

FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2012

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2012

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CERTIFICATE OF BOARD

Fruitvale Independent School District
Name of School District

Van Zandt
County

234-909
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and ✓ **approved**/ _____ **disapproved** for the year ended August 31, 2012, at a meeting of the board of school trustees of such school district on 10/25/12.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Fruitvale Independent School District

Members of the Board:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report - Continued

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

October 22, 2012
Greenville, Texas

Rutherford, Taylor & Company, P.C.

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

Board of School Trustees
Fruitvale Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fruitvale Independent School District (District) 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 October 22, 2012. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Report on Internal Control – Continued

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

October 22, 2012
Greenville, Texas

Rutherford, Taylor & Company PC

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

Board of School Trustees
Fruitvale Independent School District

Members of the Board:

Compliance

We have audited the Fruitvale Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 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 the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance – Continued

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

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

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

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

October 22, 2012
Greenville, Texas

Rutherford, Taylor & Company, PC

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED AUGUST 31, 2012

Summary of Auditor's Results (Section I)

Financial Statements –

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

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
Identification of major programs	Education Jobs Fund (84.410) State Energy Programs (81.041)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012

Financial Statement Findings (Section II)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012

Federal Award Findings and Questioned Costs (Section III)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012

Prior Year Findings (Section IV)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2012

Corrective Action Plans (Section V)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

This section of Fruitvale 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

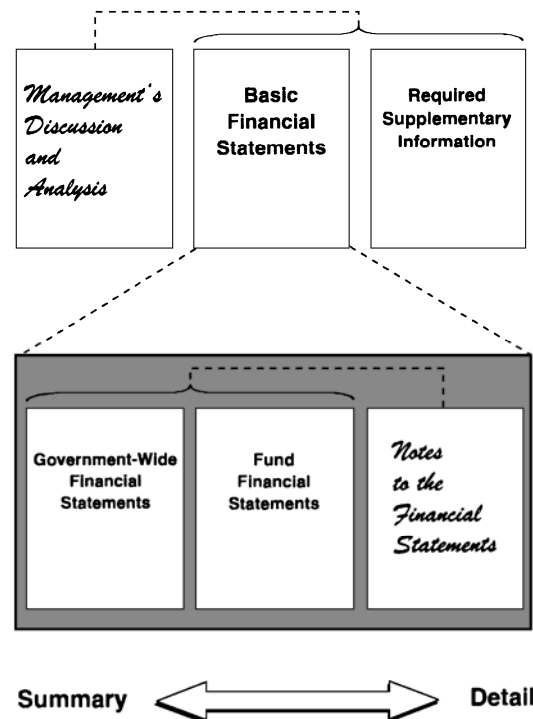
- The District's total combined net assets were \$ 7,422,204 at August 31, 2012.
- During the year, the District's expenses were \$ 308,217 less than the \$ 4,447,513 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was reduced from last year to offset reduced state funding.
- The General Fund reported a fund balance this year of \$ 2,330,163 an increase of \$ 275,694 over the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

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

GOVERNMENT-WIDE STATEMENTS

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

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

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

- **Fiduciary funds**—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$ 7,422,204 at August 31, 2012.

Fruitvale Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2012	2011	2011-2012
Assets:			
Cash and Investments	\$ 2,566,802	\$ 2,373,016	8.2%
Other Assets	280,637	227,049	23.6%
Capital Assets less Accumulated Depreciation	6,029,121	6,143,824	-1.9%
Total Assets	\$ 8,876,560	\$ 8,743,889	1.5%
Liabilities:			
Current Liabilities	\$ 343,812	\$ 413,901	-16.9%
Long-term Liabilities	1,110,544	1,216,000	-8.7%
Total Liabilities	\$ 1,454,356	\$ 1,629,901	-10.8%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 4,939,540	\$ 4,927,824	0.2%
Restricted	64,458	30,673	110.1%
Unrestricted	2,418,206	2,155,491	-12.2%
Total Net Assets	\$ 7,422,204	\$ 7,113,988	4.3%

\$ 226 of the District's restricted net assets represent funds held for debt retirement. These collected funds are restricted to the retirement of tax supported debt. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 4,447,513. 15% of the District's revenue comes from local property taxes (See Table A-2). 83% comes from state aid and federal grants, while only 2% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 4,139,296. 58% of these costs are for instruction and instructional related services.

