

**FARMERSVILLE INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED AUGUST 31, 2013**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
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Greenville, Texas 75401  
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FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2013

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**CERTIFICATE OF BOARD**

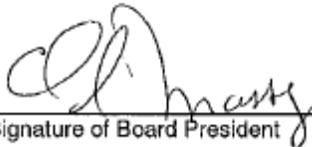
Farmersville Independent School District  
Name of School District

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

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

## FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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Members of the Board:

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Farmersville Independent School District as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note Q to the financial statements, in 2013 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

December 12, 2013  
Greenville, Texas



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*

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Board of School Trustees  
Farmersville Independent School District

Members of the Board:

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

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Report on Internal Control – Continued

**Purpose of this Report**

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

December 12, 2013  
Greenville, Texas

Rutherford, Taylor & Company PC



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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Board of School Trustees  
Farmersville Independent School District

Members of the Board:

**Report on Compliance for Each Major Federal Program**

We have audited 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, 2013. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

Internal Control over Compliance – Continued

report on internal control over compliance in accordance with OMC 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.

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

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

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

December 12, 2013  
Greenville, Texas



FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED AUGUST 31, 2013

**Summary of Auditor's Results (Section I)**

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*Financial Statements –*

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
Identification of major programs	Food Service Cluster: School Breakfast Program (10.553) School Lunch Program (10.555)
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, 2013

**Financial Statement Findings (Section II)**

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NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2013

**Federal Award Findings and Questioned Costs (Section III)**

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NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2013

**Prior Year Findings (Section IV)**

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NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2013

**Corrective Action Plans (Section V)**

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NONE

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2013

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, 2013. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

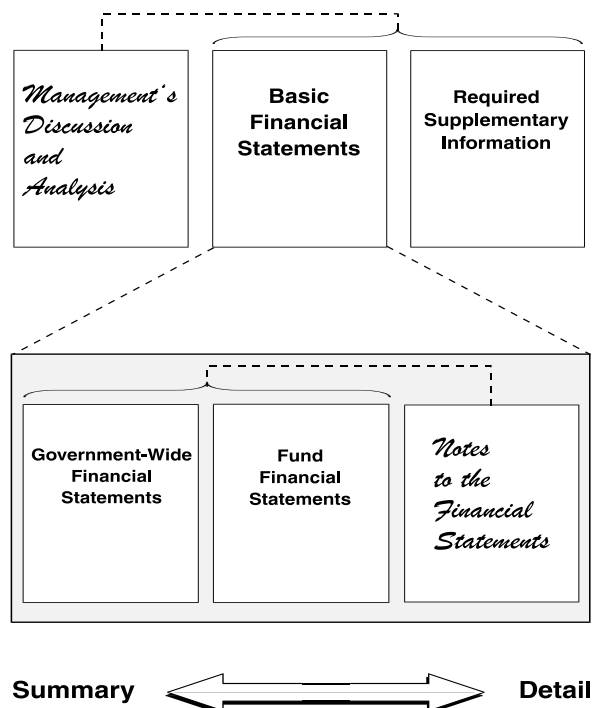
- The District's total combined net position was \$ 21,405,339 at August 31, 2013.
- During the year, the District's expenses were \$ 624,867 less than the \$ 14,044,380 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 12,339,870.
- The District issued refunding bonds to restructure the debt payments on existing debt.

**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, 2013

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

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<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 position 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 position and how they have changed. Net position—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 position 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, 2013

- 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 position. 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 position was \$ 21,405,339 at August 31, 2013.

<b>Farmersville Independent School District's Net Position</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2013	2012	2012-2013
Assets:			
Cash and Investments	\$ 12,601,553	\$ 11,798,397	6.81%
Other Assets	1,185,336	1,265,729	-6.35%
Capital Assets less Accumulated Depreciation	21,858,522	22,421,120	-2.51%
<b>Total Assets</b>	<b>\$ 35,645,411</b>	<b>\$ 35,485,246</b>	<b>0.45%</b>
Deferred Outflows			
<b>Total Deferred Outflows</b>	<b>\$ 590,498</b>	<b>\$ -</b>	<b>100.00%</b>
Liabilities:			
Current Liabilities	\$ 460,904	\$ 371,413	24.09%
Long-term Liabilities	14,369,666	14,333,361	0.25%
<b>Total Liabilities</b>	<b>\$ 14,830,570</b>	<b>\$ 14,704,774</b>	<b>0.86%</b>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 7,672,957	\$ 8,230,895	-6.78%
Restricted	344,274	202,848	69.72%
Unrestricted	13,388,108	12,346,729	8.43%
<b>Total Net Position</b>	<b>\$ 21,405,339</b>	<b>\$ 20,780,472</b>	<b>3.01%</b>

Approximately \$ 248,210 of the District's restricted net position represent funds collected for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

**CHANGES IN NET POSITION**

The District's total revenues were \$ 14,044,380. 64% comes from state aid and federal grants (See Table A-2). 32% of the District's revenue comes from local property taxes, while only 4% relates to charges for services and other miscellaneous revenues, including investment earnings.

The total cost of all programs and services was \$ 13,419,511. 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 99.50%. The total collection percentage rate (base tax and penalty and interest) was 101.39%.

