

# **FRENSHIP INDEPENDENT SCHOOL DISTRICT**

---

## **ANNUAL FINANCIAL AND COMPLIANCE REPORT**

---

**YEAR ENDED AUGUST 31, 2012**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD .....	1
	Independent Auditor’s Report .....	2
	<b>Management’s Discussion and Analysis</b> .....	4
	 <b>Government Wide Financial Statements</b>	
A-1	Statement of Net Assets .....	12
B-1	Statement of Activities .....	13
	 <b>Governmental Fund Financial Statements</b>	
C-1	Balance Sheet .....	14
C-2	Reconciliation for C-1 .....	15
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance.....	16
C-4	Reconciliation for C-3 .....	17
	 <b>Proprietary Fund Financial Statements</b>	
D-1	Statement of Net Assets .....	18
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Assets .....	19
D-3	Statement of Cash Flows .....	20
	 <b>Fiduciary Fund Financial Statements</b>	
E-1	Statement of Fiduciary Net Assets .....	21
	 <b>Notes to the Financial Statements</b> .....	22
	 <b>Required Supplementary Information</b>	
G-1	Budgetary Comparison Schedule - General Fund .....	37
	 <b>Other Supplementary Information</b>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet .....	38
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	41
	 <b>Required TEA Schedules</b>	
J-1	Schedule of Delinquent Taxes Receivables .....	44
J-2	Schedule of Expenditures for Computations of Indirect Cost .....	45
J-3	Fund Balance and Cash Flow Calculation Worksheet .....	46
J-4	Budgetary Comparison Schedule – Child Nutrition Fund.....	47
J-5	Budgetary Comparison Schedule – Debt Service Fund .....	48
	 <b>Federal Awards Section</b>	
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	49
	Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	50
	Schedule of Findings and Questioned Costs .....	52
	Schedule of Prior Year Findings .....	53
K-1	Schedule of Expenditures of Federal Awards .....	54
	Notes to Schedule of Expenditures of Federal Awards .....	56

CERTIFICATE OF BOARD

Frenship Independent School District  
Name of School District

Lubbock  
County

152907  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved \_\_\_\_\_ disapproved \_\_\_\_\_ for the year ended August 31, 2012, at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of December, 2012.

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

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the  
Frenship Independent School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Frenship Independent School District (the District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Frenship Independent School District as of August 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The combining nonmajor fund financial statements and the Texas Education Agency (TEA) required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 schedule of expenditures of federal awards, the combining nonmajor fund financial statements and the TEA required schedules (except for Exhibit J-3, Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. Exhibit J-3, The Fund Balance and Cash Flow Calculation Worksheet, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
December 5, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Frenship Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2012. Please read it in conjunction with the District's basic financial statements, which follow this section.

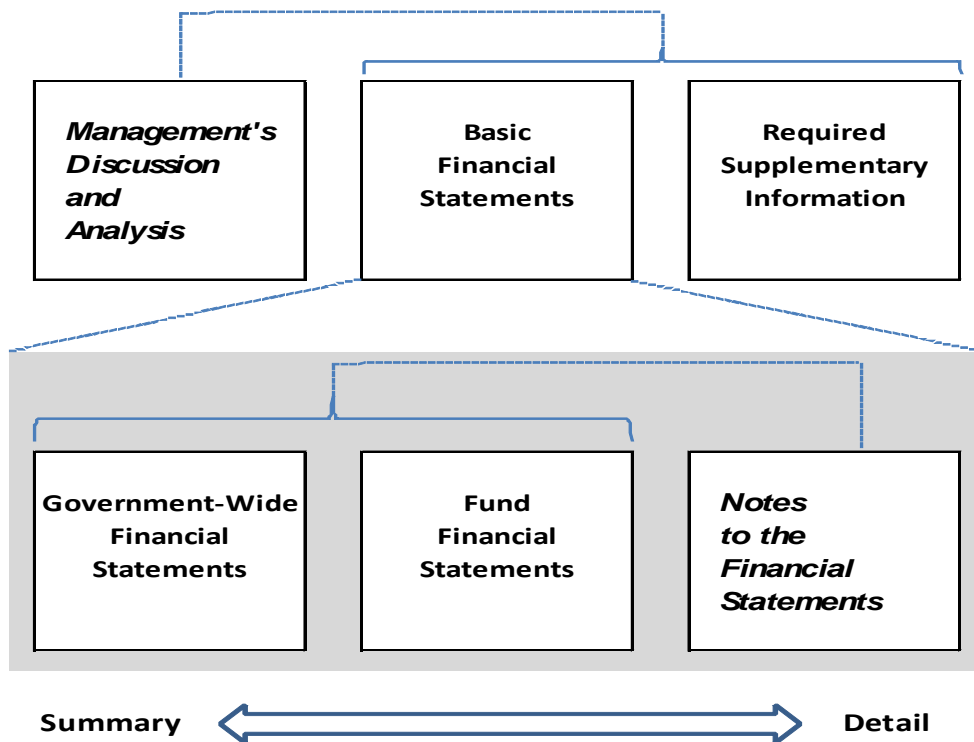
### FINANCIAL HIGHLIGHTS

- At August 31, 2012, the District's assets exceeded its liabilities by \$43,979,593. Of this amount \$14,752,975 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds (general, debt service, capital projects and special revenue funds) reported combined ending fund balances of \$28,262,235. Of this total amount, 53.0% or \$14,984,814 is available for spending at the District's discretion (unassigned fund balance).
- The general fund as of August 31, 2012 reflects an ending fund balance of \$16,702,469, an increase of \$1,260,941 to last year. This balance is 32.6% of the total general fund expenditures.
- The District paid bond principal and interest during the fiscal year in the amount of \$11,604,906 along with \$13,364 in bond fees.

### 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*. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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



## OVERVIEW OF THE FINANCIAL STATEMENTS – continued

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 food service.
  - *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.

The financial statements also include *notes* that explain some of the information in the 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 financial statements.

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s 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.

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

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: food service	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, & changes in fund balances	Statement of net assets Statement of revenues, expenses, & changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	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
Type of asset / liability information	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, short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow / outflow information	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



## OVERVIEW OF THE FINANCIAL STATEMENTS – continued

### Government-Wide Statements

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

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

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

The government-wide financial statements of the District are divided into two categories:

**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, fees, state and federal grants finance most of these activities.

**Business-type activities** – The District charges a fee to “customers” to help cover all or most of the cost of services it provides in the food and nutrition program.

### 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 three 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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

**Proprietary funds**—The District reports the activities for which it charges users in proprietary funds using the same accounting method employed in the Statement of Net Assets and the Statement of Activities. In fact, the District’s enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements, but containing more detail and additional information, such as cash flows.

**Fiduciary funds**—The District is the trustee, or *fiduciary*, for money raised by student activities and alumnae scholarship programs. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**OVERVIEW OF THE FINANCIAL STATEMENTS - continued**

**Financial Analysis of the District as a Whole**

The District's combined net assets were \$43,979,593 at August 31, 2012.

**Table A-1**

<b>Frenship Independent School District's Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>						
Current and Other Assets	\$ 30,667,919	\$ 28,813,617	\$ 1,096,066	\$ 778,986	\$ 31,763,985	\$ 29,592,603
Capital Assets	184,173,669	181,492,140	0	16,664	184,173,669	181,508,804
Restricted Assets	6,789,270	15,085,731	0	0	6,789,270	15,085,731
Total Assets	<u>\$ 221,630,858</u>	<u>\$ 225,391,488</u>	<u>\$ 1,096,066</u>	<u>\$ 795,650</u>	<u>\$ 222,726,924</u>	<u>\$ 226,187,138</u>
<b>Liabilities:</b>						
Current Liabilities	\$ 6,602,196	\$ 6,539,246	\$ 39,991	\$ 149,310	\$ 6,642,187	\$ 6,688,556
Payables from Restricted Assets	633,204	727,159	0	0	633,204	727,159
Long-term Liabilities	171,471,940	175,407,881	0	0	171,471,940	175,407,881
Total Liabilities	<u>\$ 178,707,340</u>	<u>\$ 182,674,286</u>	<u>\$ 39,991</u>	<u>\$ 149,310</u>	<u>\$ 178,747,331</u>	<u>\$ 182,823,596</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	\$ 23,961,124	\$ 25,717,167	\$ 0	\$ 16,664	\$ 23,961,124	\$ 25,733,831
Restricted for Debt Service	5,239,621	4,566,304	0	0	5,239,621	4,566,304
Restricted for Other Purposes	25,873	22,829	0	0	25,873	22,829
Unrestricted Net Assets	13,696,900	12,410,902	1,056,075	629,676	14,752,975	13,040,578
Total Net Assets	<u>\$ 42,923,518</u>	<u>\$ 42,717,202</u>	<u>\$ 1,056,075</u>	<u>\$ 646,340</u>	<u>\$ 43,979,593</u>	<u>\$ 43,363,542</u>

Of the District's restricted net assets, \$5,239,621 represents proceeds for debt retirement. The unrestricted net assets represent resources available to fund the programs of the District next year.

**OVERVIEW OF THE FINANCIAL STATEMENTS – continued**

**Changes in Net Assets**

The District’s total revenues were \$72,966,281, a decrease of (3.3%) to last year. Of this total, 51.8% comes from local property taxes. (See Table A-2) Of the remainder, 44.0% comes from state aid and federal grants, while 4.2% relates to charges for services, investment earnings, and miscellaneous.

