

**FARMERSVILLE INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2011

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2011

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CERTIFICATE OF BOARD

Farmersville Independent School District
Name of School District

Collin
County

043-904
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2011, at a meeting of the board of school trustees of such school district on _____.

*

Signature of Board Secretary

*

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

*
Signature on file with the Texas Education Agency

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Farmersville Independent School District

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Farmersville Independent School District (District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 the Farmersville Independent School District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note P to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the 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 the 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 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.

Independent Auditor's Report - Continued

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

November 21, 2011
Greenville, Texas

*

*

Signature on file with the Texas Education Agency

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

2802 Washington Street

Greenville, Texas 75401

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of School Trustees
Farmersville Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Farmersville Independent School District (District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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*.

Report on Internal Control – Continued

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency and other grantors, and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2011
Greenville, Texas

*

*
Signature on file with the Texas Education Agency

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INDEPENDENT AUDITOR'S 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 School Trustees
Farmersville Independent School District

Members of the Board:

Compliance

We have audited the Farmersville Independent School District's (District) 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 the District's major federal programs for the year ended August 31, 2011. The 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 the District's management. Our responsibility is to express an opinion on the 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 the District's internal control over compliance.

Internal Control over Compliance – Continued

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 consider to be material weaknesses, as defined above.

The District's responses to the findings, if any, identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, 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.

November 21, 2011
Greenville, Texas

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Signature on file with the Texas Education Agency

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2011

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unqualified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Reportable conditions identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Reportable conditions identified that are not considered to be material weaknesses	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	No
Identification of major programs	ARRA – Title XIV – State Fiscal Stabilization (84.394) Special Education Cluster: ARRA – IDEA-B Formula (84.391)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Financial Statement Findings (Section II)

NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Federal Award Findings and Questioned Costs (Section III)

NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Prior Year Findings (Section IV)

NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2011

Corrective Action Plans (Section V)

NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

This section of Farmersville Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2011. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

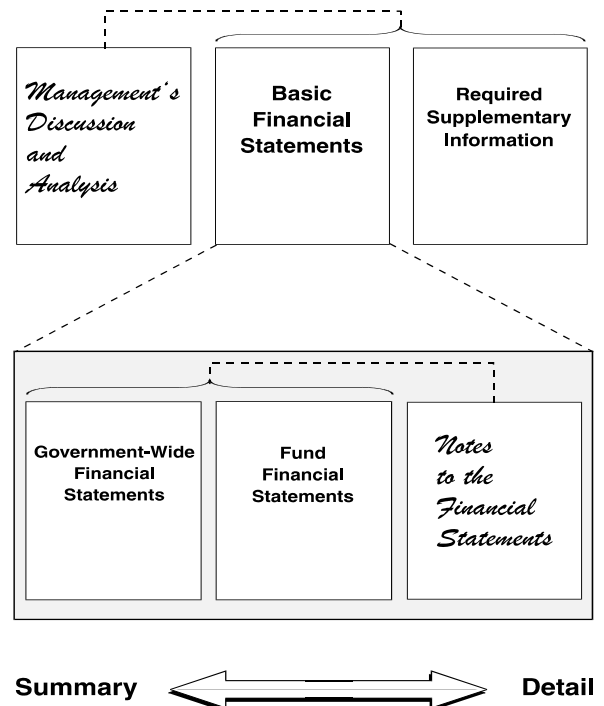
- The District's total combined net assets were \$ 19,685,742 at August 31, 2011.
- During the year, the District's expenses were \$ 1,745,869 less than the \$ 14,580,362 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 10,487,315.
- The District issued no new debt during the year ended August 31, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Figure A-1, Required Components of the District's Annual Financial Report



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

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$ 19,685,742 at August 31, 2011.

Farmersville Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Assets:			
Cash and Investments	\$ 10,456,422	\$ 9,342,728	11.92%
Other Assets	1,828,919	1,212,901	50.79%
Capital Assets less Accumulated Depreciation	22,965,964	23,581,820	-2.61%
Total Assets	\$ 35,251,305	\$ 34,137,449	3.26%
Liabilities:			
Current Liabilities	\$ 492,624	\$ 461,879	6.66%
Long-term Liabilities	15,072,939	15,735,697	-4.21%
Total Liabilities	\$ 15,565,563	\$ 16,197,576	-3.90%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 8,051,846	\$ 8,009,026	0.53%
Restricted	531,693	867,999	-38.74%
Unrestricted	11,102,203	9,062,848	22.50%
Total Net Assets	\$ 19,685,742	\$ 17,939,873	9.73%

Approximately \$ 427,218 of the District's restricted net assets represent proceeds for debt retirement. These proceeds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 14,501,408. 67% comes from state aid and federal grants (See Table A-2). 30% of the District's revenue comes from local property taxes, while only 3% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 12,755,538. 61% of these costs are for instructional and related instructional services.

The District's current tax collection percentage rate (current and delinquent base tax only) was 98.91%. The total collection percentage rate (base tax and penalty and interest) was 100.76%.

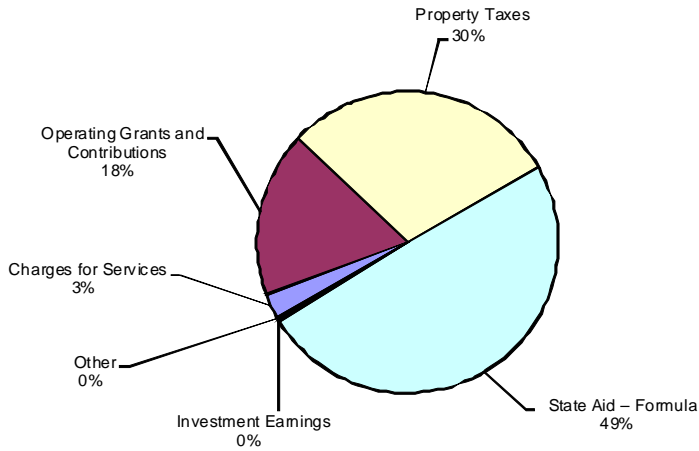
FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