The District's current tax collection rate (base tax only – current and delinquent) was 97.53%. The total collection rate (base tax and penalty and interest) was 99.77%.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

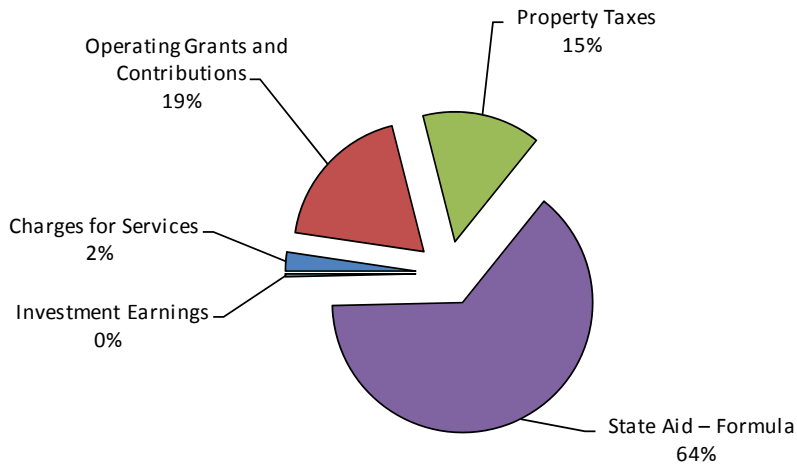
Table A-2

Changes in Fruitvale Independent School District's Net Assets

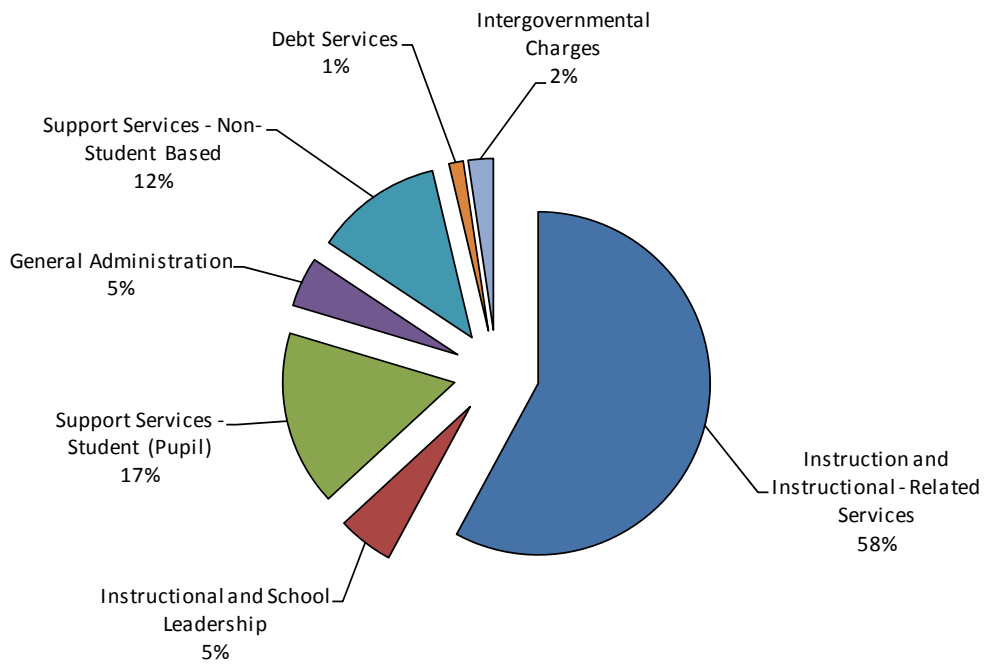
	Governmental Activities		Total Percentage Change
	2012	2011	2011-2012
Program Revenues:			
Charges for Services	\$ 101,791	\$ 82,490	23.40%
Operating Grants and Contributions	808,422	1,132,896	-28.64%
Capital Grants and Contributions	94,605	-	100.00%
General Revenues:			
Property Taxes	636,184	667,616	-4.71%
State Aid – Formula	2,763,192	2,833,757	-2.49%
Investment Earnings	15,679	15,872	-1.22%
Miscellaneous	27,640	21,238	30.14%
Total Revenues	\$ 4,447,513	\$ 4,753,869	-6.44%
Expenses:			
Instruction	\$ 2,197,435	\$ 2,378,046	-7.59%
Instructional Resources and Media Services	105,060	98,098	7.10%
Curriculum and Staff Development	92,865	99,856	-7.00%
School Leadership	217,746	215,168	1.20%
Guidance, Counseling and Evaluation Services	76,579	78,446	-2.38%
Health Services	54,716	52,131	4.96%
Student (Pupil) Transportation	111,395	95,478	16.67%
Food Services	242,304	258,122	-6.13%
Cocurricular/Extracurricular Activities	198,260	203,765	-2.70%
General Administration	194,325	189,440	2.58%
Plant Maintenance and Operations	370,874	385,667	-3.84%
Security and Monitoring Services	10,017	1,803	455.57%
Data Processing Services	114,762	111,283	3.13%
Debt Service	55,842	61,127	-8.65%
Payments for Shared Service Arrangements	97,116	117,810	-17.57%
Total Expenses	\$ 4,139,296	\$ 4,346,240	-4.76%
Excess (Deficiency) Before Other Resources,			
Uses and Transfers	\$ 308,217	\$ 407,629	-24.39%
Increase (Decrease) in Net Assets	\$ 308,217	\$ 407,629	-24.39%
Net Assets - Beginning (September 1)	7,113,987	6,706,358	6.08%
Net Assets - Ending (August 31)	\$ 7,422,204	\$ 7,113,987	4.33%