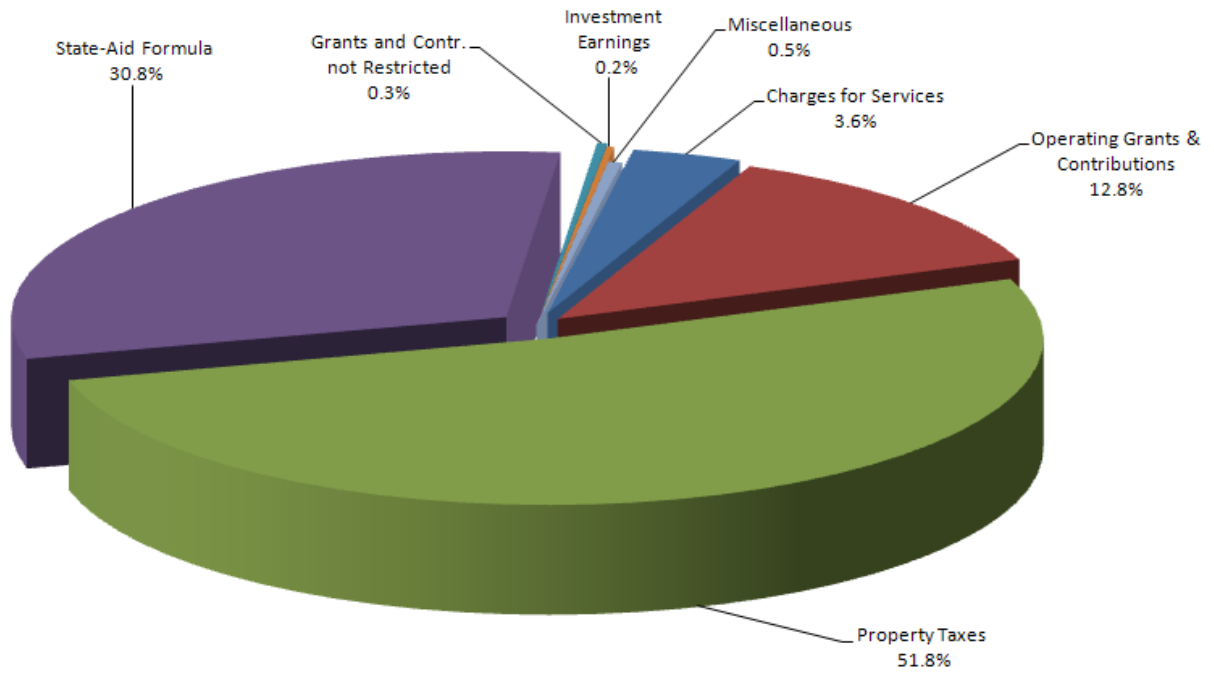
The total cost of all programs and services was \$72,350,230, a decrease of (2.3%).

**Table A-2**

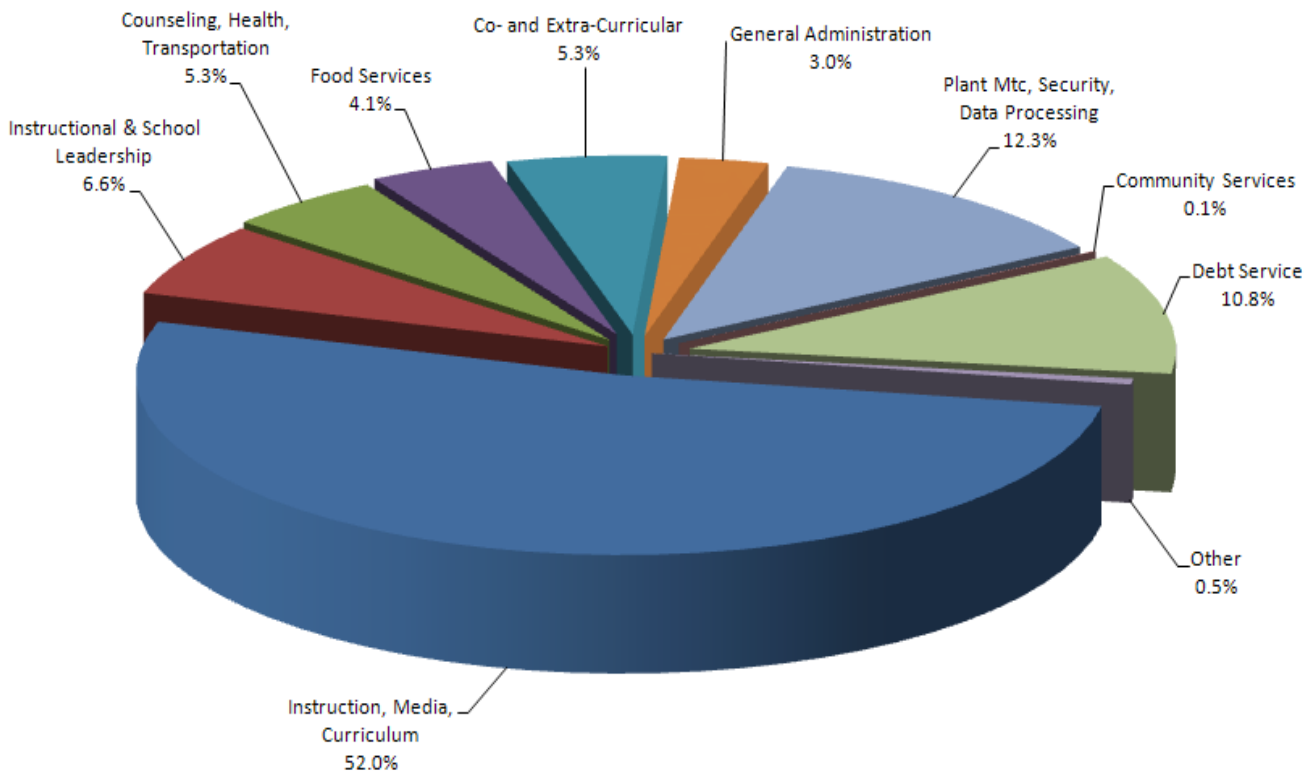
	<b>Change in Frenship Independent School District's Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Program Revenues:</b>						
Charges for Services	\$ 1,181,253	\$ 614,733	\$ 1,426,790	\$ 1,433,788	\$ 2,608,043	\$ 2,048,521
Operating Grants & Contributions	7,743,876	9,719,731	1,678,120	1,688,770	9,421,996	11,408,501
<b>General Revenues:</b>						
Property Taxes	37,756,232	36,117,960			37,756,232	36,117,960
State-Aid Formula	22,431,314	23,389,685			22,431,314	23,389,685
Grants and Contributions not Restricted	238,084	146,317			238,084	146,317
Investment Earnings	168,769	604,264	10,435	4,305	179,204	608,569
Miscellaneous	331,408	879,956			331,408	879,956
Gain on Sale of Property		843,098				843,098
<b>Total Revenues</b>	<b>\$ 69,850,936</b>	<b>\$ 72,315,744</b>	<b>\$ 3,115,345</b>	<b>\$ 3,126,863</b>	<b>\$ 72,966,281</b>	<b>\$ 75,442,607</b>
<b>Expenses:</b>						
Instruction	\$ 35,889,653	\$ 36,682,549			\$ 35,889,653	\$ 36,682,549
Instructional Resources & Media	882,821	886,068			882,821	886,068
Curriculum and Staff Development	888,135	1,046,873			888,135	1,046,873
Instructional Leadership	1,346,402	1,414,079			1,346,402	1,414,079
School Leadership	3,444,875	3,266,262			3,444,875	3,266,262
Guidance and Counseling	1,548,602	1,576,944			1,548,602	1,576,944
Health Services	577,784	538,635			577,784	538,635
Student Transportation	1,673,060	1,843,778			1,673,060	1,843,778
Food Services	288,436	250,675	2,705,610	2,902,869	2,994,046	3,153,544
Cocurricular / Extracurricular	3,839,726	3,481,933			3,839,726	3,481,933
General Administration	2,143,444	2,123,662			2,143,444	2,123,662
Plant Maintenance & Operations	7,107,096	7,360,874			7,107,096	7,360,874
Security & Monitoring Services	431,971	450,718			431,971	450,718
Data Processing Services	1,339,938	1,149,772			1,339,938	1,149,772
Community Services	31,038	42,021			31,038	42,021
Debt Service	7,824,236	8,603,181			7,824,236	8,603,181
Capital Outlay	29,922	77,559			29,922	77,559
Payments to JJAEP						
Other Governmental Charges	357,481	380,873			357,481	380,873
<b>Total Expenses</b>	<b>\$ 69,644,620</b>	<b>\$ 71,176,456</b>	<b>\$ 2,705,610</b>	<b>\$ 2,902,869</b>	<b>\$ 72,350,230</b>	<b>\$ 74,079,325</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 206,316</b>	<b>\$ 1,139,288</b>	<b>\$ 409,735</b>	<b>\$ 223,994</b>	<b>\$ 616,051</b>	<b>\$ 1,363,282</b>
Net Assets - Beginning	42,717,202	41,577,914	646,340	422,346	43,363,542	42,000,260
<b>Net Assets - Ending (Aug 31)</b>	<b>\$ 42,923,518</b>	<b>\$ 42,717,202</b>	<b>\$ 1,056,075</b>	<b>\$ 646,340</b>	<b>\$ 43,979,593</b>	<b>\$ 43,363,542</b>

OVERVIEW OF THE FINANCIAL STATEMENTS – continued

**Government-Wide Revenues for Fiscal Year 2012**



**Government-Wide Expenses for Fiscal Year 2012**



**OVERVIEW OF THE FINANCIAL STATEMENTS – continued**

Table A-3 presents the cost of selected District 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 \$69,644,620. However, the amount that our taxpayers paid for these activities through local property taxes was \$37,756,232 while state aid totaled \$22,431,314. Some of the cost was paid by those who directly benefited from the programs at \$1,181,253, or by grants and contributions at \$7,743,876.

**Table A-3**

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

	<b>Governmental Activities</b>					
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2012</b>	<b>2011</b>	<b>% Change</b>	<b>2012</b>	<b>2011</b>	<b>% Change</b>
Instruction	\$ 35,889,653	\$ 36,682,550	(2.16) %	\$ 29,296,273	\$ 29,605,580	(1.04) %
School Leadership	3,444,875	3,266,262	5.47	3,235,892	3,002,705	7.77
Cocurricular / Extracurricular	3,839,726	3,481,933	10.28	3,525,032	2,838,852	24.17
General Administration	2,143,444	2,123,662	0.93	2,055,552	2,036,946	0.91
Plant Maintenance & Operations	7,107,096	7,360,874	(3.45)	6,855,435	7,087,977	(3.28)
Debt Service	7,824,236	8,603,181	(9.05)	7,127,575	7,746,144	(7.99)

**Financial Analysis of the District’s Funds**

Revenues from governmental fund types totaled \$69,867,675. The decrease in state revenues results from the state funding reductions passed by the 81<sup>st</sup> Texas Legislature. Any decrease in federal revenues is primarily due to a decrease in federal program revenue distributed through other agencies. The general fund reported an ending fund balance of \$16,702,469 which reflects an increase of \$1,260,941 versus last year. The unassigned general fund balance was \$14,984,814 an increase of \$1,243,719 from the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget to reflect activities in the District. With these adjustments, actual expenditures were \$978,593 below the final budgeted amount. The most positive variances in the District’s budget occurred in instruction due to payroll saves, plant maintenance & operations due to payroll saves, and transportation due to bus route saves. Resources available were \$153,273 above the final budgeted amount. The favorable variance was due to higher tax collection rates than used in budgeting, state funding adjustments, along with miscellaneous revenues for one-time refunds and from prior year’s adjustments.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2012, the District had invested \$230,412,746 in a broad range of capital assets, including land, construction in progress, furniture and equipment, buildings, and vehicles. (See Table A-4).