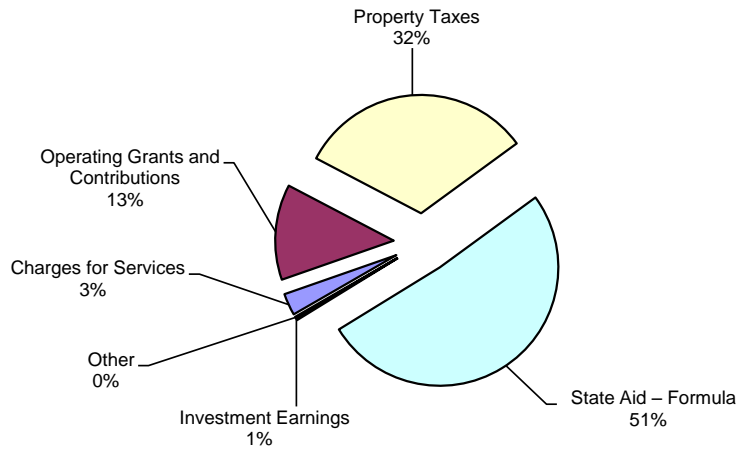
FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2013

**GOVERNMENTAL ACTIVITIES**

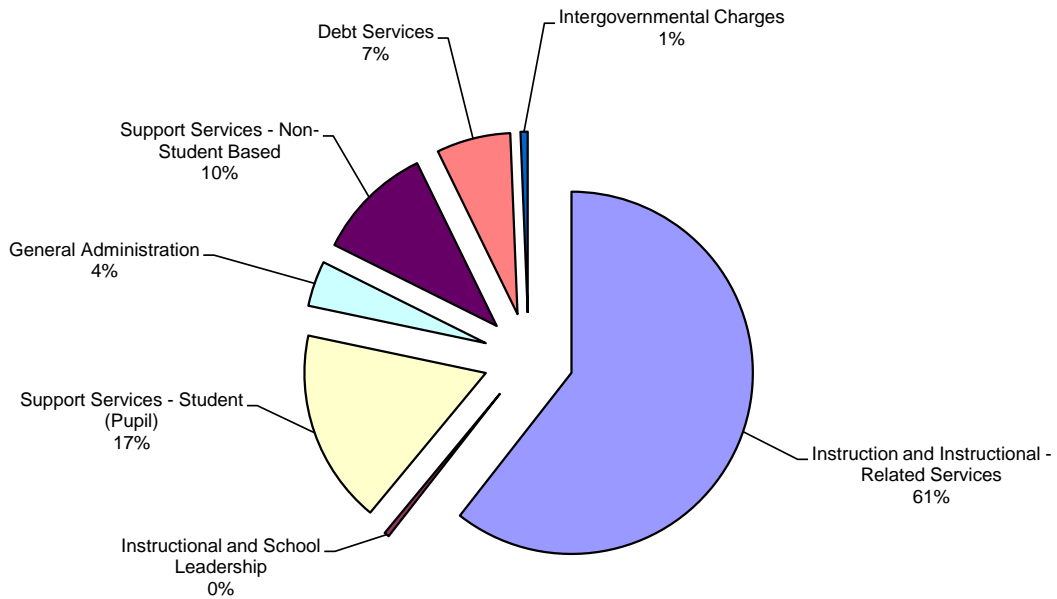
<b>Changes in Farmersville Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentage Change
	2013	2012	2012-2013
Program Revenues:			
Charges for Services	\$ 419,084	\$ 460,309	-8.96%
Operating Grants and Contributions	1,831,211	2,221,312	-17.56%
General Revenues:			
Property Taxes	4,530,562	4,426,132	2.36%
State Aid – Formula	7,200,284	6,430,585	11.97%
Investment Earnings	38,582	22,172	74.01%
Other	24,655	2,230	1005.61%
Total Revenues	<u>\$ 14,044,378</u>	<u>\$ 13,562,740</u>	3.55%
Expenses:			
Instruction	\$ 7,347,180	\$ 7,106,731	3.38%
Instructional Resources and Media Services	259,737	259,265	0.18%
Curriculum and Staff Development	82,531	52,237	57.99%
Instructional Leadership	56,771	64,652	-12.19%
School Leadership	719,656	653,596	10.11%
Guidance, Counseling and Evaluation Services	205,221	196,359	4.51%
Health Services	79,189	74,227	6.68%
Student (Pupil) Transportation	311,005	309,032	0.64%
Food Services	783,233	721,358	8.58%
Cocurricular/Extracurricular Activities	821,038	749,330	9.57%
General Administration	515,233	508,771	1.27%
Security and Monitoring Services	31,318	23,102	35.56%
Plant Maintenance and Operations	1,288,809	1,118,707	15.21%
Debt Service	837,767	580,127	44.41%
Payments for Shared Service Arrangements	51,995	46,687	11.37%
Other Intergovernmental Charges	28,828	27,240	5.83%
Total Expenses	<u>\$ 13,419,511</u>	<u>\$ 12,491,421</u>	7.43%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 624,867</u>	<u>\$ 1,071,319</u>	-41.67%
Increase (Decrease) in Net Position	\$ 624,867	\$ 1,071,319	-41.67%
Net Position - Beginning (September 1)	<u>20,780,472</u>	<u>19,709,151</u>	5.44%
Net Position - Ending (August 31)	<u><u>\$ 21,405,339</u></u>	<u><u>\$ 20,780,470</u></u>	3.01%

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED AUGUST 31, 2013

**Sources of Revenue for Fiscal Year 2013 - See Table A-2**



**Functional Expenses for Fiscal Year 2013 - See Table A-2**



FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2013

- 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 \$ 13,419,511.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 4,530,562.
- Some of the cost was paid by those who directly benefited from the programs \$ 419,084, or
- By grants and contributions \$ 1,831,211.

**Table A-3**

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

	<u>Total Cost of Services</u>		% Change Change	<u>Net Cost of Services</u>		% Change Change
	2013	2012		2013	2012	
Instruction	\$ 7,347,180	\$ 7,106,731	3.38%	\$ 6,032,135	\$ 5,666,178	6.46%
School Leadership	719,656	653,596	10.11%	719,656	623,590	15.41%
General Administration	515,233	508,771	1.27%	515,233	490,848	4.97%
Plant Maintenance and Debt Service	1,288,809 837,767	1,118,707 580,127	15.21% 44.41%	1,288,809 837,767	1,096,788 288,531	17.51% 190.36%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$ 14,021,280 which is a \$ 460,809 increase from the prior year. The increase is attributed to increased enrollment and related state funding.