GOVERNMENTAL ACTIVITIES

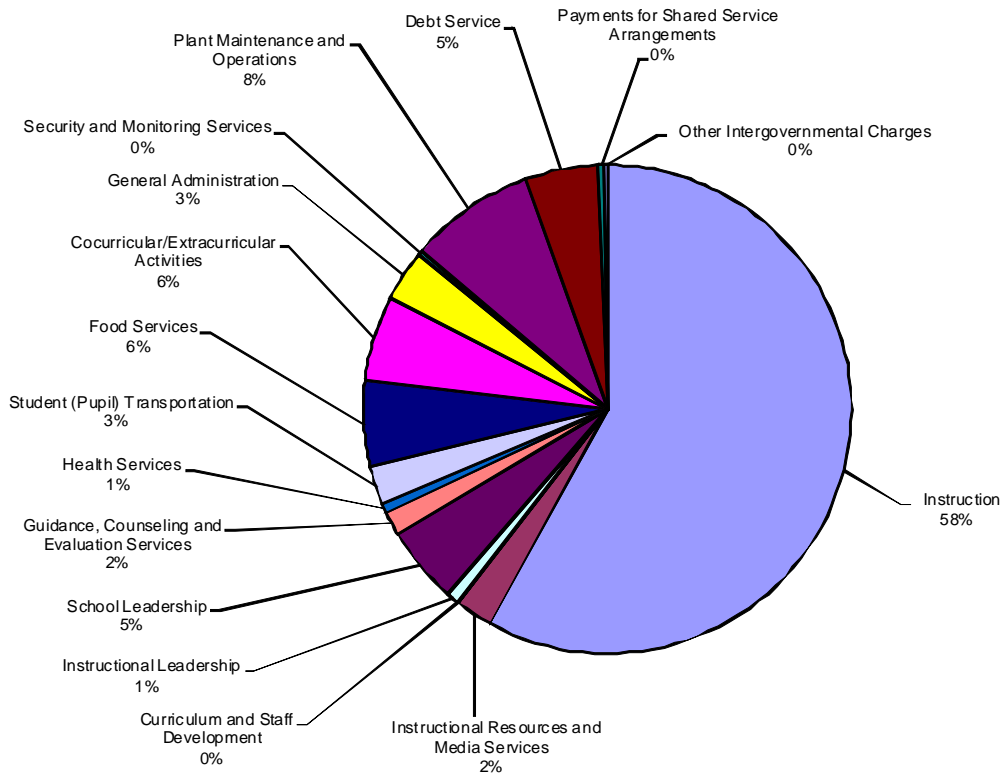
Changes in Farmersville Independent School District's Net Assets			Table A-2
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Program Revenues:			
Charges for Services	\$ 404,217	\$ 450,145	-10.20%
Operating Grants and Contributions	2,555,019	2,409,523	6.04%
General Revenues:			
Property Taxes	4,323,091	4,459,616	-3.06%
State Aid – Formula	7,190,293	6,261,914	14.83%
Investment Earnings	30,997	37,705	-17.79%
Other	28,904	4,924	487.00%
Special and Extraordinary Items:			
Special Item Inflow	47,841	-	100.00%
Total Revenues	\$ 14,580,362	\$ 13,623,827	7.02%
Expenses:			
Instruction	\$ 7,442,554	\$ 7,119,541	4.54%
Instructional Resources and Media Services	310,511	314,885	-1.39%
Curriculum and Staff Development	16,762	19,767	-15.20%
Instructional Leadership	107,685	67,587	59.33%
School Leadership	657,900	664,949	-1.06%
Guidance, Counseling and Evaluation Services	197,618	192,934	2.43%
Health Services	76,640	77,733	-1.41%
Student (Pupil) Transportation	328,711	309,128	6.33%
Food Services	724,980	713,561	1.60%
Cocurricular/Extracurricular Activities	731,467	778,907	-6.09%
General Administration	430,839	480,983	-10.43%
Security and Monitoring Services	35,859	-	100.00%
Plant Maintenance and Operations	1,067,701	1,059,645	0.76%
Debt Service	631,512	634,664	-0.50%
Payments for Shared Service Arrangements	45,998	199,186	-76.91%
Other Intergovernmental Charges	27,756	27,354	1.47%
Total Expenses	\$ 12,834,493	\$ 12,660,824	1.37%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 1,745,869	\$ 963,003	81.29%
Increase (Decrease) in Net Assets	\$ 1,745,869	\$ 963,003	81.29%
Net Assets - Beginning (September 1)	17,939,873	16,976,870	5.67%
Net Assets - Ending (August 31)	\$ 19,685,742	\$ 17,939,873	9.73%

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2011

Sources of Revenues for Fiscal Year 2011 - See Table A-2



Functional Expenses for Fiscal Year 2011 - See Table A-2



FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

- Table A-3 presents the cost of each of the District's selected functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 12,834,493.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 4,323,091.
- Some of the cost was paid by those who directly benefited from the programs \$ 404,217, or
- By grants and contributions \$ 2,555,019.