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

Sources of Revenue for Fiscal Year 2012 - See Table A-2



Functional Expenses for Fiscal Year 2012 - See Table A-2



FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

- Table A-3 presents the cost of selected District functions as well as the selected 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 \$ 4,139,296.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 636,184,
- Some of the cost was paid by those who directly benefited from the programs, \$ 101,791, or
- By grants and contributions \$ 903,027.

Fruitvale Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		%	Net Cost of Services		%	
	2012	2011		Change	2012		2011
Instruction	\$ 2,197,435	\$ 2,378,046	-7.59%	\$ 1,814,273	\$ 1,704,654	6.43%	
School Leadership	217,746	215,168	1.20%	209,057	204,190	2.38%	
General Administration	194,325	189,440	2.58%	183,945	182,156	0.98%	
Plant Maintenance and Operations	370,874	385,667	-3.84%	266,462	374,689	-28.88%	
Debt Service	55,842	61,127	-8.65%	598	4,047	-85.22%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's fund equity in the governmental funds totaled \$ 2,394,847.

Revenues from governmental fund types totaled \$ 4,425,479 which is a decrease of \$ 324,565 from the prior year. The decrease is representative of two significant items. The reduction in foundation aid and the expiring federal recovery act funds. Local revenues decreased slightly from the prior year total of \$ 797,236.

Expenditures of governmental fund types totaled \$ 4,115,386 which is a decrease of \$ 126,122 from the prior year. The decrease represents a reduction of 2.97%. The decreases were in line with the budget for the year as it responded to revenue decreases.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, actual expenditures were \$ 248,221 below final General Fund budget amounts. The most significant positive variance resulted from instruction with several others below amounts budgeted.