Expenditures for governmental fund types totaled \$ 13,429,425 which is a \$ 797,406 increase from the prior year. The increase includes additional debt retirement relief as well as increased instructional related expenditures.

**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 \$ 1,378,645 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.

Resources available were \$ 436,761 above the final General Fund budgeted amount. The favorable variance was due to better than anticipated tax and the receipt of federal impact aid that exceeded budget expectations.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2013

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 32,572,777 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

<b>Farmersville Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total Percentage Change 2012-2013
	2013	2012	
Land	\$ 600,676	\$ 600,676	0.00%
Buildings and Improvements	30,102,844	30,097,144	0.02%
Equipment	583,551	527,950	10.53%
Vehicles	1,285,706	1,195,736	7.52%
Totals at Historical Cost	\$ 32,572,777	\$ 32,421,506	0.47%
Total Accumulated Depreciation	(10,714,255)	(10,000,386)	7.14%
Net Capital Assets	<u>\$ 21,858,522</u>	<u>\$ 22,421,120</u>	-2.51%

**DEBT**

At year-end, the District had \$ 14,369,666 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.

<b>Farmersville Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total Percentage Change 2012-2013
	2013	2012	
Bonds Payable	\$ 13,451,027	\$ 14,195,000	-5.24%
Other Debt Payable	918,639	138,361	563.94%
Total Debt Payable	<u>\$ 14,369,666</u>	<u>\$ 14,333,361</u>	0.25%

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2013

**ECONOMIC FACTORS**

The District's property valuation has dropped significantly due to housing development bankruptcies and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. 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.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by a drop in property values from prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2013-2015 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2013 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2013-2015 biennium.

**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 POSITION  
AUGUST 31, 2013

Data Control Codes	1  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Investments	\$ 12,601,553
1225 Property Taxes Receivable, Net	575,087
1240 Due from Other Governments	574,898
1250 Accrued Interest	434
1290 Other Receivables, Net	325
1410 Deferred Expenses	34,592
Capital Assets:	
1510 Land	600,676
1520 Buildings and Improvements, Net	20,798,133
1530 Furniture and Equipment, Net	459,713
<b>1000 Total Assets</b>	<b>\$ 35,645,411</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
1700 Total Deferred Outflows of Resources	\$ 590,498
<b>LIABILITIES</b>	
2110 Accounts Payable	\$ 78,394
2140 Interest Payable	18,339
2165 Accrued Wages Payable	353,209
2300 Unearned Revenues	10,962
Noncurrent Liabilities:	
2501 Due within one year	778,567
2502 Due in more than one year	13,591,099
<b>2000 Total Liabilities</b>	<b>\$ 14,830,570</b>
<b>NET POSITION</b>	
3200 Invested in Capital Assets, Net of Related Debt	\$ 7,672,957
Restricted For:	
3820 Federal and State Programs	96,064
3850 Debt Service	248,210
3900 Unrestricted	13,388,108
<b>3000 Total Net Position</b>	<b>\$ 21,405,339</b>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2013

Data Control Codes Functions/Programs	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Program Revenues			
Governmental Activities:				
11 Instruction	\$ 7,347,180	\$ 3,600	\$ 1,311,445	\$ (6,032,135)
12 Instructional Resources and Media Services	259,737	-	54	(259,683)
13 Curriculum and Staff Development	82,531	-	540	(81,991)
21 Instructional Leadership	56,771	-	-	(56,771)
23 School Leadership	719,656	-	-	(719,656)
31 Guidance, Counseling and Evaluation Services	205,221	-	-	(205,221)
33 Health Services	79,189	-	-	(79,189)
34 Student (Pupil) Transportation	311,005	-	-	(311,005)
35 Food Services	783,233	211,565	519,134	(52,534)
36 Cocurricular/Extracurricular Activities	821,038	203,919	38	(617,081)
41 General Administration	515,233	-	-	(515,233)
51 Plant Maintenance and Operations	1,288,809	-	-	(1,288,809)
52 Security and Monitoring Services	31,318	-	-	(31,318)
72 Interest on Long-term Debt	571,609	-	-	(571,609)
73 Debt Issuance Costs and Fees	266,158	-	-	(266,158)
93 Payments for Shared Service Arrangements	46,317	-	-	(46,317)
95 Payments to Juvenile Justive Alt Ed Programs	5,678	-	-	(5,678)
99 Other Intergovernmental Charges	28,828	-	-	(28,828)
TG Total Governmental Activities	<u>\$ 13,419,511</u>	<u>\$ 419,084</u>	<u>\$ 1,831,211</u>	<u>\$ (11,169,216)</u>
TP Total Primary Government	<u>\$ 13,419,511</u>	<u>\$ 419,084</u>	<u>\$ 1,831,211</u>	<u>\$ (11,169,216)</u>
General Revenues:				
MT Property Taxes, Levied for General Purposes				\$ 3,874,189
DT Property Taxes, Levied for Debt Service				656,373
IE Investment Earnings				38,582
GC Grant and Contributions Not Restricted to Specific Prgms				7,200,284
MI Miscellaneous				24,655
TR Total General Revenues				<u>\$ 11,794,083</u>
CN Change in Net Position				\$ 624,867
NB Net Position - Beginning (September 1)				<u>20,780,472</u>
NE Net Position - Ending (August 31)				<u>\$ 21,405,339</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Investments	\$ 12,299,041	\$ 182,568		\$ 12,481,609
1225 Property Taxes Receivable, Net	494,616	80,471	-	575,087
1240 Due from Other Governments	368,294	3,259	203,345	574,898
1250 Accrued Interest	434	-	-	434
1290 Other Receivables	74	251	-	325
<b>1000 Total Assets</b>	<b><u>\$ 13,162,459</u></b>	<b><u>\$ 266,549</u></b>	<b><u>\$ 203,345</u></b>	<b><u>\$ 13,632,353</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 3,014	\$ -	\$ 56,429	\$ 59,443
2150 Payroll Deductions & Withholdings	(309)	-	-	(309)
2160 Accrued Wages Payable	320,424	-	26,185	346,609
2200 Accrued Expenses	4,844	-	2,065	6,909
2300 Unearned Revenues	-	-	10,962	10,962
<b>2000 Total Liabilities</b>	<b><u>\$ 327,973</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 95,641</u></b>	<b><u>\$ 423,614</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2600 Total Deferred Inflows of Resources	\$ 494,616	\$ 80,471	\$ -	\$ 575,087
<b>FUND BALANCES</b>				
Restricted Fund Balances:				
3450 Federal and State Grants	\$ -	\$ -	\$ 96,064	\$ 96,064
3480 Retirement of Long Term Debt	-	186,078	-	186,078
3490 Other Restrictions of Fund Balance	-	-	11,640	11,640
Committed Fund Balance:				
3510 Construction	5,000,000	-	-	5,000,000
3530 Capital Expenditures for Equipment	1,000,000	-	-	1,000,000
3540 Self-Insurance	200,000	-	-	200,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	86,468	-	-	86,468
3600 Unassigned	6,053,402	-	-	6,053,402
<b>3000 Total Fund Balances</b>	<b><u>\$ 12,339,870</u></b>	<b><u>\$ 186,078</u></b>	<b><u>\$ 107,704</u></b>	<b><u>\$ 12,633,652</u></b>
<b>4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b><u>\$ 13,162,459</u></b>	<b><u>\$ 266,549</u></b>	<b><u>\$ 203,345</u></b>	<b><u>\$ 13,632,353</u></b>