**Table A-4**

**Frenship Independent School District's  
Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Land	\$ 4,190,799	\$ 3,909,169	\$ -	\$ -	\$ 4,190,799	\$ 3,909,169
Construction in Progress	2,465,721	6,909,014	-	-	2,465,721	6,909,014
Buildings and Improvements	216,841,891	204,868,458	-	-	216,841,891	204,868,458
Furniture and Equipment	6,646,371	6,404,322	267,964	267,964	6,914,335	6,672,286
Total at Historical Cost	230,144,782	222,090,963	267,964	267,964	230,412,746	222,358,927
Less Accumulated Depreciation	(45,971,113)	(40,598,823)	(267,964)	(251,300)	(46,239,077)	(40,850,123)
Net Capital Assets	<u>\$ 184,173,669</u>	<u>\$ 181,492,140</u>	<u>\$ 0</u>	<u>\$ 16,664</u>	<u>\$ 184,173,669</u>	<u>\$ 181,508,804</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION – continued

### Long-Term Debt

At the end of 2012, the District had \$171,471,940 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.

Table A-5

### Frenship Independent School District's Long-Term Debt

	Governmental Activities	
	2012	2011
Bonds Payable	\$ 166,367,224	\$ 170,129,852
Other Debt Payable	5,104,716	5,278,029
Total Debt Payable	<u>\$ 171,471,940</u>	<u>\$ 175,407,881</u>

## ECONOMIC FACTORS AND 2012-2013 BUDGETS & RATES

New housing starts, increases in higher education & medical jobs, and an economy performing better than the state have supported a continuing increase in the number of District students. However, enrollment trends have slowed but continue to reflect steady increases. The past two years show 2.9% and 2.2% annual growth.

Under previous state laws for school funding, the District would have received a comparable percent increase (as to enrollment) in state funds. However, due to significant estimated revenue shortages versus proposed expenditures, the Texas Legislature reduced public education funding for the next biennium by \$4 billion in general funds and another \$1.4 billion in state grant funds. The impact to Frenship ISD's state funding for 2011-12 is a reduction of over \$3 million. Partially offsetting this funding reduction are the one-time Federal Education Jobs funds for the District of \$1.2 million. For 2012-13, the state funding reduction increases to \$4.4 million and the Education Jobs fund program has ceased.

The economic outlook for the District is for continued growth in residential and commercial property values as well as new construction in both areas. The certified property values for the District are growing at an average rate of 4% annually due to housing and retail growth in the west and southwest areas of the city of Lubbock.

The property tax rate for Maintenance and Operations (M&O) will remain at \$1.04 per \$100 of taxable value, same as for 2011-2012. The Interest and Sinking (I&S) tax rate for paying the District's annual principal and interest payments on its bond debt will also remain the same as last year at \$0.46.

The Performing Arts Center connected to Frenship High School opened in April 2012. Construction began in July 2012 on a new elementary school in the far north area of the District. The project is to complete in Fall 2014. To fund these capital projects, the remaining \$15.5 million of authorization from the 2007 bond election is projected to be sold in early 2013.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact the District's Department of Business Services at Frenship ISD, 501 7<sup>th</sup> Street, Wolfforth, Texas.

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

Data Control Codes	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 9,022,194	\$ 984,067	\$ 10,006,261
1120 Investments - Current	17,892,562	-	17,892,562
1220 Property Taxes Receivable (Delinquent)	1,515,428	-	1,515,428
1230 Allowance for Uncollectible Taxes	(340,928)	-	(340,928)
1240 Due from Other Governments	510,937	35,036	545,973
1260 Internal Balances	(6,653)	6,653	-
1267 Due from Fiduciary Funds	17,940	-	17,940
1290 Other Receivables, Net	45,744	70,310	116,054
1300 Inventories at Cost	104,383	-	104,383
1410 Deferred Expenses	113,605	-	113,605
1420 Capitalized Bond and Other Debt Issuance Costs	1,792,707	-	1,792,707
Capital Assets:			
1510 Land	4,190,799	-	4,190,799
1520 Buildings, Net	175,290,084	-	175,290,084
1530 Furniture and Equipment, Net	2,227,065	-	2,227,065
1580 Construction in Progress	2,465,721	-	2,465,721
1800 Restricted Assets	<u>6,789,270</u>	<u>-</u>	<u>6,789,270</u>
1000 Total Assets	<u>221,630,858</u>	<u>1,096,066</u>	<u>222,726,924</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	716,354	39,991	756,345
2140 Interest Payable	399,565	-	399,565
2150 Payroll Deductions and Withholdings	8,094	-	8,094
2160 Accrued Wages Payable	2,013,453	-	2,013,453
2200 Accrued Expenses	368,995	-	368,995
2300 Deferred Revenues	3,095,735	-	3,095,735
2400 Payable from Restricted Assets	633,204	-	633,204
Noncurrent Liabilities:			
2501 Due Within One Year	4,596,170	-	4,596,170
2502 Due in More Than One Year	<u>166,875,770</u>	<u>-</u>	<u>166,875,770</u>
2000 Total Liabilities	<u>178,707,340</u>	<u>39,991</u>	<u>178,747,331</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	23,961,124	-	23,961,124
3820 Restricted for Federal and State Programs	25,873	-	25,873
3850 Restricted for Debt Service	5,239,621	-	5,239,621
3900 Unrestricted Net Assets	<u>13,696,900</u>	<u>1,056,075</u>	<u>14,752,975</u>
3000 Total Net Assets	<u>\$ 42,923,518</u>	<u>\$ 1,056,075</u>	<u>\$ 43,979,593</u>

The accompanying notes are an integral part of this statement.



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

Data Control Codes	Functions/Programs	1	Program Revenues	
		Expenses	3	4
			Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
11	Instruction	\$ 35,889,653	\$ 875,923	\$ 5,717,457
12	Instructional Resources and Media Services	882,821	-	88,171
13	Curriculum and Instructional Staff Development	888,135	-	184,416
21	Instructional Leadership	1,346,402	-	120,578
23	School Leadership	3,444,875	-	208,983
31	Guidance, Counseling, and Evaluation Services	1,548,602	-	184,240
33	Health Services	577,784	-	33,638
34	Student Transportation	1,673,060	-	-
35	Food Services	288,436	-	-
36	Extracurricular Activities	3,839,726	254,242	60,452
41	General Administration	2,143,444	-	87,892
51	Facilities Maintenance and Operations	7,107,096	51,088	200,573
52	Security and Monitoring Services	431,971	-	32,756
53	Data Processing Services	1,339,938	-	124,486
61	Community Services	31,038	-	3,410
72	Debt Service - Interest on Long-Term Debt	7,810,872	-	696,661
73	Debt Service - Bond Issuance Costs and Fees	13,364	-	-
81	Facilities Acquisition and Construction	29,922	-	163
99	Other Intergovernmental Charges	357,481	-	-
TG	Total Governmental Activities	<u>69,644,620</u>	<u>1,181,253</u>	<u>7,743,876</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
35	Enterprise Fund - National School Breakfast & Lunch	<u>2,705,610</u>	<u>1,426,790</u>	<u>1,678,120</u>
TB	Total Business-Type Activities	<u>2,705,610</u>	<u>1,426,790</u>	<u>1,678,120</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 72,350,230</u>	<u>\$ 2,608,043</u>	<u>\$ 9,421,996</u>

General Revenues:

Taxes:

MT Property Taxes, Levied for General Purposes

DT Property Taxes, Levied for Debt Service

SF State Aid - Formula Grants

GC Grants and Contributions not restricted

IE Investment Earnings

MI Miscellaneous

TR Total General Revenues

CN Change in Net Assets

NB Net Assets - Beginning

NE Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (29,296,273)	\$ -	\$ (29,296,273)
(794,650)	-	(794,650)
(703,719)	-	(703,719)
(1,225,824)	-	(1,225,824)
(3,235,892)	-	(3,235,892)
(1,364,362)	-	(1,364,362)
(544,146)	-	(544,146)
(1,673,060)	-	(1,673,060)
(288,436)	-	(288,436)
(3,525,032)	-	(3,525,032)
(2,055,552)	-	(2,055,552)
(6,855,435)	-	(6,855,435)
(399,215)	-	(399,215)
(1,215,452)	-	(1,215,452)
(27,628)	-	(27,628)
(7,114,211)	-	(7,114,211)
(13,364)	-	(13,364)
(29,759)	-	(29,759)
(357,481)	-	(357,481)
<u>(60,719,491)</u>	<u>-</u>	<u>(60,719,491)</u>
<u>-</u>	<u>399,300</u>	<u>399,300</u>
<u>-</u>	<u>399,300</u>	<u>399,300</u>
<u>(60,719,491)</u>	<u>399,300</u>	<u>(60,320,191)</u>
26,188,676	-	26,188,676
11,567,556	-	11,567,556
22,431,314	-	22,431,314
238,084	-	238,084
168,769	10,435	179,204
331,408	-	331,408
<u>60,925,807</u>	<u>10,435</u>	<u>60,936,242</u>
206,316	409,735	616,051
<u>42,717,202</u>	<u>646,340</u>	<u>43,363,542</u>
<u>\$ 42,923,518</u>	<u>\$ 1,056,075</u>	<u>\$ 43,979,593</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 6,966,412	\$ 1,108,595
1120 Investments - Current	13,560,634	4,331,928
1220 Property Taxes - Delinquent	1,050,712	464,716
1230 Allowance for Uncollectible Taxes (Credit)	(236,381)	(104,547)
1240 Receivables from Other Governments	7,500	-
1260 Due from Other Funds	1,179,332	-
1290 Other Receivables	11,418	-
1300 Inventory	104,383	-
1410 Deferred Expenditures	113,272	333
1800 Restricted Assets	-	-
1000 Total Assets	<u>\$ 22,757,282</u>	<u>\$ 5,801,025</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ 690,974	\$ -
2150 Payroll Deductions and Withholdings	8,094	-
2160 Accrued Wages Payable	1,896,487	-
2170 Due to Other Funds	60,602	-
2300 Deferred Revenues	3,398,656	561,071
2400 Payable from Restricted Assets	-	-
2000 Total Liabilities	<u>6,054,813</u>	<u>561,071</u>
Fund balances:		
Nonspendable Fund Balance:		
3410 Reserved for Nonspendable Inventory	104,383	-
3430 Prepaid Items	113,272	333
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	-
3470 Capital Acquisition and Contractual Obligation	-	-
3480 Retirement of Long-Term Debt	-	5,239,621
Committed Fund Balance:		
3545 Other Committed Fund Balance	-	-
Assigned Fund Balance:		
3550 Construction	500,000	-
3570 Capital Expenditures for Equipment	500,000	-
3590 Other Assigned Fund Balance	500,000	-
3600 Unassigned Fund Balance	<u>14,984,814</u>	<u>-</u>
3000 Total Fund Balances	<u>16,702,469</u>	<u>5,239,954</u>
4000 Total Liabilities and Fund Balances	<u>\$ 22,757,282</u>	<u>\$ 5,801,025</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 933,704	\$ 9,008,711
-	-	17,892,562
-	-	1,515,428
-	-	(340,928)
-	503,437	510,937
47,317	3,044	1,229,693
2,307	9,595	23,320
-	-	104,383
-	-	113,605
<u>6,789,270</u>	<u>-</u>	<u>6,789,270</u>
<u>\$ 6,838,894</u>	<u>\$ 1,449,780</u>	<u>\$ 36,846,981</u>
\$ -	\$ 25,380	\$ 716,354
-	-	8,094
-	116,966	2,013,453
51,011	1,106,793	1,218,406
-	35,508	3,995,235
<u>633,204</u>	<u>-</u>	<u>633,204</u>
<u>684,215</u>	<u>1,284,647</u>	<u>8,584,746</u>
-	-	104,383
-	-	113,605
-	25,873	25,873
6,154,679	-	6,154,679
-	-	5,239,621
-	139,260	139,260
-	-	500,000
-	-	500,000
-	-	500,000
<u>-</u>	<u>-</u>	<u>14,984,814</u>
<u>6,154,679</u>	<u>165,133</u>	<u>28,262,235</u>
<u>\$ 6,838,894</u>	<u>\$ 1,449,780</u>	<u>\$ 36,846,981</u>

