula *</i>	84.027	136600012499056600	37,846
<i>IDEA-B Discretionary *</i>	84.027	12660006249905	138,247
Total CFDA Number 84.027			<u>617,880</u>
<i>Career and Technical - Basic Grant</i>	84.048	12420006249905	21,805
<i>IDEA-B Preschool *</i>	84.173	126610012499056610	11,705
<i>IDEA-B Preschool *</i>	84.173	136610012499056610	161
Total CFDA Number 84.173			<u>11,866</u>
<i>Title III Part A English Language Acquisition and Language Enhancer</i>	84.365	12671001249905	34,435
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	12694501249905	83,887
<i>Summer School LEP</i>	84.369	69551102	2,220
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001249905	15,477
<i>ARRA - IDEA-Part B Formula *</i>	84.391	10554001249905	6,850
<i>Education Jobs Fund</i>	84.410	11550101249905	485,511
Total Passed Through State Department of Education			<u>1,502,090</u>
Total U. S. Department of Education			<u>1,502,090</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Wise County:			
<i>Grasslands Grant *</i>	10.666	DECISD	44,385
Passed Through State Department of Education:			
<i>School Breakfast Program *</i>	10.553	71401201	156,350
<i>National School Lunch Program *</i>	10.555	71301201	502,917
<i>Commodity Supplemental Food Program (Non-cash)</i>	10.565	249905A	70,646
Total Passed Through State Department of Education			<u>729,913</u>
Total U. S. Department of Agriculture			<u>774,298</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,276,388</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, 2012

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, 2012**

<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?	\$ 4,246,590