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 POSITION  
 AUGUST 31, 2013

Total fund balances - Balance Sheet (governmental funds)	\$	12,633,652
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		21,858,522
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		575,087
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		135,585
Payables for bond principal which are not due in the current period are not reported in the funds.		(13,451,027)
Payables for debt interest which are not due in the current period are not reported in the funds.		(18,339)
Other long-term liabilities not due and payable in the current period and not reported in the funds.		<u>(328,141)</u>
Net position of governmental activities - Statement of Net Position	\$	<u>21,405,339</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, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUE</b>				
5700	\$ 4,120,177	\$ 658,031	\$ 211,577	\$ 4,989,785
5800	7,094,740	282,011	164,326	7,541,077
5900	232,926	-	1,257,492	1,490,418
<b>5020</b>	<b>\$ 11,447,843</b>	<b>\$ 940,042</b>	<b>\$ 1,633,395</b>	<b>\$ 14,021,280</b>
<b>EXPENDITURES</b>				
Current:				
0011	\$ 5,994,232	\$ -	\$ 902,090	\$ 6,896,322
0012	243,655	-	54	243,709
0013	81,991	-	540	82,531
0021	56,771	-	-	56,771
0023	711,043	-	-	711,043
0031	202,349	-	-	202,349
0033	77,710	-	-	77,710
0034	329,889	-	-	329,889
0035	-	-	752,968	752,968
0036	737,562	-	-	737,562
0041	511,802	-	-	511,802
0051	1,307,195	-	-	1,307,195
0052	31,318	-	-	31,318
0071	-	743,971	-	743,971
0072	-	528,811	-	528,811
0073	-	134,651	-	134,651
0093	46,317	-	-	46,317
0095	5,678	-	-	5,678
0099	28,828	-	-	28,828
<b>6030</b>	<b>\$ 10,366,340</b>	<b>\$ 1,407,433</b>	<b>\$ 1,655,652</b>	<b>\$ 13,429,425</b>
<b>1100</b>	<b>\$ 1,081,503</b>	<b>\$ (467,391)</b>	<b>\$ (22,257)</b>	<b>\$ 591,855</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
7911	\$ -	\$ 7,484,998	\$ -	\$ 7,484,998
7915	-	485,425	-	485,425
7916	-	720,754	-	720,754
8911	(485,425)	-	-	(485,425)
8949	-	(8,064,500)	-	(8,064,500)
<b>7080</b>	<b>\$ (485,425)</b>	<b>\$ 626,677</b>	<b>\$ -</b>	<b>\$ 141,252</b>
<b>1200</b>	<b>\$ 596,078</b>	<b>\$ 159,286</b>	<b>\$ (22,257)</b>	<b>\$ 733,107</b>
0100	11,743,792	26,792	129,961	11,900,545
<b>3000</b>	<b>\$ 12,339,870</b>	<b>\$ 186,078</b>	<b>\$ 107,704</b>	<b>\$ 12,633,652</b>

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, 2013

Net change in fund balances - total governmental funds	\$	733,107
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA		151,271
The depreciation of capital assets used in governmental activities is not reported in the funds.		(713,869)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		23,099
Expenses not requiring the use of current financial resources are not reported as expenditures in funds.		8,092,431
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		743,971
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(131,507)
The accretion of interest on capital appreciation bonds is not reported in the funds.		(76,456)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		5,727
The net revenue (expense) of internal service funds is reported with governmental activities.		2,846
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(7,484,998)
Bond premiums are reported in the funds but not in the SOA.		<u>(720,755)</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>624,867</u>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AUGUST 31, 2013

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	\$ 176,373
1410 Unrealized Expenses	<u>34,592</u>
<b>Total Current Assets</b>	<b><u>\$ 210,965</u></b>
<b>1000 Total Assets</b>	<b><u>\$ 210,965</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 75,380</u>
Total Current Liabilities	<u>\$ 75,380</u>
<b>2000 Total Liabilities</b>	<b><u>\$ 75,380</u></b>
<b>NET POSITION</b>	
3900 Unrestricted Net Position	<u>\$ 135,585</u>
<b>3000 Total Net Position</b>	<b><u><u>\$ 135,585</u></u></b>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2013

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
5700 Local and Intermediate Sources	\$ 46,466
<b>5020 Total Operating Revenues</b>	<b>\$ 46,466</b>
<b>OPERATING EXPENSES</b>	
6400 Other Operating Costs	\$ 43,620
<b>6030 Total Operating Expenses</b>	<b>\$ 43,620</b>
1300 Change in Net Position	\$ 2,846
0100 Total Net Position - Beginning (September 1)	132,739
<b>3300 Total Net Position - Ending (August 31)</b>	<b>\$ 135,585</b>

The accompanying notes are an integral part of this statement.



FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED AUGUST 31, 2013

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi-External Operating Transfers	\$ 46,466
Cash Payments for Claims and Other Charges	(24,393)
Net Cash Provided by (Used for) Operating Activities	\$ 22,073
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 Investments	\$ 22,073
Cash and Investments - Beginning (September 1)	154,300
<b>Cash and Investments - Ending (August 31)</b>	<b>\$ 176,373</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	2,846
Increase (Decrease) in Claims Liability	19,227
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 22,073</b>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
		Harbin	Student
		<u>Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>			
1110	Cash and Investments	\$ 13,046	\$ 61,450
<b>1000</b>	<b>Total Assets</b>	<b>\$ 13,046</b>	<b>\$ 61,450</b>
<b>LIABILITIES</b>			
2190	Due to Student Groups	\$ -	\$ 61,450
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 61,450</b>
<b>NET POSITION</b>			
3800	Held in Trust	\$ 13,046	\$ -
<b>3000</b>	<b>Total Net Position</b>	<b>\$ 13,046</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
YEAR ENDED AUGUST 31, 2013

	Private-Purpose Trust Fund
	Harbin Scholarship
<b>ADDITIONS</b>	
Investment Earnings - Interest Revenue	\$ <u>14</u>
<b>Total Additions</b>	<b>\$ <u>14</u></b>
<b>DEDUCTIONS</b>	
Scholarship Payments	\$ <u>-</u>
<b>Total Deductions</b>	<b>\$ <u>-</u></b>
<b>Changes in Net Position</b>	<b>\$ 14</b>
Net Position - Beginning (September 1)	<u>13,032</u>
<b>Net Position - Ending (August 31)</b>	<b><u><u>13,046</u></u></b>

The accompanying notes are an integral part of this statement.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

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 position (SNP) 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, 2013

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.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

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

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies (Continued)

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.

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-
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, 2013

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, 2013

A. Summary of Significant Accounting Policies (Continued)

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

	General	Debt Service	Other Governmental	Total
Restricted				
Child Nutrition Program	\$ -	\$ -	\$ 96,064	\$ 96,064
Retirement of Long Term Debt	-	186,078	-	186,078
Capital Projects	-	-	11,640	11,640
Committed				
Construction	5,000,000	-	-	5,000,000
Capital Expenditures for Equipment	1,000,000	-	-	1,000,000
Workers' Compensation Self-Insurance	200,000	-	-	200,000
Assigned				
Athletic and Campus Activity	86,468	-	-	86,468
Unassigned	6,053,402	-	-	6,053,402
Totals	<u>\$ 12,339,870</u>	<u>\$ 186,078</u>	<u>\$ 107,704</u>	<u>\$ 12,633,652</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 Issuance 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, 2013

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 position.

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 and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these 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, 2013, 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, 2013

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 investments.

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, 2013

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, 2013:

	<u>Credit Rating</u>	<u>Fair Value</u>
Texas CLASS	AAAm	\$ 3,755,872
TexPool	AAAm	2,013,476
TexSTAR	AAAm	1,199,830
Certificates of Deposit	n/a	<u>1,516,234</u>
Total		<u>\$ 8,485,412</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 \$ 6,180,342.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,950,524, and occurred during the month of August 2013.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 250,907.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

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, 2013

C. Property Taxes (Continued)

The District levied taxes on property within the District at \$ 1.17 to fund general operations and \$ 0.20 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 326,666,245.

D. Capital Assets

Capital asset activities during the year ended August 31, 2013 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 600,676	\$ -	\$ -	\$ 600,676
Total Capital Assets not being Depreciated	\$ 600,676	\$ -	\$ -	\$ 600,676
Capital Assets being Depreciated:				
Building and Improvements	\$ 30,097,144	\$ 5,700	\$ -	\$ 30,102,844
Equipment	527,950	55,601	-	583,551
Vehicles	1,195,736	89,970	-	1,285,706
Total Capital Assets being Depreciated	\$ 31,820,830	\$ 151,271	\$ -	\$ 31,972,101
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 8,674,759	\$ 629,952	\$ -	\$ 9,304,711
Equipment	454,665	13,862	-	468,527
Vehicles	870,962	70,055	-	941,017
Total Accumulated Depreciation	\$ 10,000,386	\$ 713,869	\$ -	\$ 10,714,255
Total Capital Assets being Depreciated, Net	\$ 21,820,444	\$ (562,598)	\$ -	\$ 21,257,846
Governmental Activities Capital Assets, Net	\$ 22,421,120	\$ (562,598)	\$ -	\$ 21,858,522

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 453,704
Instructional Resources and Media Services	16,028
School Leadership	8,613
Guidance, Counseling and Evaluation Services	2,872
Health Services	1,479
Student (Pupil) Transportation	71,086
Food Services	43,137
Cocurricular / Extracurricular Activities	109,625
General Administration	3,431
Plant Maintenance and Operations	3,894
Total	\$ 713,869

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended August 31, 2013 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Bonds	\$ 14,195,000	\$ 7,484,998	\$ 8,228,971	\$ 13,451,027	\$ 778,567
Accrued Interest	-	198,489	26,029	172,460	-
Unamortized Premium	160,274	624,751	38,846	746,179	-
Total Governmental Activities	<u>\$ 14,355,274</u>	<u>\$ 8,308,238</u>	<u>\$ 8,293,846</u>	<u>\$ 14,369,666</u>	<u>\$ 778,567</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 District issued "Farmersville Independent School District Unlimited Tax School Refunding Bonds, Series 2013," totaling \$ 7,484,998 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building Bonds, Series 2005

The bonds are dated January 15, 2013 and were issued February 26, 2013. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of February 15, 2015.