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

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 28,262,235</b>
1 The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	35,907
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$222,090,963 and the accumulated depreciation was \$40,598,823. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long-term debt beginning balance was \$175,407,881. The beginning balances of accrued interest payable was \$393,963, prepaid interest was \$397,220 and deferred revenue for advertising leases was \$287,500. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	6,962,859
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays of \$8,071,160 and debt principal payments of \$4,340,000 is to increase net assets.	12,411,160
4 The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(5,376,212)
5 Governmental funds report the proceeds from sales of property as revenue when received whereas only the resulting gain or loss from the sale is recorded in the statement of activities. The net effect is to decrease net assets.	(13,419)
6 Bond premiums, deferred gains on refunding, prepaid interest, and debt issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization of bond premiums of \$346,371, deferred gains on refunding of \$38,156, prepaid interest of \$28,271 and debt issuance costs of \$164,576.	171,910
7 Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is an increase of \$5,602. Capital appreciation bonds are issued at a discount and then increase in value until maturity. The current year accretion is \$712,274. The net effect is to decrease net assets.	(717,876)
8 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred tax revenue of \$1,174,500, recognizing deferred revenue from the advertising agreements of \$12,500, other various adjustments, and eliminating interfund transactions as revenue. The net effect of these reclassifications is to increase net assets.	1,186,954
<b>9 Net Assets of Governmental Activities (See A-1)</b>	<b>\$ <u>42,923,518</u></b>

The accompanying notes are an integral part of this statement.

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data	10	50	
Control	General	Debt Service	
Codes	Fund	Fund	
<b>REVENUES</b>			
5700	Total Local and Intermediate Sources	\$ 26,994,454	\$ 11,594,926
5800	State Program Revenues	24,814,364	696,661
5900	Federal Program Revenues	753,690	-
5020	Total Revenues	52,562,508	12,291,587
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	28,348,677	-
0012	Instructional Resources and Media Services	722,793	-
0013	Curriculum and Instructional Staff Development	731,817	-
0021	Instructional Leadership	1,244,533	-
0023	School Leadership	3,325,535	-
0031	Guidance, Counseling, and Evaluation Services	1,433,259	-
0033	Health Services	562,914	-
0034	Student (Pupil) Transportation	1,655,635	-
0036	Extracurricular Activities	2,406,941	-
0041	General Administration	1,964,546	-
0051	Facilities Maintenance and Operations	6,958,336	-
0052	Security and Monitoring Services	400,572	-
0053	Data Processing Services	1,164,236	-
0061	Community Services	22,660	-
Debt Service:			
0071	Principal on Long-Term Debt	-	3,454,413
0072	Interest on Long-Term Debt	-	8,150,493
0073	Bond Issuance Cost and Fees	-	13,364
Capital Outlay:			
0081	Facilities Acquisition and Construction	1,632	-
Intergovernmental:			
0099	Other Intergovernmental Charges	357,481	-
6030	Total Expenditures	51,301,567	11,618,270
1200	Net Change in Fund Balances	1,260,941	673,317
0100	Fund Balance - September 1 (Beginning)	15,441,528	4,566,637
3000	Fund Balance - August 31 (Ending)	\$ 16,702,469	\$ 5,239,954

The accompanying notes are an integral part of this statement.

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 21,606	\$ 327,688	\$ 38,938,674
-	1,173,482	26,684,507
<u>-</u>	<u>3,490,804</u>	<u>4,244,494</u>
<u>21,606</u>	<u>4,991,974</u>	<u>69,867,675</u>
271,389	4,280,521	32,900,587
-	52,838	775,631
-	156,318	888,135
-	51,030	1,295,563
-	76,566	3,402,101
-	103,324	1,536,583
-	723	563,637
-	-	1,655,635
-	150,295	2,557,236
-	-	1,964,546
66,887	4,000	7,029,223
-	12,643	413,215
-	95,323	1,259,559
-	8,378	31,038
-	-	3,454,413
-	-	8,150,493
-	-	13,364
7,883,530	-	7,885,162
<u>-</u>	<u>-</u>	<u>357,481</u>
<u>8,221,806</u>	<u>4,991,959</u>	<u>76,133,602</u>
(8,200,200)	15	(6,265,927)
<u>14,354,879</u>	<u>165,118</u>	<u>34,528,162</u>
<u>\$ 6,154,679</u>	<u>\$ 165,133</u>	<u>\$ 28,262,235</u>



FRENSHIP INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (6,265,927)</b>
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	4,638
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays of \$8,071,160 and net debt principal payments of \$4,340,000 is to increase net assets.	12,411,160
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(5,376,212)
Governmental funds report the proceeds from sales of property as revenue when received whereas only the resulting gain or loss from the sale is recorded in the statement of activities. This is the effect of eliminating the proceeds of \$16,003 and recognizing a gain on sale of property of \$2,584.	(13,419)
Bond premiums, deferred gains on refunding, prepaid interest, and debt issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization of bond premiums of \$346,371, deferred gains on refunding of \$38,156, prepaid interest of \$28,271 and debt issuance costs of \$164,576.	171,910
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is an increase of \$5,602. Capital appreciation bonds are issued at a discount and then increase in value until maturity. The current year accretion is \$712,274. The net effect is to decrease net assets.	(717,876)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$1,174,500 as revenue, removing the prior year's tax collection of \$1,194,958, recognizing deferred revenue from the advertising agreements of \$12,500, and eliminating interfund transactions.	(7,958)
<b>Change in Net Assets of Governmental Activities (See B-1)</b>	<b>\$ <u>206,316</u></b>

The accompanying notes are an integral part of this statement.

**PROPRIETARY FUND FINANCIAL STATEMENTS**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2012

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 984,067	\$ 13,483
Due from Other Governments	35,036	-
Due from Other Funds	10,241	-
Other Receivables	<u>70,310</u>	<u>22,424</u>
Total Current Assets	<u>1,099,654</u>	<u>35,907</u>
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	267,964	-
Depreciation on Furniture and Equipment	<u>(267,964)</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>1,099,654</u>	<u>35,907</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	39,991	-
Due to Other Funds	<u>3,588</u>	<u>-</u>
Total Liabilities	<u>43,579</u>	<u>-</u>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>1,056,075</u>	<u>35,907</u>
Total Net Assets	<u><u>\$ 1,056,075</u></u>	<u><u>\$ 35,907</u></u>

The accompanying notes are an integral part of this statement.

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 1,426,790	\$ 4,476,303
Total Operating Revenues	<u>1,426,790</u>	<u>4,476,303</u>
<b>OPERATING EXPENSES:</b>		
Professional and Contracted Services	2,504,964	-
Supplies and Materials	181,412	-
Other Operating Costs	19,234	4,471,665
Total Operating Expenses	<u>2,705,610</u>	<u>4,471,665</u>
Operating (Loss) Income	(1,278,820)	4,638
<b>NONOPERATING EXPENSES:</b>		
National School Breakfast Program	349,863	-
National School Lunch Program	1,154,918	-
Donated Commodities	173,339	-
Earnings from Temporary Deposits and Investments	10,435	-
Total Nonoperating Revenues (Expenses)	<u>1,688,555</u>	<u>-</u>
Change in Net Assets	409,735	4,638
Total Net Assets - September 1 (Beginning)	<u>646,340</u>	<u>31,269</u>
Total Net Assets - August 31 (Ending)	<u>\$ 1,056,075</u>	<u>\$ 35,907</u>

The accompanying notes are an integral part of this statement.

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from User Charges	\$ 1,371,818	\$ 4,476,303
Cash Payment for Insurance Claims	-	(4,471,665)
Cash Payments for Suppliers	<u>(2,798,265)</u>	<u>-</u>
Net Cash (Used in) Provided by Operating Activities	<u>(1,426,447)</u>	<u>4,638</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Federal Grants Received	<u>1,702,123</u>	<u>-</u>
Net Cash Provided by Non-Capital Financing Activities	<u>1,702,123</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings from Temporary Deposits and Investments	<u>10,435</u>	<u>-</u>
Net Cash Provided by Non-Capital Financing Activities	<u>10,435</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	286,111	4,638
Balances - Beginning of the Year	<u>697,956</u>	<u>8,845</u>
Balances - End of the Year	<u>\$ 984,067</u>	<u>\$ 13,483</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities:</b>		
Operating (Loss) Income	\$ (1,278,820)	\$ 4,638
<b>Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities:</b>		
Depreciation	16,664	-
<b>Effect of Increases and Decreases in Current Assets and Liabilities:</b>		
Decrease (increase) in Receivables	(55,128)	-
Increase (decrease) in Accounts Payable	<u>(109,163)</u>	<u>-</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ (1,426,447)</u>	<u>\$ 4,638</u>

The accompanying notes are an integral part of this statement.

# **FIDUCIARY FUND FINANCIAL STATEMENTS**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 451,830
Other Receivables	<u>5,126</u>
Total Assets	<u>\$ 456,956</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 25,669
Due to Other Funds	17,940
Due to Student Groups	<u>413,347</u>
Total Liabilities	<u>\$ 456,956</u>

The accompanying notes are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**



## FRENSHIP INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

#### *Note 1: REPORTING ENTITY*

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Frenship Independent School District (the District). The public elects the members of the Board of Trustees. The trustees as a body corporate have 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 TEA or to the State Board of Education are reserved for the trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

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

#### *Note 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and proprietary funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### *Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION*

The government-wide financial statements, as well as the proprietary and fiduciary fund financial statements, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION  
(continued)*

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund*, a governmental fund type, accounts for financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term debt of governmental activities.