Table A-3

**Farmersville Independent School District's
Net Cost of Selected District Functions**

	<u>Total Cost of Services</u>		<u>% Change Change</u>	<u>Net Cost of Services</u>		<u>% Change Change</u>
	2011	2010		2011	2010	
Instruction	7,442,554	7,119,541	4.54%	6,077,033	5,726,660	6.12%
School Leadership	657,900	664,949	-1.06%	543,732	661,550	-17.81%
General Administration	430,839	480,983	-10.43%	410,953	478,473	-14.11%
Plant Maintenance and Debt Service	1,067,701	1,059,645	0.76%	839,870	879,823	-4.54%
	631,512	634,664	-0.50%	259,143	201,938	28.33%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 14,525,854. Any increase in state revenues is a result of an increase of students in average daily attendance. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 895,079 below final General Fund budget amounts. The most significant positive variance resulted from instruction. Instruction includes all District expenditures related to student classroom activities including salaries, supplies and other.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2011, the District had invested \$ 32,292,087 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

Farmersville Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Land	\$ 410,257	\$ 410,257	0.00%
Buildings and Improvements	30,158,144	30,136,052	0.07%
Equipment	527,950	527,950	0.00%
Vehicles	1,195,736	1,107,419	7.98%
Totals at Historical Cost	\$ 32,292,087	\$ 32,181,678	0.34%
Total Accumulated Depreciation	(9,326,123)	(8,599,858)	8.45%
Net Capital Assets	<u>\$ 22,965,964</u>	<u>\$ 23,581,820</u>	-2.61%

LONG TERM DEBT

At year-end, the District had \$ 15,049,529 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Farmersville Independent School District's Long Term Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Bonds Payable	\$ 14,885,000	\$ 15,545,000	-4.25%
Other Debt Payable	164,529	190,697	-13.72%
Total Debt Payable	<u>\$ 15,049,529</u>	<u>\$ 15,735,697</u>	-4.36%

ECONOMIC FACTORS

The District's property valuation continues to increase as it has in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Changes in the student population will continue to affect state funding. Property values and student enrollments have steadily increased over the last three years. Any gain or loss in appraised values will not change the total revenue received by the District under the current state funding formula; they will simply cause a shift between State and local funding with the total revenue remaining the same. Only increases in student enrollment and attendance will increase the District's overall funding.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

Student attendance rates have remained fairly steady throughout the recent periods and are expected to remain at the same level moving forward. The economic outlook for the area is for growth to continue at a steady level. While property values continue to rise at minimum levels, housing has expanded at the rate similar to the north central Texas region. With this growth, the District continues to monitor resources and staffing levels.

The State has reduced funding levels for the 2011-2013 biennium which will affect the revenue levels of the District. With these reductions in funding, the District has taken action to reduce expenditures for future periods. The cuts in operations as well as staff positions are expected to resolve the effects of reduced funding levels. However, some potential cash flow delays could require the District to use its available cash reserves. At period end, the District believes present cash balances are in place to withstand any potential delays.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 10,456,422
1225 Property Taxes Receivable, Net	549,719
1240 Due from Other Governments	1,127,336
1250 Accrued Interest	518
1290 Other Receivables, Net	4,141
1420 Capitalized Bond and Other Debt Issuance Costs, Net	147,205
Capital Assets:	
1510 Land	410,257
1520 Buildings and Improvements, Net	22,062,706
1530 Furniture and Equipment, Net	<u>493,001</u>
1000 Total Assets	<u>\$ 35,251,305</u>
LIABILITIES	
2110 Accounts Payable	\$ 83,523
2140 Interest Payable	25,204
2165 Accrued Wages Payable	375,246
2300 Deferred Revenues	8,651
Noncurrent Liabilities:	
2501 Due within one year	690,000
2502 Due in more than one year	<u>14,382,939</u>
2000 Total Liabilities	<u>\$ 15,565,563</u>
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	\$ 8,051,846
Restricted For:	
3820 Federal and State Programs	104,475
3850 Debt Service	427,218
3900 Unrestricted	<u>11,102,203</u>
3000 Total Net Assets	<u>\$ 19,685,742</u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	3	4	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Government Activities:				
11 Instruction	\$ 7,442,554	\$ 79,523	\$ 1,285,998	\$ (6,077,033)
12 Instructional Resources and Media Services	310,511	-	16,445	(294,066)
13 Curriculum and Staff Development	16,762	-	17	(16,745)
21 Instructional Leadership	107,685	-	33,126	(74,559)
23 School Leadership	657,900	-	114,168	(543,732)
31 Guidance, Counseling and Evaluation Services	197,618	-	11,331	(186,287)
33 Health Services	76,640	-	4,476	(72,164)
34 Student (Pupil) Transportation	328,711	-	6,179	(322,532)
35 Food Services	724,980	230,906	446,498	(47,576)
36 Cocurricular/Extracurricular Activities	731,467	91,501	18,945	(621,021)
41 General Administration	430,839	-	19,886	(410,953)
51 Plant Maintenance and Operations	1,067,701	2,287	225,544	(839,870)
52 Security and Monitoring Services	35,859	-	37	(35,822)
72 Interest on Long-term Debt	614,598	-	372,369	(242,229)
73 Debt Issuance Costs and Fees	16,914	-	-	(16,914)
93 Payments for Shared Service Arrangements	43,438	-	-	(43,438)
95 Payments to Juvenile Justive Alt Ed Programs	2,560	-	-	(2,560)
99 Other Intergovernmental Charges	27,756	-	-	(27,756)
TG Total Government Activities	<u>\$ 12,834,493</u>	<u>\$ 404,217</u>	<u>\$ 2,555,019</u>	<u>\$ (9,875,257)</u>
TP Total Primary Government	<u>\$ 12,834,493</u>	<u>\$ 404,217</u>	<u>\$ 2,555,019</u>	<u>\$ (9,875,257)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 3,858,642
DT Property Taxes, Levied for Debt Service				464,449
IE Investment Earnings				30,997
GC Grant and Contributions Not Restricted to Specific Prgms				7,190,293
MI Miscellaneous				28,904
Special and Exgtraordinary Items:				
S1 Special Item Inflow				47,841
TR Total General Revenues				<u>\$ 11,621,126</u>
CN Change in Net Assets				\$ 1,745,869
NB Net Assets - Beginning (September 1)				<u>17,939,873</u>
NE Net Assets - Ending (August 31)				<u>\$ 19,685,742</u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Governmental Funds	Total Governmental Funds	
ASSETS				
1110	Cash and Investments	\$ 10,061,142	\$ 198,278	\$ 10,259,420
1225	Property Taxes Receivable, Net	465,987	83,732	549,719
1240	Due from Other Governments	772,739	354,597	1,127,336
1250	Accrued Interest	518	-	518
1290	Other Receivables	3,742	399	4,141
1000	Total Assets	\$ 11,304,128	\$ 637,006	\$ 11,941,134
LIABILITIES				
Current Liabilities:				
2110	Accounts Payable	\$ 15,297	\$ 20,126	\$ 35,423
2160	Accrued Wages Payable	329,245	37,473	366,718
2200	Accrued Expenses	6,284	2,244	8,528
2300	Deferred Revenues	465,987	92,383	558,370
2000	Total Liabilities	\$ 816,813	\$ 152,226	\$ 969,039
FUND BALANCES				
Restricted Fund Balances:				
3450	Federal and State Grant Restrictions	\$ -	\$ 104,474	\$ 104,474
3480	Retirement of Long Term Debt	-	368,690	368,690
3490	Other Restrictions of Fund Balance	-	11,616	11,616
Committed Fund Balance:				
3510	Construction	3,500,000	-	3,500,000
3530	Capital Expenditures for Equipment	1,000,000	-	1,000,000
3540	Self-Insurance	200,000	-	200,000
3545	Other Committed Fund Balance	181,941	-	181,941
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	58,192	-	58,192
3600	Unassigned	5,547,182	-	5,547,182
3000	Total Fund Balances	\$ 10,487,315	\$ 484,780	\$ 10,972,095
4000	Total Liabilities and Fund Balances	\$ 11,304,128	\$ 637,006	\$ 11,941,134