As a result of the refunding, the District decreased its debt service requirements by \$ 757,324. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 798,993.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Refunding Bonds, 2013	1.8115%	\$ 7,484,998	\$ 7,456,027
Unlimited Tax School Building Bonds, Series 2005	5.3752%	10,000,000	660,000
Unlimited Tax Refunding Bonds, Series 2008	4.8220%	5,655,000	<u>5,335,000</u>
Totals			<u>\$ 13,451,027</u>

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2014	\$ 778,567	\$ 499,933	\$ 1,278,500
2015	787,460	489,652	1,277,112
2016	915,000	363,550	1,278,550
2017	945,000	335,350	1,280,350
2018	625,000	309,550	934,550
2019-2023	3,530,000	1,176,649	4,706,649
2024-2028	4,065,000	553,449	4,618,449
2029-2032	1,805,000	54,677	1,859,677
Totals	<u>\$ 13,451,027</u>	<u>\$ 3,782,810</u>	<u>\$ 17,233,837</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, 2013.

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](http://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 provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.0% for fiscal year 2013 and 6.644% for fiscal years 2012 and 2011. In certain instances, the reporting district is required to make all or a portion of the state's 6.4% contribution, increased to 6.644% for the 2012 and 2011 fiscal years. The District's employees' contributions to the System for the periods ended August 31, 2013, 2012 and 2011 were \$ 471,299 \$433,498, and \$ 469,653 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2013, 2012 and 2011 were \$ 93,756 \$ 78,578, and \$ 96,701 respectively.

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

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 \$ 360,729 are reflected in the governmental fund type 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](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

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 2013, 2012 and 2011. 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 \$ 56,364 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 35,360 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Programs.

H. Risk Management

Health Care

During the year ended August 31, 2013, 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.



FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

H. Health Care (Continued.)

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, 2012, 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, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued 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.

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

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 \$ 98,474 for the 12-13 fiscal year. Additionally, the District incurred fixed costs of \$ 34,902 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 \$ 75,380 includes \$ 35,149 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 2013 and 2012 are represented below:

	<u>2013</u>	<u>2012</u>
Claims Liability - Beginning	\$ 56,154	\$ 48,099
Claims Incurred (Reduced)	43,323	25,950
Claim Payments	<u>(24,097)</u>	<u>(17,895)</u>
Claims Liability - Ending	<u>\$ 75,380</u>	<u>\$ 56,154</u>

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

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 2013, 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, 2013.

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, 2013, 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.

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. Revenue from Local and Intermediate Sources

During the year the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property Tax Collections	\$ 3,849,774	\$ 657,691	\$ -	\$ 4,507,465
Investment Income	38,230	340	12	38,582
Food Service Income	-	-	211,565	211,565
Extracurricular Activities	203,919	-	-	203,919
Tuition and Fees	3,600	-	-	3,600
Other	24,654	-	-	24,654
<b>Total</b>	<b>\$ 4,120,177</b>	<b>\$ 658,031</b>	<b>\$ 211,577</b>	<b>\$ 4,989,785</b>

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

M. Receivables

Receivables at August 31, 2013, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Other Nonmajor	Total
Due from Other Governments	\$ 368,294	\$ 3,259	\$ 203,343	\$ 574,896
Property Taxes	549,573	89,412	-	638,985
Less Allowance for Uncollectible				
Property Taxes	(54,957)	(8,941)	-	(63,898)
Accrued Interest	434	-	-	434
Other Receivables	74	251	-	325
Net Receivables	<u>\$ 863,418</u>	<u>\$ 83,981</u>	<u>\$ 203,343</u>	<u>\$ 1,150,742</u>

N. Subsequent Events

The District's management has evaluated subsequent events through December 12, 2013, the date which the financial statements were available for use.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settleup with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student populations; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 655,621	\$ 6,133,916	\$ 58,317	\$ 232,772
Prior Periods Settle-ups		(110,150)	(819)	(8,259)
August Instructional Days Change	(4,535)	21,939	-	-
Financial Statement Earnings	<u>\$ 651,086</u>	<u>\$ 6,045,705</u>	<u>\$ 57,498</u>	<u>\$ 224,513</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	\$ -	\$ 164,135	\$ 293	\$ 2,966
August Instructional Days Receivable	10,315	193,844	-	-

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide) or Deferred Revenue (governmental).

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2013

P. Interfund Activities

Transfer To and From Other Funds

Transfer to and from other funds during the year, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Debt Service	\$ 485,425	Debt Refunding

Q. Change in Accounting Principle

The District implemented the following Governmental Accounting Standard Board Statements during the year. The provisions impact the financial reporting for the District. Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, created new reporting classifications and terminology for reporting information under the economic resources basis of accounting. Statement 65, Items Previously Reported as Assets and Liabilities, reclassifies items that have, in previous financial reports, been reported as assets or liabilities. Both Statement 63 and 65 relate to similar account classifications within the financial statements and are implemented in conjunction during the year. Statement 60, Service Concession Arrangements, is adopted with no implication on the District as the District has no current service concession arrangements. Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and Technical Corrections, are a codification of all applicable literature of the FASB and AICPA issued prior to November 30, 1989 into GASB literature. Statement 61, The Financial Reporting Entity: Omnibus, restructures the reporting entity to require the presentation of component units under new requirements in the financial reports of primary reporting unit.