Resources available were \$ 80,107 below the final General Fund budgeted amount. The unfavorable variance was due to lower than anticipated student enrollment and attendance. This resulted in an overpayment by the State and the additional payments received is deferred to the next school year.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2012, the District had invested \$ 8,558,585 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Fruitvale Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2012	2011	2011-2012
Land	\$ 141,351	\$ 141,351	0.00%
Buildings and Improvements	7,839,437	7,744,833	1.22%
Vehicles	373,868	357,668	4.53%
Equipment	203,928	198,692	2.64%
Totals at Historical Cost	\$ 8,558,584	\$ 8,442,544	1.37%
Total Accumulated Depreciation	(2,529,463)	(2,298,720)	10.04%
Net Capital Assets	<u>\$ 6,029,121</u>	<u>\$ 6,143,824</u>	-1.87%

DEBT

At year-end, the District had \$ 1,110,544 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.

Fruitvale Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2012	2011	2011-2012
Bonds Payable	\$ 1,035,000	\$ 1,080,000	-4.17%
Notes Payable	75,544	136,000	-44.45%
Other Debt Payable	5,544	-	100.00%
Total Debt Payable	<u>\$ 1,110,544</u>	<u>\$ 1,216,000</u>	-8.67%

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2012

ECONOMIC FACTORS

The District's property valuation continues to decrease as it has in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The District approved the increase in the rate to the maximum allowed (\$1.17). The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes have impacted the District's financial operations, including cash flows.

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

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

The District has joined numerous other districts across the state in challenging the funding formula used by the state to provide for a public school system. The challenge is one of several proceeding through the legal system. The various cases are expected to be presented to the court in the 2013 fiscal year. Once a decision is made, the following years will likely bring challenges to arriving at a new equitable and sound financial support system. Until the challenges are resolved, expenditures will be monitored to ensure funding sources will provide for anticipated costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 2,566,802
1225	Property Taxes Receivable, Net	45,673
1240	Due from Other Governments	208,468
1290	Other Receivables, Net	11,078
1420	Capitalized Bond and Other Debt Issuance Costs, Net	15,418
	Capital Assets:	
1510	Land	141,351
1520	Building and Improvements, Net	5,698,937
1530	Furniture and Equipment, Net	188,833
1000	Total Assets	\$ 8,876,560
LIABILITIES		
2110	Accounts Payable	\$ 19,494
2140	Interest Payable	3,875
2165	Accrued Liabilities	110,481
2300	Unearned Revenue	209,962
	Noncurrent Liabilities:	
2501	Due within one year	117,016
2502	Due in more than one year	993,528
2000	Total Liabilities	\$ 1,454,356
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	\$ 4,939,540
	Restricted For:	
3820	State and Federal Programs	62,063
3890	Other Purposes	2,395
3900	Unrestricted	2,418,206
3000	Total Net Assets	\$ 7,422,204