The accompanying notes are an integral part of this statement.

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

Total fund balances - Balance Sheet (governmental funds)	\$ 10,972,095
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,965,964
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	549,718
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	148,903
Payables for bond principal which are not due in the current period are not reported in the funds.	(14,885,000)
Payables for debt interest which are not due in the current period are not reported in the funds.	(25,204)
Other long-term liabilities not due and payable in the current period and not reported in the funds.	(187,939)
Other long-term assets are not available to pay for current-period expenditures and deferred in funds.	<u>147,205</u>
Net assets of governmental activities - Statement of Net Assets	<u><u>\$ 19,685,742</u></u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUE			
5700 Local and Intermediate Sources	\$ 4,072,956	\$ 708,677	\$ 4,781,633
5800 State Program Revenues	7,450,159	444,347	7,894,506
5900 Federal Program Revenues	197,971	1,651,744	1,849,715
5020 Total Revenues	\$ 11,721,086	\$ 2,804,768	\$ 14,525,854
EXPENDITURES			
Current:			
0011 Instruction	\$ 6,020,101	\$ 967,501	\$ 6,987,602
0012 Instructional Resources and Media Services	294,563	-	294,563
0013 Curriculum and Staff Development	16,762	-	16,762
0021 Instructional Leadership	77,444	30,241	107,685
0023 School Leadership	571,714	77,613	649,327
0031 Guidance, Counseling and Evaluation Services	194,397	355	194,752
0033 Health Services	75,169	-	75,169
0034 Student (Pupil) Transportation	335,504	-	335,504
0035 Food Service	-	681,984	681,984
0036 Cocurricular/Extracurricular Activities	620,857	-	620,857
0041 General Administration	489,180	-	489,180
0051 Plant Maintenance and Operations	880,726	205,173	1,085,899
0052 Security and Monitoring Services	35,859	-	35,859
0071 Principal on Long-term Debt	-	660,000	660,000
0072 Interest on Long-term Debt	-	618,490	618,490
0073 Debt Issuance Costs and Fees	-	1,216	1,216
0093 Payments for Shared Service Arrangements	43,438	-	43,438
0095 Payments to Juvenile Justice Alt Ed Programs	2,560	-	2,560
0099 Other Intergovernmental Charges	27,756	-	27,756
6030 Total Expenditures	\$ 9,686,030	\$ 3,242,573	\$ 12,928,603
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,035,056	\$ (437,805)	\$ 1,597,251
SPECIAL ITEM:			
7918 Special Item (Resource)	\$ 47,841	\$ -	\$ 47,841
1200 Net Change in Fund Balances	\$ 2,082,897	\$ (437,805)	\$ 1,645,092
0100 Fund Balances - Beginning (September 1)	8,404,418	922,584	9,327,002
3000 Fund Balances - Ending (August 31)	\$ 10,487,315	\$ 484,779	\$ 10,972,094

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2011

Net change in fund balances - total governmental funds	\$	1,645,092
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA		110,409
The depreciation of capital assets used in governmental activities is not reported in the funds.		(726,265)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		6,667
Expenses not requiring the use of current financial resources are not reported as expenditures in funds.		2,758
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		660,000
Debt issuance costs and similar items are amortized in the SOA but not in the funds.		(15,698)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		1,134
The net revenue (expense) of internal service funds is reported with governmental activities.		<u>61,772</u>
Change in net assets of governmental activities - Statement of Activities	\$	<u><u>1,745,869</u></u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
AUGUST 31, 2011

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
	ASSETS	
	Current Assets:	
1110	Cash and Investments	<u>\$ 197,002</u>
	Total Current Assets	<u>\$ 197,002</u>
1000	Total Assets	<u>\$ 197,002</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	<u>\$ 48,099</u>
	Total Current Liabilities	<u>\$ 48,099</u>
2000	Total Liabilities	<u>\$ 48,099</u>
	NET ASSETS	
3900	Unrestricted Net Assets	<u>\$ 148,903</u>
3000	Total Net Assets	<u><u>\$ 148,903</u></u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2011