REQUIRED SUPPLEMENTARY INFORMATION

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amount			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 3,767,439	\$ 3,874,146	\$ 4,120,177	\$ 246,031
5800	State Program Revenues	7,051,936	7,051,936	7,094,740	42,804
5900	Federal Program Revenues	85,000	85,000	232,926	147,926
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 10,904,375</b>	<b>\$ 11,011,082</b>	<b>\$ 11,447,843</b>	<b>\$ 436,761</b>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,557,032	\$ 6,417,386	\$ 5,994,232	\$ 423,154
0012	Instructional Resources and Media Services	263,779	265,623	243,655	21,968
0013	Curriculum and Staff Development	95,915	98,908	81,991	16,917
	Total Instruction and Instr. Related Services	<b>\$ 6,916,726</b>	<b>\$ 6,781,917</b>	<b>\$ 6,319,878</b>	<b>\$ 462,039</b>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 82,500	\$ 80,600	\$ 56,771	\$ 23,829
0023	School Leadership	666,575	715,082	711,043	4,039
	Total Instructional and School Leadership	<b>\$ 749,075</b>	<b>\$ 795,682</b>	<b>\$ 767,814</b>	<b>\$ 27,868</b>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 198,930	\$ 209,032	\$ 202,349	\$ 6,683
0033	Health Services	71,510	81,010	77,710	3,300
0034	Student (Pupil) Transportation	384,925	384,925	329,889	55,036
0036	Cocurricular/Extracurricular Activities	610,820	774,625	737,562	37,063
	Total Support Services - Student (Pupil)	<b>\$ 1,266,185</b>	<b>\$ 1,449,592</b>	<b>\$ 1,347,510</b>	<b>\$ 102,082</b>
Administrative Support Services:					
0041	General Administration	\$ 476,800	\$ 519,300	\$ 511,802	\$ 7,498
	Total Administrative Support Services	<b>\$ 476,800</b>	<b>\$ 519,300</b>	<b>\$ 511,802</b>	<b>\$ 7,498</b>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,260,445	\$ 1,582,733	\$ 1,307,195	\$ 275,538
0052	Security and Monitoring Services	64,000	70,000	31,318	38,682
	Total Support Services - Nonstudent Based	<b>\$ 1,324,445</b>	<b>\$ 1,652,733</b>	<b>\$ 1,338,513</b>	<b>\$ 314,220</b>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 47,000	\$ 47,000	\$ 46,317	\$ 683
0095	Payments to Juvenile Justice Alternative Education Programs	30,000	30,000	5,678	24,322
0099	Other Intergovernmental Charges	32,000	32,000	28,828	3,172
	Total Intergovernmental Charges	<b>\$ 109,000</b>	<b>\$ 109,000</b>	<b>\$ 80,823</b>	<b>\$ 28,177</b>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 10,842,231</b>	<b>\$ 11,308,224</b>	<b>\$ 10,366,340</b>	<b>\$ 941,884</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 62,144	\$ (297,142)	\$ 1,081,503	\$ 1,378,645
<b>Other Financing Sources (Uses)</b>					
8911	Transfers Out	\$ -	\$ -	\$ (485,425)	\$ (485,425)
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (485,425)</b>	<b>\$ (485,425)</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 596,078</b>	<b>\$ 893,220</b>
0100	Fund Balance - Beginning (September 1)	11,743,792	11,743,792	11,743,792	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 11,805,936</b>	<b>\$ 11,446,650</b>	<b>\$ 12,339,870</b>	<b>\$ 893,220</b>

OTHER SUPPLEMENTARY INFORMATION

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED AUGUST 31, 2013

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2012	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2013
		Maintenance	Maintenance							
XXXX	2004 and Prior Years	Various	Various	Various	\$ 140,879	\$ -	\$ 523	\$ 61	\$ (8,958)	\$ 131,337
2004	2005	1.40550	0.13450	238,512,922	30,670	-	237	23	(2,740)	27,670
2005	2006	1.44000	0.30000	255,755,115	43,403	-	999	208	(2,712)	39,484
2006	2007	1.31680	0.30000	291,143,370	39,518	-	1,983	452	(1,980)	35,103
2007	2008	1.04000	0.27000	305,414,275	34,199	-	3,637	944	(590)	29,028
2008	2009	1.04000	0.24000	322,882,969	40,343	-	3,877	895	(67)	35,504
2009	2010	1.04000	0.27000	332,343,329	67,806	-	6,438	1,671	(335)	59,362
2010	2011	1.17000	0.14000	326,775,539	79,093	-	11,927	1,427	(2,662)	63,077
2011	2012	1.17000	0.17000	325,604,465	137,409	-	43,135	6,268	(8,935)	79,071
2012	2013	1.17000	0.20000	326,666,245	-	4,475,328	3,711,683	634,474	10,178	139,349
<b>1000</b>	<b>TOTALS</b>				<b>\$ 613,320</b>	<b>\$ 4,475,328</b>	<b>\$ 3,784,439</b>	<b>\$ 646,423</b>	<b>\$ (18,801)</b>	<b>\$ 638,985</b>



FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST  
 GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED AUGUST 31, 2013

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			\$ 226,609	\$ 181,662		\$ 16,913	\$ 425,184
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			6,344				6,344
6212	Audit Services				11,975			11,975
6213	Tax Appraisal and Collection		28,828					28,828
621X	Other Prof. Services				9,278		3,144	12,422
6220	Tuition and Transfer Payments							-
6230	Education Service Centers				8,502			8,502
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals			5,034				5,034
6290	Miscellaneous Contr.							-
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading							-
6330	Testing Materials							-
63XX	Other Supplies, Materials	554		12,607				13,161
6410	Travel, Subsistence, Stipends			4,393	1,680			6,073
6420	Ins. And Bonding Costs	3,136						3,136
6430	Election Costs	1,284						1,284
6490	Miscellaneous Operating	1,267		16,134	1,286			18,687
6500	Debt Service							-
6600	Capital Outlay							-
<b>TOTAL</b>		<b>\$ 6,241</b>	<b>\$ 28,828</b>	<b>\$ 271,121</b>	<b>\$ 214,383</b>	<b>\$ -</b>	<b>\$ 20,057</b>	<b>\$ 540,630</b>