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2012

Data Control Code	Functions/Programs	1	3	4	5	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:						
11	Instruction	\$ 2,197,435	\$ 4,488	\$ 378,674	\$ -	\$ (1,814,273)
12	Instructional Resources and Media Services	105,060	-	67,227	-	(37,833)
13	Curriculum and Staff Development	92,865	-	80,257	-	(12,608)
23	School Leadership	217,746	-	8,689	-	(209,057)
31	Guidance, Counseling and Evaluation Services	76,579	-	3,336	-	(73,243)
33	Health Services	54,716	-	3,052	-	(51,664)
34	Student (Pupil) Transportation	111,395	8,715	1,892	-	(100,788)
35	Food Services	242,304	74,848	181,348	-	13,892
36	Cocurricular/Extracurricular Activities	198,260	13,740	3,587	-	(180,933)
41	General Administration	194,325	-	10,380	-	(183,945)
51	Plant Maintenance and Operations	370,874	-	9,807	94,605	(266,462)
52	Security and Monitoring Services	10,017	-	-	-	(10,017)
53	Data Processing Services	114,762	-	4,929	-	(109,833)
72	Interest on Long-term Debt	53,704	-	55,244	-	1,540
73	Debt Issuance Costs and Fees	2,138	-	-	-	(2,138)
93	Payments to Shared Service Arrangements	83,298	-	-	-	(83,298)
99	Other Intergovernmental Charges	13,818	-	-	-	(13,818)
TG	Total Governmental Activities	<u>\$ 4,139,296</u>	<u>\$ 101,791</u>	<u>\$ 808,422</u>	<u>\$ 94,605</u>	<u>\$ (3,134,478)</u>
TP	Total Primary Government	<u>\$ 4,139,296</u>	<u>\$ 101,791</u>	<u>\$ 808,422</u>	<u>\$ 94,605</u>	<u>\$ (3,134,478)</u>
General Revenues:						
MT	Property Taxes, Levied for General Purpose					\$ 635,888
DT	Property Taxes, Levied for Debt Service					296
IE	Investment Earnings					15,679
GC	Grants and Contributions Not Restricted to Specific Programs					2,763,192
MI	Miscellaneous					27,640
TR	Total General Revenues					<u>\$ 3,442,695</u>
CN	Change in Net Assets					\$ 308,217
NB	Net Assets - Beginning (September 1)					<u>7,113,987</u>
NE	Net Assets - Ending (August 31)					<u>\$ 7,422,204</u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Investments	\$ 2,537,258	\$ (38,175)	\$ 2,499,083
1225 Property Taxes Receivable, Net	45,132	541	45,673
1240 Due from Other Governments	89,344	119,124	208,468
1290 Other Receivables	11,078	-	11,078
1000 Total Assets	\$ 2,682,812	\$ 81,490	\$ 2,764,302
LIABILITIES			
Current Liabilities:			
2110 Accounts Payable	\$ 3,339	\$ -	\$ 3,339
2150 Payroll Deductions & Withholdings	344	-	344
2160 Accrued Wages Payable	103,525	4,534	108,059
2200 Accrued Expenditures	1,992	86	2,078
2300 Deferred Revenues	243,449	12,186	255,635
2000 Total Liabilities	\$ 352,649	\$ 16,806	\$ 369,455
FUND BALANCES			
Restricted Fund Balances:			
3450 Federal/State Funds Grants	\$ -	\$ 62,063	\$ 62,063
3480 Retirement of Long-Term Debt	-	226	226
3490 Other Restrictions of Fund Balance	-	2,395	2,395
Committed Fund Balances:			
3530 Capital Expenditures for Equipment	300,000	-	300,000
3545 Other Committed Fund Balance	400,000	-	400,000
Assigned Fund Balances:			
3590 Other Assigned Fund Balance	54,471	-	54,471
3600 Unassigned	1,575,692	-	1,575,692
3000 Total Fund Balances	\$ 2,330,163	\$ 64,684	\$ 2,394,847
4000 Total Liabilities and Fund Balances	\$ 2,682,812	\$ 81,490	\$ 2,764,302

The accompanying notes are an integral part of this statement.

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

Total fund balances - Balance Sheet (governmental funds)	\$	2,394,847
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		6,029,121
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		45,673
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		51,564
Payables for bond principal which are not due in the current period are not reported in the funds.		(1,035,000)
Payables for debt interest which are not due in the current period are not reported in the funds.		(3,875)
Payables for notes which are not due in the current period are not reported in the funds.		(70,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(5,544)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		15,418
		<hr style="border-top: 1px solid black;"/>
Net assets of governmental activities - Statement of Net Assets	\$	<u><u>7,422,204</u></u>