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	<u>\$ 88,674</u>
5020 Total Operating Revenues	<u>\$ 88,674</u>
OPERATING EXPENSES	
6400 Other Operating Costs	<u>\$ 26,902</u>
6030 Total Operating Expenses	<u>\$ 26,902</u>
1300 Change in Net Assets	\$ 61,772
0100 Total Net Assets - Beginning (September 1)	<u>87,131</u>
3300 Total Net Assets - Ending (August 31)	<u><u>\$ 148,903</u></u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2011

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi-External Operating Transfers	\$ 88,674
Cash Payments for Claims	(10,340)
Cash Payments for Administration and Reinsurance	(37,297)
Net Cash Provided by (Used for) Operating Activities	\$ 41,037
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows for Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 41,037
Cash and Investments - Beginning (September 1)	155,965
Cash and Investments - Ending (August 31)	\$ 197,002
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 61,772
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Liability	(20,735)
Net Cash Provided by (Used for) Operating Activities	\$ 41,037

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AUGUST 31, 2011

Data Control Codes		Private Purpose Trust Funds	Agency Funds
		Harbin Scholarship	Student Agency
ASSETS			
1110	Cash and Investments	\$ 13,017	\$ 49,675
1000	Total Assets	\$ 13,017	\$ 49,675
LIABILITIES			
2190	Due to Student Groups	\$ -	\$ 49,675
2000	Total Liabilities	\$ -	\$ 49,675
NET ASSETS			
3800	Held in Trust	\$ 13,017	\$ -
3000	Total Net Assets	\$ 13,017	\$ -

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 YEAR ENDED AUGUST 31, 2011

	Private-Purpose Trust Fund
	Harbin Scholarship
 ADDITIONS	
Investment Earnings - Interest Revenue	\$ 16
Total Additions	\$ 16
 DEDUCTIONS	
Scholarship Payments	\$ -
Total Deductions	\$ -
Changes in Net Assets	\$ 16
Net Assets - Beginning (September 1)	13,001
Net Assets - Ending (August 31)	\$ 13,017

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies

The basic financial statements of the Farmersville Independent School District (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 (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 as a body corporate 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net assets (SNA) 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 (SOA) 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.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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.

In addition, the District reports the following fund types:

Internal Service Funds – These funds are proprietary type 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.

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of result of operations.

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 long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease 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.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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 not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
		<hr/>
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

For the purpose 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.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

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

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	General Fund	Other Governmental Funds	Total
Restricted			
Child Nutrition Program	\$ -	\$ 98,306	\$ 98,306
AP Incentive Program	-	296	296
Technology Allotment	-	5,656	5,656
Ready to Read	-	216	216
Retirement of Long Term Debt	-	368,690	368,690
Capital Projects	-	11,616	11,616
Committed			
Construction	3,500,000	-	3,500,000
Equipment Replacement	1,000,000	-	1,000,000
Self Insurance	200,000	-	200,000
Future Budget Deficit	181,941	-	181,941
Assigned			
Campus Activity Funds	58,192	-	58,192
Unassigned	5,547,182	-	5,547,182
Totals	<u>\$ 10,487,315</u>	<u>\$ 484,780</u>	<u>\$ 10,972,095</u>

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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	15-50
Vehicles	5-10
Other Equipment	3-15

Debt Costs

Debt issuance costs are included in noncurrent assets. Unamortized premium or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight line method.

6. 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.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Summary of Significant Accounting Policies (Continued)

7. Interfund Activities

Interfund activity results from loans, service 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 "Transfer" 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.

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

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

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2011, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's depository in the District's name. Deposits appear to have been properly secured at all times throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Deposits, Securities and Investments (Continued)

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as Texpool, TexSTAR, Texas CLASS and certificates of deposit located at the local depository. All Texpool, TexSTAR, Texas CLASS and certificates of deposit investments are reported at share price (fair value) and are reported as cash and cash equivalents.

The *Texas Cooperative Liquid Assets Securities System Trust* (Texas CLASS), was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The Texas CLASS Trust Agreement (Trust) is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate (the "Participants"), MBIA Municipal Investors Service Corporation as Program Administrator (the "Program Administrator"), and Wells Fargo Bank Texas, NA as Custodian (the "Custodian").

Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

The Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust. The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the Investment Policy and Investment Strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator.

The Fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (the "Trust Company"), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. ("Federated"), under an agreement with the Comptroller, acting on behalf of the Trust Company.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Deposits, Securities and Investments (Continued)

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAm by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

The following table identifies the District's investments at August 31, 2011:

	<u>Credit Rating</u>	<u>Fair Value</u>
Texas CLASS	AAAm	\$ 1,645,650
TexPool	AAAm	5,979,163
TexSTAR	AAAm	1,181,197
Certificates of Deposit	n/a	<u>1,500,000</u>
Total		<u>\$ 10,306,010</u>

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

- a. Name of bank: Independent Bank, Farmersville, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 2,190,846.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 2,319,137, and occurred during the month of June, 2011.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 273,185.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Deposits, Securities and Investments (Continued)

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 agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

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 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 Districts' 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.

C. Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. 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 when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

C. Property Taxes (Continued)

The District levied taxes on property within the District at \$ 1.17 to fund general operations and \$ 0.14 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 326,775,539.