The *capital projects fund*, a governmental fund type, accounts for the financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the government reports the following fund types:

The *special revenue funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

The *enterprise fund*, a proprietary fund type, accounts for the District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District currently reports food service as a non-major Enterprise Fund.

The *internal service fund*, a proprietary fund type, accounts for its self-insurance plan. The general fund is contingently liable for liabilities of this fund.

*Agency funds*, a fiduciary fund type, account for resources held for others in a custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the health insurance internal service fund are District contributions for health insurance. Operating expenses include claims expense and administrative expense for administering the health insurance fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before December 5, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

Governments also have the option of following subsequent private-sector guidance for their business-like activities and Enterprise Funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 4: ASSETS, LIABILITIES AND NET ASSETS OR EQUITY*

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	5 - 65
Furniture & equipment	3 - 15

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

In the fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

*Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA’s Financial Accounting Resource (FAR) module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and the Child Nutrition Fund (which is reported in the Enterprise Fund). The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

*Note 6: DETAILED NOTES ON ALL FUNDS*

Deposits and Investments

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

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

*Custodial Credit Risk – Deposits* - At August 31, 2012, the District's deposits (cash, certificates of deposit and interest bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements; 7) commercial paper that has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A1-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies; and 8) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investments market value.

*Concentration of Credit Risk* – The District's investment policy is for the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer.

*Interest Rate Risk* – The District's investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The following table presents the maturities of investments at August 31, 2012.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days) *</u>	<u>Rating</u>
TexSTAR	\$ 1,465,657	49	AAAm
LOGIC	22,815,192	45	AAAm
TexasDAILY	265,533	47	AAAm

\*To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

*TexSTAR*

TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest Asset Management, Inc. TexSTAR invests in treasury and agency securities and repurchase agreements fully collateralized by government securities. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective.

*Credit Risk.* State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. TexSTAR is rated AAAM by Standard & Poor's.

*LOGIC*

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with First Southwest Asset Management, Inc. LOGIC invests in treasury and agency securities and repurchase agreements as well as prime commercial paper. The pool maintains a weighted average maturity of 60 days or less. The pool seeks to maintain a constant dollar objective.

*Credit Risk.* State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. LOGIC is rated AAAM by Standard & Poor's.

*TexasTERM*

The Texas Term Local Government Investment Pool (TexasTERM) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, who also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares.

*Credit risk.* State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. TexasDAILY, a money market portfolio with TexasTERM, offers daily liquidity and is rated AAAM by Standard & Poor's.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 6: DETAILED NOTES ON ALL FUNDS (continued)*

Property Tax

In the governmental fund financial statements, 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. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2012 fiscal year was based, was \$2,475,162,929. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2012 were 98.43% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,174,500.

The tax rate to finance general governmental services was \$1.04005 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.4600 per \$100 for the year ended August 31, 2012.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2012, are summarized below.

<u>Governmental Activities:</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
Nonmajor Governmental Funds	\$ 16,645	\$ 486,792	\$ 503,437
General Fund	<u>7,500</u>	<u>-</u>	<u>7,500</u>
	<u>\$ 24,145</u>	<u>\$ 486,792</u>	<u>\$ 510,937</u>
<u>Business-type Activities:</u>			
Enterprise Fund	<u>\$ -</u>	<u>\$ 35,036</u>	<u>\$ 35,036</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: *DETAILED NOTES ON ALL FUNDS (continued)*

Capital Assets

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

	<u>Balance</u> 9/1/2011	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 8/31/2012
<b>Governmental Activities:</b>				
Capital assets, Not Being Depreciated:				
Land	\$ 3,909,169	\$ 281,630	\$ -	\$ 4,190,799
Construction in Progress	<u>6,909,014</u>	<u>2,089,018</u>	<u>(6,532,311)</u>	<u>2,465,721</u>
Total Capital Assets, Not Being Depreciated	<u>10,818,183</u>	<u>2,370,648</u>	<u>(6,532,311)</u>	<u>6,656,520</u>
Capital assets, Being Depreciated				
Building and Improvements	204,868,458	11,973,433	-	216,841,891
Furniture and Equipment	<u>6,404,322</u>	<u>259,390</u>	<u>(17,341)</u>	<u>6,646,371</u>
Total Capital Assets, Being Depreciated	<u>211,272,780</u>	<u>12,232,823</u>	<u>(17,341)</u>	<u>223,488,262</u>
Less Accumulated Depreciation for:				
Building and Improvements	(36,631,224)	(4,920,583)	-	(41,551,807)
Furniture and Equipment	<u>(3,967,599)</u>	<u>(455,629)</u>	<u>3,922</u>	<u>(4,419,306)</u>
Total Accumulated Depreciation	<u>(40,598,823)</u>	<u>(5,376,212)</u>	<u>3,922</u>	<u>(45,971,113)</u>
Total Capital Assets, Being Depreciated (Net)	<u>170,673,957</u>	<u>6,856,611</u>	<u>(13,419)</u>	<u>177,517,149</u>
Total Capital Assets (Net)	<u>\$ 181,492,140</u>	<u>\$ 9,227,259</u>	<u>\$ (6,545,730)</u>	<u>\$ 184,173,669</u>
<b>Business-Type Activities:</b>				
Capital assets, Being Depreciated				
Furniture and Equipment	\$ 267,964	\$ -	\$ -	\$ 267,964
Less Accumulated Depreciation for:				
Furniture and Equipment	<u>(251,300)</u>	<u>(16,664)</u>	<u>-</u>	<u>(267,964)</u>
Total Capital Assets, Being Depreciated (Net)	<u>\$ 16,664</u>	<u>\$ (16,664)</u>	<u>\$ -</u>	<u>\$ -</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 3,119,677
Instructional Resources and Media Services	107,190
Instructional Leadership	50,839
School Leadership	42,774
Guidance, Counseling and Evaluation Services	12,019
Health Services	14,147
Student Transportation	17,425
Food Service	288,436
Cocurricular/Extracurricular Activities	1,282,490
General Administration	184,695
Facilities Maintenance and Operations	135,754
Security and Monitoring Services	18,756
Data Processing Services	<u>102,010</u>
Total depreciation expense	<u>\$ 5,376,212</u>

Construction in Progress makes up primarily the Frenship High School Cafeteria renovations and the new North Elementary. The cafeteria estimated costs to completion is \$571,126 and is projected to be completed in January 2013. The elementary estimated cost to completion is \$15,359,235 and is projected to be completed in May 2014.

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2012, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Nonmajor Governmental Funds	\$ 1,106,793	\$ 3,044
Capital Project Funds	51,011	47,317
Enterprise Fund	3,588	10,241
Fiduciary Funds	17,940	-
Capital Project Funds:		
General Fund	47,317	51,011
Enterprise Fund:		
General Fund	10,241	3,588
Nonmajor Governmental Funds:		
General Fund	3,044	1,106,793
Fiduciary Funds:		
General Fund	<u>-</u>	<u>17,940</u>
Totals	<u>\$ 1,239,934</u>	<u>\$ 1,239,934</u>

Interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary interfund borrowing.

Interfund Transfers

There were no interfund transfers for the year ended August 31, 2012.



FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

Bonds

Bonded indebtedness of the District is reflected in the Government-Wide Statement of Net Assets. In the Fund Financial Statements, the current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Long-term debt includes par bonds and capital appreciation (deep discount) serial bonds. Bond premiums and discounts are amortized using the effective interest method. At August 31, 2012, the District's debt limitation under local policies, which represents 10% of the District's total assessed property value for school tax purposes, is \$247,516,292 and the District's legal debt margin is \$61,879,073.

A summary of the changes in bonds payable follows:

	Interest Rate Payable	Amount of Original Issue	Amounts Outstanding 8/31/2011	Issued / Accretion	Refunded/ Retired	Amounts Outstanding 8/31/2012
Unlimited Tax School Building & Refunding						
Bonds Series 2004	2.0-7.15%	\$ 19,245,000	\$ 12,430,000	\$ -	\$ 370,000	\$ 12,060,000
Series 2004 Capital						
Appreciation Bonds	2.0-7.15%	2,035,891	3,061,840	128,016	-	3,189,856
Unlimited Tax School Building						
Bonds Series 2005	3.91-5.13%	19,120,000	19,120,000	-	-	19,120,000
Series 2005 Capital						
Appreciation Bonds	3.91-5.13%	9,451,978	12,252,792	508,359	2,165,000	10,596,151
Unlimited Tax Refunding						
Bonds Series 2006	3.65-4.0%	5,675,000	5,675,000	-	-	5,675,000
Series 2006 Capital						
Appreciation Bonds	3.65-4.0%	214,998	259,997	7,399	135,000	132,396
Unlimited Tax School Building						
Bonds Series 2007	4.0-4.61%	74,205,000	74,105,000	-	-	74,105,000
Unlimited Tax School Building						
Bonds Series 2008	4.29-4.87%	24,845,000	24,845,000	-	-	24,845,000
Series 2008 Capital						
Appreciation Bonds	4.29-4.87%	154,989	1,084,197	66,509	-	1,150,706
Unlimited Tax Refunding						
Bonds Series 2009	2.0-3.0%	8,680,000	6,200,000	-	1,270,000	4,930,000
Unlimited Tax School Building						
Bonds Series 2010	3.0-4.25%	12,365,000	12,365,000	-	-	12,365,000
Series 2010 Capital						
Appreciation Bonds	3.0-4.25%	135,000	398,009	1,991	400,000	-
Total Bonds Payable		\$ <u>176,127,856</u>	\$ <u>171,796,835</u>	\$ <u>712,274</u>	\$ <u>4,340,000</u>	\$ <u>168,169,109</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS (continued)

The current portion of each bond at August 31, 2012 was as follows:

	<u>Outstanding 8/31/2012</u>
Unlimited Tax School Building & Refunding Bonds Series 2004	\$ 755,000
Series 2004 Capital Appreciation Bonds	-
Unlimited Tax School Building Bonds Series 2005	-
Series 2005 Capital Appreciation Bonds	1,935,000
Unlimited Tax Refunding Bonds Series 2006	-
Series 2006 Capital Appreciation Bonds	135,000
Unlimited Tax School Building Bonds Series 2007	155,000
Unlimited Tax School Building Bonds Series 2008	-
Series 2008 Capital Appreciation Bonds	-
Unlimited Tax Refunding Bonds Series 2009	1,320,000
Unlimited Tax School Building Bonds Series 2010	-
Series 2010 Capital Appreciation Bonds	-
Total	<u>\$ 4,300,000</u>

Debt service requirements are as follows:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Accretion</u>	<u>Interest</u>	<u>Total Requirements</u>
2013	\$ 3,324,931	\$ 975,069	\$ 7,216,750	\$ 11,516,750
2014	4,430,463	679,537	7,127,581	12,237,581
2015	4,659,219	825,781	6,998,799	12,483,799
2016	4,749,362	945,638	6,869,440	12,564,440
2017	5,185,408	749,592	6,717,412	12,652,412
2018-2022	26,853,729	3,811,270	30,682,269	61,347,268
2023-2027	41,076,281	523,722	22,929,918	64,529,921
2028-2032	56,425,000	-	11,175,073	67,600,073
2033-2035	16,360,000	-	648,197	17,008,197
	<u>\$ 163,064,393</u>	<u>\$ 8,510,609</u>	<u>\$ 100,365,439</u>	<u>\$ 271,940,441</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 6: DETAILED NOTES ON ALL FUNDS (continued)*

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2012.