Total expenditures for General and Special Revenue Funds: (9) \$ 12,021,992

LESS: Deductions and Unallowable Costs  
 FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 176,759
Total Debt & Lease (6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 1,259,427
Food (Function 35, 6341 and 6499)	(13) 299,103
Stipend (6413)	(14) -
Column D (above) - Total Indirect Cost	214,383
Subtotal	1,949,672
Net Allowed Direct Cost	\$ 10,072,320

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 30,102,844
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) 1,869,257
Historical Cost of Furniture & Equipment over 16 years old	(19) 330,142
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) -

(8) Note A - No Function 53 expenditures and \$ 28,828 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, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 265,500	\$ 265,500	\$ 211,565	\$ (53,935)
5800 State Program Revenues	16,000	16,000	22,739	6,739
5900 Federal Program Revenues	<u>370,383</u>	<u>370,383</u>	<u>496,395</u>	<u>126,012</u>
<b>5020 Total Revenues</b>	<u>\$ 651,883</u>	<u>\$ 651,883</u>	<u>\$ 730,699</u>	<u>\$ 78,816</u>
<b>EXPENDITURES</b>				
Current:				
Support Services - Student (Pupil):				
0035 Food Services	\$ 651,883	\$ 756,111	\$ 752,968	\$ 3,143
Total Support Services - Student (Pupil)	<u>\$ 651,883</u>	<u>\$ 756,111</u>	<u>\$ 752,968</u>	<u>\$ 3,143</u>
<b>6030 Total Expenditures</b>	<u>\$ 651,883</u>	<u>\$ 756,111</u>	<u>\$ 752,968</u>	<u>\$ 3,143</u>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (104,228)	\$ (22,269)	\$ 81,959
<b>1200 Net Change in Fund Balance</b>	\$ -	\$ (104,228)	\$ (22,269)	\$ 81,959
0100 Fund Balance - Beginning (September 1)	<u>118,333</u>	<u>118,333</u>	<u>118,333</u>	<u>-</u>
<b>3000 Fund Balance - Ending (August 31)</b>	<u><u>\$ 118,333</u></u>	<u><u>\$ 14,105</u></u>	<u><u>\$ 96,064</u></u>	<u><u>\$ 81,959</u></u>

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 595,226	\$ 595,226	\$ 658,031	\$ 62,805
5800	State Program Revenues	282,096	282,096	282,011	(85)
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 877,322</b>	<b>\$ 877,322</b>	<b>\$ 940,042</b>	<b>\$ 62,720</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 715,000	\$ 715,000	\$ 743,971	\$ (28,971)
0072	Interest on Long-term Debt	563,328	563,328	528,811	34,517
0073	Bond Issuance Costs and Fees	5,000	139,000	134,651	4,349
	Total Debt Service	<u>\$ 1,283,328</u>	<u>\$ 1,417,328</u>	<u>\$ 1,407,433</u>	<u>\$ 9,895</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 1,283,328</b>	<b>\$ 1,417,328</b>	<b>\$ 1,407,433</b>	<b>\$ 9,895</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (406,006)</u>	<u>\$ (540,006)</u>	<u>\$ (467,391)</u>	<u>\$ 72,615</u>
<b>Other Financing Sources (Uses)</b>					
7911	Capital Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 7,484,998	\$ 7,484,998
7915	Transfers In	-	-	485,425	485,425
7916	Premium or Discount on Issuance of Bonds	-	-	720,754	720,754
8949	Other Uses	-	-	(8,064,500)	(8,064,500)
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 626,677</u>	<u>\$ 626,677</u>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ (406,006)</b>	<b>\$ (540,006)</b>	<b>\$ 159,286</b>	<b>\$ 699,292</b>
0100	Fund Balance - Beginning (September 1)	26,792	26,792	26,792	-
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b><u>\$ (379,214)</u></b>	<b><u>\$ (513,214)</u></b>	<b><u>\$ 186,078</u></b>	<b><u>\$ 699,292</u></b>

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2013

<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 unmodified 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?	\$ 172,460

FEDERAL AWARDS SECTION

FARMERSVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2013

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Education Service Center, Region X:			
ESEA Title II Part A - Teacher & Principal Training and Recruiting	84.367	13694501057950	\$ 53,300
Carl Perkins Vocational Basic Grant - Career and Technology	84.048	1342000605795010	10,779
Title III Part A - LEP	84.365	13671001057950	<u>7,933</u>
Total Passed through the Education Service Center, Region X			<u>\$ 72,012</u>
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010	13610101043904	\$ 337,676
ESEA Title I Part A - Improving Basic Programs	84.010	14610101043904	6,817
IDEA-B Formula	84.027	136600010439046600	297,945
IDEA-B Preschool	84.173	136610010439046000	8,784
Summer School LEP	84.369	69551002	<u>1,115</u>
Total Passed through the Texas Education Agency			<u>\$ 652,337</u>
Direct Program:			
Impact Aid	84.041	53-TX-2008-2711	\$ 834
Impact Aid	84.041	53-TX-2010-2711	44,517
Impact Aid	84.041	53-TX-2011-2711	44,404
Impact Aid	84.041	53-TX-2012-2711	43,129
Impact Aid	84.041	53-TX-2013-2711	<u>89,198</u>
<b>Total Direct Program</b>			<u><b>\$ 222,082</b></u>
<b>Total Department of Education</b>			<u><b>\$ 946,431</b></u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>			
Passed through Collin County, Texas:			
Federal Flood Control	12.106	043-904	\$ 10,844
<b>Total Department of Defense</b>			<u><b>\$ 10,844</b></u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through the Education Service Center, Region X:			
Head Start	93.600	06CH0391/22	\$ 36,747
Total Department of Health and Human Services			<u>\$ 36,747</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program *	10.553	0600	\$ 126,928
National School Lunch Program *	10.555	0600	329,386
Commodity Food Distribution	10.565	043012A	<u>40,081</u>
<b>Total Department of Agriculture</b>			<u><b>\$ 496,395</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 1,490,417</b></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, 2013

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, 2013.