D. Capital Assets

Capital asset activities during the year ended August 31, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 410,257	\$ -	\$ -	\$ 410,257
Total Capital Assets not being Depreciated	\$ 410,257	\$ -	\$ -	\$ 410,257
Capital Assets being Depreciated:				
Building and Improvements	\$ 30,136,052	\$ 22,092	\$ -	\$ 30,158,144
Equipment	527,950	-	-	527,950
Vehicles	1,107,419	88,317	-	1,195,736
Total Capital Assets being Depreciated	\$ 31,771,421	\$ 110,409	\$ -	\$ 31,881,830
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 7,466,709	\$ 628,729	\$ -	\$ 8,095,438
Equipment	425,753	14,456	-	440,209
Vehicles	707,396	83,080	-	790,476
Total Accumulated Depreciation	\$ 8,599,858	\$ 726,265	\$ -	\$ 9,326,123
Total Capital Assets being Depreciated, Net	\$ 23,171,563	\$ (615,856)	\$ -	\$ 22,555,707
Governmental Activities Capital Assets, Net	\$ 23,581,820	\$ (615,856)	\$ -	\$ 22,965,964

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 454,952
Instructional Resources and Media Services	15,948
School Leadership	8,573
Guidance, Counseling and Evaluation Services	2,866
Health Services	1,471
Student (Pupil) Transportation	81,524
Food Services	42,996
Cocurricular / Extracurricular Activities	110,610
General Administration	3,431
Plant Maintenance and Operations	3,894
Total	\$ 726,265

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended August 31, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 15,545,000	\$ -	\$ 660,000	\$ 14,885,000	\$ 690,000
Refunding Gain (Loss)	1,497	3,570	15,275	(10,208)	-
Unamortized Premium	189,200	-	14,463	174,737	-
Total Governmental Activities	<u>\$ 15,735,697</u>	<u>\$ 3,570</u>	<u>\$ 689,738</u>	<u>\$ 15,049,529</u>	<u>\$ 690,000</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at August 31, 2011:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Refunding Bonds, Series 2004	5.6800%	\$ 1,720,000	\$ 415,000
Unlimited Tax School Building Bonds, Series 2005	5.3752%	10,000,000	8,815,000
Unlimited Tax Refunding Bonds, Series 2008	4.8220%	5,655,000	5,655,000
Totals			<u>\$ 14,885,000</u>

Maturity requirements on bonded debt at August 31, 2011, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2012	\$ 690,000	\$ 591,235	\$ 1,281,235
2013	715,000	563,326	1,278,326
2014	750,000	532,441	1,282,441
2015	780,000	501,054	1,281,054
2016	810,000	470,738	1,280,738
2017-2021	4,610,000	1,841,568	6,451,568
2022-2026	3,855,000	921,102	4,776,102
2027-2030	2,675,000	238,714	2,913,714
Totals	<u>\$ 14,885,000</u>	<u>\$ 5,660,178</u>	<u>\$ 20,545,178</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of August 31, 2011.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

F. Pension Plan

1. Plan Description

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

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 the 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 provided for a member contribution rate of 6.4% for fiscal years 2011, 2010 and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period September through December 2009. The District's employees' contributions to the System for the periods ended August 31, 2011, 2010 and 2009 were \$ 469,653, \$ 460,597, and \$ 449,049 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2011, 2010 and 2009 were \$ 96,701, \$ 84,044, and \$ 97,079 respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 404,228 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. 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 website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

G. School District Retiree Health Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapters 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.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 60,841 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 19,509 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the year ended August 31, 2011, employees of the Farmersville Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to the Teacher Retirement System of Texas (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Farmersville Independent School District and the Teacher Retirement System of Texas (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2010, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local 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 each month 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 Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

H. Risk Management (Continued)

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 89,175 for the 10-11 fiscal year. Additionally, the District incurred fixed costs of \$ 32,187 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for the Fund for aggregate losses for claims exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in payroll will adjust subsequent year charges for fixed costs.

The accrued liability for workers' compensation self insurance of \$ 48,099 includes \$ 26,118 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in the workers' compensation claims liability amounts in the periods of 2011 and 2010 are represented below:

	<u>2011</u>	<u>2010</u>
Claims Liability - Beginning	\$ 68,835	\$ 41,276
Claims Incurred (Reduced)	(10,396)	43,515
Claim Payments	<u>(10,340)</u>	<u>(15,956)</u>
Claims Liability - Ending	<u>\$ 48,099</u>	<u>\$ 68,835</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District does not appear to be involved in any litigation as of August 31, 2011.

J. Commitments and Contingencies

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, 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 combined financial statements for such contingencies.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

K. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Arrangement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Collin County Juvenile Justice Alternative Education Program	McKinney Independent School District	Alternative Education
Farmersville/Princeton Alternative Education Program	Princeton Independent School District	Alternative Education

L. Economic Dependency

The District received 54.64% of its governmental fund-type revenues from the State of Texas. Under the State foundation aid program, the District must perform certain duties as required by the State. As the primary support for District operations, funding from the State is imperative to the economic viability of the District.

M. Revenue from Local and Intermediate Sources

During the year ended August 31, 2011, the District received revenue from local and intermediate sources consisting of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Tax Collections	\$ 3,842,095	\$ 474,327	\$ 4,316,422
Investment Income	29,944	1,052	30,996
Food Service Income	-	233,298	233,298
Extracurricular Activities	167,825	-	167,825
Insurance Recovery	12,948	-	12,948
Other	20,144	-	20,144
Total Local Revenue	\$ 4,072,956	\$ 708,677	\$ 4,781,633

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

N. Receivables

Receivables at August 31, 2011, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Other Nonmajor	Total
Due from Other Governments	\$ 772,739	\$ 354,597	\$ 1,127,336
Property Taxes	517,763	93,036	610,799
Less Allowance for Uncollectible			
Property Taxes	(51,776)	(9,304)	(61,080)
Accrued Interest	518	-	518
Other Receivables	3,742	399	4,141
Net Receivables	<u>\$ 1,242,986</u>	<u>\$ 438,728</u>	<u>\$ 1,681,714</u>

O. Subsequent Events

The District's management has evaluated subsequent events through November 21, 2011, the date which the financial statements were available for use.

P. Change in Accounting Principle

The District implemented Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year. The Statement applies to the governmental fund types and reclassifies the beginning of year fund balances to reflect the appropriate nonspendable, restricted, committed, assigned and unassigned classifications. Note A provides the definitions and disclosures required by the new pronouncement.

Q. Special Item

The District ended participation in the Collin County Special Education Shared Services Cooperation during the 2009-2010 fiscal year. As a part of the withdrawal, the District received a lump sum distribution of the District's percentage share of the remaining fund balance. The amount, \$ 47,841, has been presented as a special item in the financial statements as this transaction is infrequent but not unusual.