A summary in changes of total bonds payable and other long-term debt follows:

	Amounts Outstanding <u>8/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Outstanding <u>8/31/2012</u>	Amounts Due Within <u>One Year</u>
<b>Bonds Payable:</b>					
General Obligation Bonds	\$ 154,740,000	\$ -	\$ 1,640,000	\$ 153,100,000	\$ 1,475,000
Capital Appreciation Bond Principal	11,778,806	-	1,814,413	9,964,393	1,849,931
Unamortized Bond Premium	3,976,161	-	346,371	3,629,790	334,483
<b>Less:</b>					
Deferred amount on refunding	<u>(365,115)</u>	<u>-</u>	<u>(38,156)</u>	<u>(326,959)</u>	<u>(38,313)</u>
Total Bonds Payable	170,129,852	-	3,762,628	166,367,224	3,621,101
Accreted Interest on Capital Appreciation	<u>5,278,029</u>	<u>712,274</u>	<u>885,587</u>	<u>5,104,716</u>	<u>975,069</u>
 Total Long-Term Debt	 <u>\$ 175,407,881</u>	 <u>\$ 712,274</u>	 <u>\$ 4,648,215</u>	 <u>\$ 171,471,940</u>	 <u>\$ 4,596,170</u>

*Note 7: CONTINGENCIES*

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal grant programs that 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, 2012, 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 financial statements for such contingencies.

*Note 8: PENSION PLAN OBLIGATIONS*

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

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 8: PENSION PLAN OBLIGATIONS (continued)*

*Funding Policy* – Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (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 during the fiscal year; (2) state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2012 – 2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum.

Year	Contribution Rates and Contribution Amounts					
	Member		State		Exceeds Statutory Minimum	
	Rate	Amount	Rate	Amount		
2012	6.4%	\$ 2,438,449	6.000%	\$ 2,286,046	\$ 552,906	
2011	6.4%	2,389,351	6.644%	2,480,445	613,993	
2010	6.4%	2,095,458	6.644%	2,320,370	575,419	

*Note 9: POSTEMPLOYMENT HEALTH BENEFITS*

*Plan Description* – The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. 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 TRS at 1000 Red River Street, Austin, Texas 78701.

*Funding Policy* – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table on the following page for fiscal years 2012 – 2010.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	0.65%	\$ 247,655	1.0%	\$ 381,008	0.55%	\$ 209,554
2011	0.65%	242,668	1.0%	373,336	0.55%	205,335
2010	0.65%	235,663	1.0%	362,558	0.55%	199,407

*Medicare Part D* – The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$95,967, \$85,473 and \$91,373 for the years ended August 31, 2012, 2011 and 2010, respectively.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 9: POSTEMPLOYMENT HEALTH BENEFITS (continued)*

The *Early Retiree Reinsurance Program (ERRP)* – ERRP is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55–64 and their covered dependents regardless of age. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$90,754 for the year ended August 31, 2012.

*Note 10: HEALTH CARE COVERAGE*

During the year ended August 31, 2012, employees of the District were covered by a third party commercial health insurance (the Plan). The District has paid premiums of \$255 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator acting on behalf of a licensed insurer. The plan was authorized by Section 21.922, Texas Education Code, and was documented by contractual agreement. The plan is accounted for in the internal service fund. The contract between the District and the third party administrator is renewable annually on September 1, and terms of coverage and premium costs are included in the contractual provisions.

*Note 11: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES*

For the year ended August 31, 2012, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 25,925,343	\$ 11,460,383	\$ -	\$ -	\$ 37,385,726
Athletic activities	205,901	-	-	-	205,901
Tuition and fees	36,360	-	-	-	36,360
Investment income	126,067	21,096	21,606	-	168,769
Revenues from foundations, other non-profit organizations, gifts and bequests	48,341	-	-	327,688	376,029
Penalties, interest, and other tax related income	277,517	113,447	-	-	390,964
Other	374,925	-	-	-	374,925
<b>Total</b>	<b>\$ 26,994,454</b>	<b>\$ 11,594,926</b>	<b>\$ 21,606</b>	<b>\$ 327,688</b>	<b>\$ 38,938,674</b>

*Note 12: DEFERRED REVENUE*

Deferred revenue at year-end in the fund statements consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Net tax revenue	\$ 814,332	\$ 360,168	\$ -	\$ 1,174,500
State revenue	2,584,324	200,903	35,508	2,820,735
<b>Total</b>	<b>\$ 3,398,656</b>	<b>\$ 561,071</b>	<b>\$ 35,508</b>	<b>\$ 3,995,235</b>

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 13: ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS*

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

*Note 14: 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 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

*Note 15: FUND BALANCE*

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

*Nonspendable* fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District had fund balance reserved for nonspendable inventory of \$104,383 and prepaid items of \$113,605 at August 31, 2012.

*Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of August 31, 2012, \$25,873 was restricted for federal or state funds. As of August 31, 2012, \$6,154,679 was restricted for capital acquisition and contractual obligations. Fund balance restricted for the retirement of funded indebtedness totaled \$5,239,621 as of August 31, 2012.

*Committed* fund balance is established and modified by a resolution from the District's Board and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2012, the District had \$139,260 committed for Campus Activity Funds.

*Assigned* fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent or the Chief Financial Officer. At August 31, 2012, the District had \$500,000 assigned for technology acquisition, \$500,000 assigned for special education, and \$500,000 for other future growth expenditures.

*Unassigned* fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The District's financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 20% of the total operating expenditures.

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

*Note 16: LICENSE AGREEMENTS*

The District has entered into various advertising and facility naming rights license agreements with area businesses. Under the terms of the agreements, area businesses will make annual payments to the District of varying amounts in exchange for advertising at the District's football facility. The agreements have a ten year term and advertising rights will expire during the fiscal year ending August 31, 2021.

The following schedule summarizes the amounts to be received by the District according to the terms of the agreements:

<u>Year Ended</u> <u>August 31</u>	<u>Payments to</u> <u>be Received</u>
2013	\$ 40,000
2014	40,000
2015	40,000
2016	5,000
2017	5,000
2018-2020	<u>15,000</u>
	\$ <u><u>145,000</u></u>

*Note 17: GENERAL FUND FEDERAL SOURCE REVENUES*

Revenues from federal sources, which are reported in the General Fund, consist of:

	<u>CFDA</u>		<u>Amount</u>
Medicaid reimbursement	93.778	\$	515,727
Federal in lieu of taxes	N/A		175,131
Indirect costs:			
Title I, Part A	84.010A		24,472
Career and Technical - Basic Grant	84.048		35,410
Title II, Part A	84.367A		1,629
Title III, Part A - ELA	84.365A		<u>1,321</u>
Total		\$	<u><u>753,690</u></u>

*Note 18: SUBSEQUENT EVENT*

The District issued Series 2012 Unlimited Tax Refunding Bonds at par for \$8,939,999 with a premium of \$752,216 on October 18, 2012 in part as current interest bonds and in part as premium capital appreciation bonds.

Proceeds from the sale of bonds will be used to refund \$8,940,000 of the District's Series 2004 Unlimited Tax School Building and Refunding Bonds for debt service savings and pay the cost associated with the sale and issuance of bonds.

On November 26, 2012, the Board approved a one-time payment for all District employees. Full-time employees are to receive \$1,000 and part-time employees are to receive \$500 as long as the employee is employed as of November 19, 2012 and remains employed through November 29, 2012. The projected salaries to be paid subsequent to year end is \$964,100.

**REQUIRED SUPPLEMENTARY INFORMATION**



FRENSHIP INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 26,116,900	\$ 26,898,823	\$ 26,994,454	\$ 95,631
5800	State Program Revenues	25,070,500	24,720,412	24,814,364	93,952
5900	Federal Program Revenues	259,986	790,000	753,690	(36,310)
5020	Total Revenues	51,447,386	52,409,235	52,562,508	153,273
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	29,088,904	28,762,689	28,348,677	414,012
0012	Instructional Resources and Media Services	735,940	727,107	722,793	4,314
0013	Curriculum and Instructional Staff Development	844,790	810,644	731,817	78,827
0021	Instructional Leadership	1,254,241	1,256,524	1,244,533	11,991
0023	School Leadership	3,276,752	3,331,902	3,325,535	6,367
0031	Guidance, Counseling, and Evaluation Services	1,441,089	1,455,308	1,433,259	22,049
0033	Health Services	573,357	573,295	562,914	10,381
0034	Student (Pupil) Transportation	1,776,100	1,773,100	1,655,635	117,465
0036	Extracurricular Activities	2,333,040	2,437,979	2,406,941	31,038
0041	General Administration	1,882,687	1,968,687	1,964,546	4,141
0051	Facilities Maintenance and Operations	7,186,495	7,186,495	6,958,336	228,159
0052	Security and Monitoring Services	442,831	442,831	400,572	42,259
0053	Data Processing Services	935,022	1,164,672	1,164,236	436
0061	Community Services	26,605	26,780	22,660	4,120
Capital Outlay:					
0081	Facilities Acquisition and Construction	2,147	2,147	1,632	515
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	25,000	-	-	-
0099	Other Intergovernmental Charges	385,000	360,000	357,481	2,519
6030	Total Expenditures	52,210,000	52,280,160	51,301,567	978,593
1200	Net Change in Fund Balances	(762,614)	129,075	1,260,941	1,131,866
0100	Fund Balance - September 1 (Beginning)	15,441,528	15,441,528	15,441,528	-
3000	Fund Balance - August 31 (Ending)	\$ 14,678,914	\$ 15,570,603	\$ 16,702,469	\$ 1,131,866