REQUIRED SUPPLEMENTARY INFORMATION

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 3,812,840	\$ 3,936,625	\$ 4,072,956	\$ 136,331
5800	State Program Revenues	6,658,212	7,098,212	7,450,159	351,947
5900	Federal Program Revenues	-	-	197,971	197,971
5020	Total Revenues	\$ 10,471,052	\$ 11,034,837	\$ 11,721,086	\$ 686,249
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,673,400	\$ 6,519,910	\$ 6,020,101	\$ 499,809
0012	Instructional Resources and Media Services	291,631	306,631	294,563	12,068
0013	Curriculum and Staff Development	22,150	22,481	16,762	5,719
	Total Instruction and Instr. Related Services	<u>\$ 6,987,181</u>	<u>\$ 6,849,022</u>	<u>\$ 6,331,426</u>	<u>\$ 517,596</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ -	\$ 101,159	\$ 77,444	\$ 23,715
0023	School Leadership	570,002	580,002	571,714	8,288
	Total Instructional and School Leadership	<u>\$ 570,002</u>	<u>\$ 681,161</u>	<u>\$ 649,158</u>	<u>\$ 32,003</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 191,457	\$ 198,862	\$ 194,397	\$ 4,465
0033	Health Services	74,810	79,810	75,169	4,641
0034	Student (Pupil) Transportation	398,711	398,711	335,504	63,207
0036	Cocurricular/Extracurricular Activities	539,270	661,490	620,857	40,633
	Total Support Services - Student (Pupil)	<u>\$ 1,204,248</u>	<u>\$ 1,338,873</u>	<u>\$ 1,225,927</u>	<u>\$ 112,946</u>
Administrative Support Services:					
0041	General Administration	\$ 471,064	\$ 493,564	\$ 489,180	\$ 4,384
	Total Administrative Support Services	<u>\$ 471,064</u>	<u>\$ 493,564</u>	<u>\$ 489,180</u>	<u>\$ 4,384</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,045,989	\$ 1,045,989	\$ 880,726	\$ 165,263
0052	Security and Monitoring Services	63,500	63,500	35,859	27,641
	Total Support Services - Nonstudent Based	<u>\$ 1,109,489</u>	<u>\$ 1,109,489</u>	<u>\$ 916,585</u>	<u>\$ 192,904</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 77,000	\$ 47,000	\$ 43,438	\$ 3,562
0095	Payments to Juvenile Justice Alternative Education Programs	-	30,000	2,560	27,440
0099	Other Intergovernmental Charges	32,000	32,000	27,756	4,244
	Total Intergovernmental Charges	<u>\$ 109,000</u>	<u>\$ 109,000</u>	<u>\$ 73,754</u>	<u>\$ 35,246</u>
6030	Total Expenditures	\$ 10,450,984	\$ 10,581,109	\$ 9,686,030	\$ 895,079
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 20,068	\$ 453,728	\$ 2,035,056	\$ 1,581,328
SPECIAL ITEM:					
7918	Special Item (Resource)	\$ -	\$ -	\$ 47,841	\$ 47,841
1200	Net Change in Fund Balance	\$ 20,068	\$ 453,728	\$ 2,082,897	\$ 1,629,169
0100	Fund Balance - Beginning (September 1)	8,424,486	8,424,486	8,424,486	-
3000	Fund Balance - Ending (August 31)	\$ 8,444,554	\$ 8,878,214	\$ 10,459,542	\$ 1,581,328

OTHER SUPPLEMENTARY INFORMATION

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2011

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2010	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2011
		Maintenance	Maintenance							
XXXX	2002 and Prior Years	Various	Various	Various	\$ 100,945	\$ -	\$ 932	\$ 146	\$ (7,320)	\$ 92,547
2002	2003	1.40500	0.13500	206,849,481	36,022	-	118	11	(1,519)	34,374
2003	2004	1.40300	0.13700	220,028,182	38,573	-	470	46	(1,704)	36,353
2004	2005	1.40550	0.13450	238,512,922	33,537	-	361	35	(944)	32,197
2005	2006	1.44000	0.30000	255,755,115	63,155	-	58	12	(17,414)	45,671
2006	2007	1.31680	0.30000	291,143,370	47,470	-	3,921	893	(942)	41,714
2007	2008	1.04000	0.27000	305,414,275	49,848	-	7,380	1,916	(1,015)	39,537
2008	2009	1.04000	0.24000	322,882,969	70,368	-	16,610	3,833	206	50,131
2009	2010	1.04000	0.27000	332,343,329	163,542	-	56,347	14,605	(2,605)	89,985
2010	2011	1.17000	0.14000	326,775,539	-	4,280,760	3,685,345	440,962	(6,163)	148,290
1000	TOTALS				\$ 603,460	\$ 4,280,760	\$ 3,771,542	\$ 462,459	\$ (39,420)	\$ 610,799

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		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	\$ -	\$ -	\$ 213,624	\$ 179,550	\$ -	\$ 2,467	\$ 395,641
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			6,550				6,550
6212	Audit Services				11,500			11,500
6213	Tax Appraisal and Collection		31,886					31,886
621X	Other Prof. Services	600			9,393		5,314	15,307
6220	Tuition and Transfer Payments							-
6230	Education Service Centers				7,100			7,100
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals			5,637				5,637
6290	Miscellaneous Contr.							-
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading							-
6330	Testing Materials							-
63XX	Other Supplies, Materials	455		10,296				10,751
6410	Travel, Subsistence, Stipends	70		5,232	1,866			7,168
6420	Ins. And Bonding Costs	4,870						4,870
6430	Election Costs	2,167						2,167
6490	Miscellaneous Operating			16,172	2,085		102	18,359
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 8,162	\$ 31,886	\$ 257,511	\$ 211,494	\$ -	\$ 7,883	\$ 516,936

Total expenditures for General and Special Revenue Funds: (9) \$ 11,569,942

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 127,415
Total Debt & Lease (6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,063,807
Food (Function 35, 6341 and 6499)	(13)	267,900
Stipend (6413)	(14)	-
Column D (above) - Total Indirect Cost		211,494
Subtotal		1,670,616
Net Allowed Direct Cost		\$ 9,899,326

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	30,158,144
Historical Cost of Buildings over 50 years old	(16)	337,855
Amount of Federal Money in Building Cost (Net of # 16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,723,686
Historical Cost of Furniture & Equipment over 16 years old	(19)	279,439
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20)	-

(8) Note A - No Function 53 expenditures and \$ 27,756 in Function 99 expenditures are included in this report on administrative costs.

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

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 265,500	\$ 265,500	\$ 233,296	\$ (32,204)
5800 State Program Revenues	16,000	16,000	21,743	5,743
5900 Federal Program Revenues	<u>370,383</u>	<u>395,383</u>	<u>424,755</u>	<u>29,372</u>
5020 Total Revenues	<u>\$ 651,883</u>	<u>\$ 676,883</u>	<u>\$ 679,794</u>	<u>\$ 2,911</u>
EXPENDITURES				
Current:				
Support Services - Student (Pupil):				
0035 Food Services	\$ 651,883	\$ 716,883	\$ 681,984	\$ 34,899
Total Support Services - Student (Pupil)	<u>\$ 651,883</u>	<u>\$ 716,883</u>	<u>\$ 681,984</u>	<u>\$ 34,899</u>
6030 Total Expenditures	<u>\$ 651,883</u>	<u>\$ 716,883</u>	<u>\$ 681,984</u>	<u>\$ 34,899</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ (2,190)</u>	<u>\$ 37,810</u>
1200 Net Change in Fund Balance	\$ -	\$ (40,000)	\$ (2,190)	\$ 37,810
0100 Fund Balance - Beginning (September 1)	<u>100,496</u>	<u>100,496</u>	<u>100,496</u>	<u>-</u>
3000 Fund Balance - Ending (August 31)	<u>\$ 100,496</u>	<u>\$ 60,496</u>	<u>\$ 98,306</u>	<u>\$ 37,810</u>

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 434,180	\$ 434,180	\$ 475,363	\$ 41,183
5800	State Program Revenues	831,232	391,232	372,369	(18,863)
5020	Total Revenues	\$ 1,265,412	\$ 825,412	\$ 847,732	\$ 22,320
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 660,000	\$ 660,000	\$ 660,000	\$ -
0072	Interest on Long-term Debt	618,493	618,493	618,490	3
0073	Bond Issuance Costs and Fees	5,000	5,000	1,216	3,784
	Total Debt Service	\$ 1,283,493	\$ 1,283,493	\$ 1,279,706	\$ 3,787
6030	Total Expenditures	\$ 1,283,493	\$ 1,283,493	\$ 1,279,706	\$ 3,787
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (18,081)	\$ (458,081)	\$ (431,974)	\$ 26,107
1200	Net Change in Fund Balance	\$ (18,081)	\$ (458,081)	\$ (431,974)	\$ 26,107
0100	Fund Balance - Beginning (September 1)	800,664	800,664	800,664	-
3000	Fund Balance - Ending (August 31)	\$ 782,583	\$ 342,583	\$ 368,690	\$ 26,107

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2011

<u>Data Control Codes</u>		<u>Response</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 weakness in internal codes?	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?	\$ -0-

FEDERAL AWARDS SECTION

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Education Service Center, Region X:			
ESEA Title II Part A - Teacher & Principal Training and Recruiting	84.367	11694501057950	\$ 67,449
Carl Perkins Vocational Basic Grant - Career and Technology	84.048	1142000605795010	16,775
Title III Part A - LEP	84.365	11671001057950	7,283
Title IV Part A - Safe & Drug Free Schools	84.186	11691001057950	<u>355</u>
Total Passed through the Education Service Center, Region X			<u>\$ 91,862</u>
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010	11610101043904	\$ 266,037
ESEA Title I Part A - Improving Basic Programs	84.010	12610101043904	10,194
IDEA-B Formula*	84.027	116600010439046600	218,344
IDEA-B Preschool*	84.173	116610010439046610	10,373
Summer School LEP	84.369	69551002	1,074
ARRA - IDEA-B Formula*	84.391	10554001043904	153,720
ARRA - IDEA-B Preschool*	84.392	10555001043904	7,253
ARRA - Title I Part A - Improving Basic Programs	84.389	10551001043904	30,835
ARRA - Title XIV - State Fiscal Stabilization Fund*	84.394	11557001043904	398,246
ARRA - Title II Part D - Enhancing Education Through Technology	84.386	10553001043904	<u>148</u>
Total Passed through the Texas Education Agency			<u>\$ 1,096,224</u>
Direct Program:			
Impact Aid	84.041	S041A-2009-4915	<u>\$ 189,360</u>
Total Department of Education			<u>\$ 1,531,166</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed through Collin County, Texas:			
Federal Flood Control	12.106	043-904	<u>\$ 8,611</u>
Total Department of Defense			<u>\$ 8,611</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through the Education Service Center, Region X:			
Head Start	93.600	06CH0391/12	<u>\$ 38,903</u>
Total Department of Health and Human Services			<u>\$ 38,903</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71400701	\$ 101,178
National School Lunch Program	10.555	71300701	284,100
Commodity Food Distribution	10.565	043012A	<u>39,477</u>
Total Passed through the Texas Department of Agriculture			<u>\$ 424,755</u>
Total Expenditures of Federal Awards			<u>\$ 2,003,435</u>

* Denotes Major Program

See accompanying notes to the schedule of expenditures of federal award.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Farmersville Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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 basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2011.