**OTHER SUPPLEMENTARY INFORMATION**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 76,022	\$ 76,588
1240 Receivables from Other Governments	135,471	188,156
1260 Due from Other Funds	-	-
1290 Other Receivables	<u>16</u>	<u>-</u>
1000 Total Assets	<u>\$ 211,509</u>	<u>\$ 264,744</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ -	\$ 17,106
2160 Accrued Wages Payable	58,113	55,688
2170 Due to Other Funds	153,396	191,950
2300 Deferred Revenues	<u>-</u>	<u>-</u>
2000 Total Liabilities	<u>211,509</u>	<u>264,744</u>
Fund Balances:		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	-
Committed Fund Balance:		
3545 Other Committed Fund Balance	<u>-</u>	<u>-</u>
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 211,509</u>	<u>\$ 264,744</u>

225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC
\$ 2,201	\$ 23,329	\$ 75,118	\$ -	\$ -
-	-	10,246	11,253	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,201</u>	<u>\$ 23,329</u>	<u>\$ 85,364</u>	<u>\$ 11,253</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
259	-	2,906	-	-
1,942	23,329	82,458	11,253	-
-	-	-	-	-
<u>2,201</u>	<u>23,329</u>	<u>85,364</u>	<u>11,253</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,201</u>	<u>\$ 23,329</u>	<u>\$ 85,364</u>	<u>\$ 11,253</u>	<u>\$ -</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	282 Teacher Incentive Fund	287 Education Jobs Fund
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 280,406	\$ -
1240 Receivables from Other Governments	7,724	133,942
1260 Due from Other Funds	-	-
1290 Other Receivables	-	-
1000 Total Assets	<u>\$ 288,130</u>	<u>\$ 133,942</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
2110 Accounts Payable	\$ -	\$ -
2160 Accrued Wages Payable	-	-
2170 Due to Other Funds	288,130	133,942
2300 Deferred Revenues	-	-
2000 Total Liabilities	<u>288,130</u>	<u>133,942</u>
Fund Balances:		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	-
Committed Fund Balance:		
3545 Other Committed Fund Balance	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 288,130</u>	<u>\$ 133,942</u>

289 Other Federal Special Revenue Funds	397 Advanced Placement Services	410 Textbook & Kindergarten Material	411 Technology Allotment	429 Other State Special Revenue Funds
\$ 1,534	\$ -	\$ 36,515	\$ 18,794	\$ 191,426
-	12,600	-	4,045	-
-	-	-	3,044	-
-	-	-	-	-
<u>1,534</u>	<u>12,600</u>	<u>36,515</u>	<u>25,883</u>	<u>191,426</u>
\$ -	\$ -	\$ 1,750	\$ 10	\$ 422
-	-	-	-	-
1,534	12,600	-	-	190,595
-	-	34,765	-	409
<u>1,534</u>	<u>12,600</u>	<u>36,515</u>	<u>10</u>	<u>191,426</u>
-	-	-	25,873	-
-	-	-	-	-
-	-	-	25,873	-
<u>1,534</u>	<u>12,600</u>	<u>36,515</u>	<u>25,883</u>	<u>191,426</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 151,483	\$ 288	\$ 933,704
1240 Receivables from Other Governments	-	-	503,437
1260 Due from Other Funds	-	-	3,044
1290 Other Receivables	<u>326</u>	<u>9,253</u>	<u>9,595</u>
1000 Total Assets	<u>\$ 151,809</u>	<u>\$ 9,541</u>	<u>\$ 1,449,780</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
2110 Accounts Payable	\$ 6,092	\$ -	\$ 25,380
2160 Accrued Wages Payable	-	-	116,966
2170 Due to Other Funds	6,457	9,207	1,106,793
2300 Deferred Revenues	<u>-</u>	<u>334</u>	<u>35,508</u>
2000 Total Liabilities	<u>12,549</u>	<u>9,541</u>	<u>1,284,647</u>
Fund Balances:			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	25,873
Committed Fund Balance:			
3545 Other Committed Fund Balance	<u>139,260</u>	<u>-</u>	<u>139,260</u>
3000 Total Fund Balances	<u>139,260</u>	<u>-</u>	<u>165,133</u>
4000 Total Liabilities and Fund Balances	<u>\$ 151,809</u>	<u>\$ 9,541</u>	<u>\$ 1,449,780</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>REVENUES</b>		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>819,916</u>	<u>1,102,720</u>
5020 Total Revenues	<u>819,916</u>	<u>1,102,720</u>
<b>EXPENDITURES</b>		
Current:		
0011 Instruction	806,682	947,536
0012 Instructional Resources and Media Services	-	-
0013 Curriculum and Instructional Staff Development	668	13,033
0021 Instructional Leadership	10,000	38,928
0023 School Leadership	-	-
0031 Guidance, Counseling and Evaluation Services	-	101,879
0033 Health Services	-	-
0036 Extracurricular Activities	-	500
0051 Facilities Maintenance and Operations	-	-
0052 Security and Monitoring Services	-	-
0053 Data Processing Services	-	-
0061 Community Services	<u>2,566</u>	<u>844</u>
6030 Total Expenditures	<u>819,916</u>	<u>1,102,720</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>



225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Language Acquisition	272 Medicaid Admin Claim MAC
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>19,295</u>	<u>31,008</u>	<u>176,234</u>	<u>41,534</u>	<u>7,978</u>
<u>19,295</u>	<u>31,008</u>	<u>176,234</u>	<u>41,534</u>	<u>7,978</u>
19,295	27,301	74,877	18,713	7,978
-	-	-	-	-
-	3,707	101,357	20,719	-
-	-	-	2,102	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>19,295</u>	<u>31,008</u>	<u>176,234</u>	<u>41,534</u>	<u>7,978</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

	282 Teacher Incentive Fund	287 Education Jobs Fund
<b>REVENUES</b>		
5700 Local and Intermediate Sources	\$ -	\$ -
5800 State Program Revenues	-	-
5900 Federal Program Revenues	<u>178,514</u>	<u>1,110,770</u>
5020 Total Revenues	<u>178,514</u>	<u>1,110,770</u>
<b>EXPENDITURES</b>		
Current:		
0011 Instruction	175,701	1,059,293
0012 Instructional Resources and Media Services	-	51,477
0013 Curriculum and Instructional Staff Development	-	-
0021 Instructional Leadership	-	-
0023 School Leadership	2,813	-
0031 Guidance, Counseling and Evaluation Services	-	-
0033 Health Services	-	-
0036 Extracurricular Activities	-	-
0051 Facilities Maintenance and Operations	-	-
0052 Security and Monitoring Services	-	-
0053 Data Processing Services	-	-
0061 Community Services	<u>-</u>	<u>-</u>
6030 Total Expenditures	<u>178,514</u>	<u>1,110,770</u>
1200 Net Change in Fund Balance	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

289 Other Federal Special Revenue Funds	397 Advanced Placement Services	410 Textbook & Kindergarten Material	411 Technology Allotment	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	6,939	845,299	-	321,123
<u>2,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,835</u>	<u>6,939</u>	<u>845,299</u>	<u>-</u>	<u>321,123</u>
2,835	-	749,976	-	293,613
-	-	-	-	361
-	6,939	-	-	-
-	-	-	-	-
-	-	-	-	12,338
-	-	-	-	1,445
-	-	-	-	723
-	-	-	-	-
-	-	-	-	-
-	-	-	-	12,643
-	-	95,323	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,835</u>	<u>6,939</u>	<u>845,299</u>	<u>-</u>	<u>321,123</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>25,873</u>	<u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,873</u>	\$ <u>-</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
5700 Local and Intermediate Sources	\$ 313,340	\$ 14,348	\$ 327,688
5800 State Program Revenues	121	-	1,173,482
5900 Federal Program Revenues	-	-	3,490,804
	<u>313,461</u>	<u>14,348</u>	<u>4,991,974</u>
5020 Total Revenues			
<b>EXPENDITURES</b>			
Current:			
0011 Instruction	92,621	4,100	4,280,521
0012 Instructional Resources and Media Services	1,000	-	52,838
0013 Curriculum and Instructional Staff Development	642	9,253	156,318
0021 Instructional Leadership	-	-	51,030
0023 School Leadership	61,415	-	76,566
0031 Guidance, Counseling and Evaluation Services	-	-	103,324
0033 Health Services	-	-	723
0036 Extracurricular Activities	148,800	995	150,295
0051 Facilities Maintenance and Operations	4,000	-	4,000
0052 Security and Monitoring Services	-	-	12,643
0053 Data Processing Services	-	-	95,323
0061 Community Services	4,968	-	8,378
	<u>313,446</u>	<u>14,348</u>	<u>4,991,959</u>
6030 Total Expenditures			
1200 Net Change in Fund Balance	15	-	15
0100 Fund Balance - September 1 (Beginning)	139,245	-	165,118
	<u>139,260</u>	<u>-</u>	<u>165,133</u>
3000 Fund Balance - August 31 (Ending)			

## **REQUIRED TEA SCHEDULES**

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012

Last Ten Years Ended August 31	1		2	3
	Tax Rates			Assessed/ Appraised Value for School Tax Purposes
	Maintenance	Debt Service	Debt Service	
2003 (and prior years)	\$ 1.411100	\$ 0.230500		1,019,385,234
2004	1.411100	0.219500		1,106,662,207
2005	1.411100	0.269500		1,341,799,710
2006	1.411100	0.299500		1,529,625,268
2007	1.291200	0.273600		1,740,013,292
2008	1.040000	0.460000		1,948,898,856
2009	1.040000	0.460000		2,195,849,461
2010	1.040050	0.458700		2,306,627,139
2011	1.040050	0.460000		2,383,627,671
2012 (school year under audit)	1.040050	0.460000		2,475,162,929
1000 TOTALS				

10	20	31	32	40	50
Beginning Balance September 1, 2011	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2012
\$ 170,289	\$ -	\$ 3,948	\$ 1,747	\$ (21,930)	\$ 142,664
55,532	-	2,092	925	(6,086)	46,429
68,816	-	3,172	1,403	(6,487)	57,754
77,894	-	4,217	1,865	(6,996)	64,816
97,234	-	7,572	3,350	(6,110)	80,202
108,418	-	11,518	5,096	(3,009)	88,795
136,239	-	22,737	10,058	(1,041)	102,403
266,530	-	59,110	26,149	(5,723)	175,548
540,112	-	201,632	89,198	(61,059)	188,223
<u>-</u>	<u>37,520,178</u>	<u>25,603,525</u>	<u>11,326,412</u>	<u>(21,647)</u>	<u>568,594</u>
\$ <u>1,521,064</u>	\$ <u>37,520,178</u>	\$ <u>25,919,524</u>	\$ <u>11,466,202</u>	\$ <u>(140,088)</u>	\$ <u>1,515,428</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2012

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

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	\$ -	\$ -	\$ 270,147	\$ 1,196,536	\$ -	\$ -	\$ 1,466,683
6211 Legal Services	81,924	-	-	-	-	-	81,924
6212 Audit Services	-	-	-	30,250	-	-	30,250
6213 Tax Collection	-	417,527	-	-	-	-	417,527
621X Other Professional Svcs	-	-	-	10,937	-	-	10,937
62XX Contracted Services	125	-	-	98,608	43,027	77,251	219,011
63XX Other Supplies Materials	2,996	-	764	29,777	-	-	33,537
6410 Travel & Subsistence	4,223	-	11,901	17,756	-	7,435	41,315
6420 Ins. And Bonding Costs	3,090	-	-	-	-	-	3,090
6490 Miscellaneous Operating	16,308	-	4,457	33,597	-	471	54,833
6600 Capital Outlay	-	-	-	5,797	-	-	5,797
6000 TOTAL	\$ <u>108,666</u>	\$ <u>417,527</u>	\$ <u>287,269</u>	\$ <u>1,423,258</u>	\$ <u>43,027</u>	\$ <u>85,157</u>	\$ <u>2,364,904</u>

Total Expenditures for General and Special Revenue Funds (9) \$ 56,293,526

LESS: Deductions of Unallowable Costs

Total Capital Outlay (6600) (Only Funds 100-199/200-499)	(10)	153,453
Total Debt & Lease (6500) (Only Funds 100-199/200-499)	(11)	-
Plant Maintenance (Function 51,6100-6400)	(12)	6,681,228
Food (Function 35 ,6341 and 6499)	(13)	-
Stipend (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>1,423,258</u>

Subtotal: 8,257,939

Net Allowed Direct Cost \$ 48,035,587

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 216,841,891
Historical Cost of Buildings Over 50 Years Old	(16)	\$ 1,380,828
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ 135,000
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	\$ 6,646,371
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	\$ 442,747
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 96,083

(8) Note A: Function 53 expenditures are included in this report on administrative costs for \$42,877.

Function 99 expenditures for appraisal district costs are included in this report on administrative costs for \$357,481.



FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2012

**UNAUDITED**

---

1.	Total General Fund Balance as of 8/31/12 (from Exhibit C-1 object 3000 for the General Fund Only)	\$	16,702,469
2.	Total Nonspendable Fund Balance - (from Exhibit C-1 - for the General Fund Only)		217,655
3.	Total Restricted Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
4.	Total Committed Fund Balance - (from Exhibit C-1 - for the General Fund Only)		-
5.	Total Assigned Fund Balance - (from Exhibit C-1 - for the General Fund Only)		1,500,000
6.	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)		-
7.	Estimate of two months' average cash disbursements during the fiscal year		10,260,313
8.	Estimate of delayed payments from state sources (58XX)		-
9.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount		-
10.	Estimate of delayed payments from federal sources (59XX)		-
11.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-
12.	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10+11)		<u>11,977,968</u>
13.	Excess/(Deficit) Unassigned General Fund, Fund Balance (1-12)	\$	<u><u>4,724,501</u></u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance

The District is planning to commit and utilize \$1 million of fund balance in construction projects.

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,608,133	\$ 1,608,133	\$ 1,408,828	\$ (199,305)
5800	State Program Revenues	<u>19,016</u>	<u>19,016</u>	<u>17,962</u>	<u>(1,054)</u>
5020	Total Revenues	<u>1,627,149</u>	<u>1,627,149</u>	<u>1,426,790</u>	<u>(200,359)</u>
EXPENDITURES:					
Current:					
0035	Food Service	<u>3,247,813</u>	<u>3,247,813</u>	<u>2,705,610</u>	<u>542,203</u>
6030	Total Expenditures	<u>3,247,813</u>	<u>3,247,813</u>	<u>2,705,610</u>	<u>542,203</u>
1100	Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,620,664)	(1,620,664)	(1,278,820)	341,844
OTHER FINANCING SOURCES (USES):					
7952	National School Breakfast Program	336,468	336,468	349,863	13,395
7953	National School Lunch Program	1,186,804	1,186,804	1,154,918	(31,886)
7954	Donated Commodities (USDA)	151,136	151,136	173,339	22,203
7955	Investment Income	<u>2,500</u>	<u>2,500</u>	<u>10,435</u>	<u>7,935</u>
7080	Total Other Financing Sources (Uses)	<u>1,676,908</u>	<u>1,676,908</u>	<u>1,688,555</u>	<u>11,647</u>
1200	Change in Net Assets	56,244	56,244	409,735	353,491
0100	Net Assets - September 1 (Beginning)	<u>646,340</u>	<u>646,340</u>	<u>646,340</u>	<u>-</u>
3000	Net Assets - August 31 (Ending)	<u>\$ 702,584</u>	<u>\$ 702,584</u>	<u>\$ 1,056,075</u>	<u>\$ 353,491</u>

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 11,356,811	\$ 11,356,811	\$ 11,594,926	\$ 238,115
5800	State Program Revenues	<u>814,279</u>	<u>814,279</u>	<u>696,661</u>	<u>(117,618)</u>
5020	Total Revenues	<u>12,171,090</u>	<u>12,171,090</u>	<u>12,291,587</u>	<u>120,497</u>
EXPENDITURES:					
Current:					
0071	Principal on Long-Term Debt	3,454,413	3,454,413	3,454,413	-
0072	Interest on Long-Term Debt	8,150,493	8,150,493	8,150,493	-
0073	Bond Issuance Cost and Fees	<u>25,000</u>	<u>25,000</u>	<u>13,364</u>	<u>11,636</u>
6030	Total Expenditures	<u>11,629,906</u>	<u>11,629,906</u>	<u>11,618,270</u>	<u>11,636</u>
1200	Net Change in Fund Balances	541,184	541,184	673,317	132,133
0100	Fund Balance - September 1 (Beginning)	<u>4,566,637</u>	<u>4,566,637</u>	<u>4,566,637</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 5,107,821</u>	<u>\$ 5,107,821</u>	<u>\$ 5,239,954</u>	<u>\$ 132,133</u>

**FEDERAL AWARDS SECTION**

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*

To the Board of School Trustees of  
Frenship Independent School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frenship Independent School District (the District), Wolfforth, Texas as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

  
Certified Public Accountants

Abilene, Texas  
December 5, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of School Trustees of the  
Frenship Independent School District:

Compliance

We have audited Frenship Independent School District's (the 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, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control over Compliance

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

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

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

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

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
December 5, 2012

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

**A. Summary of Auditor's Results**

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance with major programs: Unqualified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:

Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Education Jobs Fund	84.410

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: Yes

**B. Findings Related to the Financial Statements**

The audit disclosed no findings required to be reported.

**C. Findings and Questioned Costs for Federal Awards Required to be Reported Under OMB Circular A-133**

The audit disclosed no findings and questioned costs required to be reported.



FRENSHIP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED AUGUST 31, 2012

Status of Prior Year's Finding/Noncompliance

Finding 2011-1

Federal Program: U.S. Department of Education – Special Education Cluster (IDEA)

CFDA: 84.027; 84.173; 84.391; 84.392

Award Year: 2010/2011

Type of Finding: Control Deficiency and Noncompliance

Compliance Requirement: Allowable Costs/Cost Principles

Condition and Context: Our payroll sample consisted of fifty-one employees paid with funds under the IDEA B cluster. It was determined that eleven of the fifty-one employees included in the sample did not include appropriate documentation of the time and effort requirements.

Criteria or Specific Requirement: Time and effort requirements with respect to consolidated administrative funds vary under different circumstances. For example:

- 1) An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.
- 2) An employee who works in part on a single cost objective and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records and documenting the portion of time and effort dedicated to:
  - a. The single cost objective, and
  - b. Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

Questioned Costs: None

Cause: The District did not have appropriate procedures in place to monitor for appropriate completion of the documentation of the time and effort requirements of the award.

Effect: Due to the lack of appropriate monitoring procedures for the documentation of the time and effort requirements of the award, the District did not obtain appropriate semi-annual certifications and/or time and effort distribution records to satisfy the documentation requirements.

Recommendations: The District should update its procedures for monitoring completion of the documentation of time and effort requirements of the IDEA B cluster.

Current Status: The recommendation was adopted during the current year. No similar findings were noted in the 2012 audit.

FRENSHIP INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<u>Passed through University of Texas System</u>			
Teacher Incentive Fund Grant	84.374A	S374A070076	\$ 178,514
Total passed through University of Texas System			<u>178,514</u>
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	12610101152907	783,578
ESEA, Title I, Part A - Improving Basic Programs *	84.010A	13610101152907	<u>60,810</u>
Total CFDA Number 84.010A			<u>844,388</u>
IDEA - Part B, Formula *	84.027	126600011529076000	1,080,711
IDEA - Part B, Formula *	84.027	136600011529076000	<u>55,688</u>
Total CFDA Number 84.027			<u>1,136,399</u>
Career and Technical - Basic Grant	84.048	12420006152907	32,739
Summer School LEP	84.369A	69551102	2,835
IDEA - Part B Preschool *	84.173	126610011529076000	17,879
IDEA - Part B Preschool *	84.173	136610011529076000	<u>1,416</u>
Total CFDA Number 84.173			<u>19,295</u>
Title III, Part A - English Language Acquisition	84.365A	12671001152907	42,854
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	12694501152907	174,957
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	13694501152907	<u>2,906</u>
Total CFDA Number 84.367A			<u>177,863</u>
Education Jobs Fund	84.410	11550101152907	<u>1,110,770</u>
Total passed through Texas Education Agency			<u>3,367,143</u>
TOTAL DEPARTMENT OF EDUCATION			<u>3,545,657</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<u>Passed through Texas Department of State Health Services</u>			
School Based Health Center	93.994	2012-022998-001	<u>7,978</u>
Total passed through Texas Department of State Health Services			<u>7,978</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>7,978</u>

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through Texas Education Agency			
School Breakfast Program *	10.553	71401201	349,863
National School Lunch Program - cash assistance *	10.555	71301201	<u>1,154,918</u>
Total passed through Texas Education Agency			1,504,781
Passed through Texas Department of Agriculture			
National School Lunch Program - noncash assistance *	10.555		<u>173,339</u>
Total passed through Texas Department of Agriculture			173,339
TOTAL DEPARTMENT OF AGRICULTURE			<u>1,678,120</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,231,755</u>

\* Clustered Programs as required by OMB A-133 Compliance Supplement

FRENSHIP INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: The District utilizes the fund types specified in the Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in Special Revenue Funds. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 2: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type, and the Enterprise Fund, a Proprietary Fund type.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly when such funds are received they are recorded as deferred revenue until earned.

Note 3: The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in OMB Circular A-133 Compliance Supplement, Part 3, Section H, Period of Availability of Federal Funds.

Note 4: Medicaid revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-3 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$	5,231,755
Medicaid Reimbursements		515,727
Enterprise Fund Revenue (NSLP)		(1,678,120)
Federal - Miscellaneous		<u>175,132</u>
Federal program revenues - Exhibit C-3	\$	<u><u>4,244,494</u></u>