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES			
5700 Local and Intermediate Sources	\$ 684,224	\$ 86,456	\$ 770,680
5800 State Program Revenues	2,895,080	190,746	3,085,826
5900 Federal Program Revenues	23,362	545,611	568,973
5020 Total Revenues	\$ 3,602,666	\$ 822,813	\$ 4,425,479
EXPENDITURES			
Current:			
0011 Instruction	\$ 1,780,389	\$ 263,723	\$ 2,044,112
0012 Instructional Resources and Media Services	32,621	67,227	99,848
0013 Curriculum and Staff Development	28,817	80,248	109,065
0023 School Leadership	214,282	1,022	215,304
0031 Guidance, Counseling and Evaluation Services	76,001	-	76,001
0033 Health Services	54,405	-	54,405
0034 Student (Pupil) Transportation	87,981	-	87,981
0035 Food Services	-	223,078	223,078
0036 Cocurricular/Extracurricular Activities	163,515	-	163,515
0041 General Administration	189,947	3,278	193,225
0051 Plant Maintenance and Operations	364,490	94,605	459,095
0052 Security and Monitoring Services	10,294	-	10,294
0053 Data Processing Services	114,762	-	114,762
0071 Principal on Long-term Debt	66,000	45,000	111,000
0072 Interest on Long-term Debt	5,923	49,593	55,516
0073 Debt Issuance Cost and Fees	500	569	1,069
0093 Payments for Shared Service Arrangements	83,298	-	83,298
0099 Other Intergovernmental Charges	13,818	-	13,818
6030 Total Expenditures	\$ 3,287,043	\$ 828,343	\$ 4,115,386
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 315,623	\$ (5,530)	\$ 310,093
OTHER FINANCING SOURCES (USES)			
7915 Transfers In	\$ -	\$ 39,929	\$ 39,929
8911 Transfers Out	(39,929)	-	(39,929)
7080 Net Other Financing Sources (Uses)	\$ (39,929)	\$ 39,929	\$ -
1200 Net Changes in Fund Balances	\$ 275,694	\$ 34,399	\$ 310,093
0100 Fund Balances - Beginning (September 1)	2,054,469	30,285	2,084,754
3000 Fund Balances - Ending (August 31)	\$ 2,330,163	\$ 64,684	\$ 2,394,847

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$	310,093
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		116,041
The depreciation of capital assets used in governmental activities is not reported in the funds.		(230,743)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		23,198
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.		(1,164)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(5,544)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		45,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		66,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(1,069)
(Increase) decrease in accrued interest expense from beginning of period to end of period.		1,812
The net revenue (expense) of internal service funds is reported with governmental activities.		(15,407)
		(15,407)
Change in net assets of governmental activities - Statement of Activities	\$	308,217

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
AUGUST 31, 2012

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
ASSETS	
Current Assets:	
1110 Cash and Investments	\$ 67,719
1000 Total Assets	\$ 67,719
LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	\$ 16,155
2000 Total Liabilities	\$ 16,155
NET ASSETS	
3900 Unrestricted Net Assets	\$ 51,564
3000 Total Net Assets	\$ 51,564

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2012

Data Control Codes		Internal Service Fund
	OPERATING REVENUES	
5700	Local and Intermediate Sources	\$ 3
5020	Total Revenues	\$ 3
	OPERATING EXPENSES	
6400	Other Operating Costs	\$ 15,410
6030	Total Expenses	\$ 15,410
1200	Change in Net Assets	\$ (15,407)
0100	Total Net Assets - Beginning (September 1)	66,971
3000	Total Net Assets - Ending (August 31)	\$ 51,564

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2012

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Investment Earnings	\$ 3
Cash Payments for Claims	(2,774)
Cash Payments for Administration	(6,842)
	(9,613)
Net Cash Provided by (Used for) Operating Activities	\$ (9,613)
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ (9,613)
Cash and Investments - Beginning (September 1)	77,332
Cash and Investments - Ending (August 31)	\$ 67,719
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (15,407)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Deferred Expenditures	4,492
Increase (Decrease) in Claims Liability	1,302
	(9,613)
Net Cash Provided by (Used for) Operating Activities	\$ (9,613)

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Agency Funds
	ASSETS	
1110	Cash and Investments	\$ 18,202
1000	Total Assets	\$ 18,202
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	\$ 18,202
2000	Total Liabilities	\$ 18,202
	NET ASSETS	
3000	Total Net Assets	\$ -

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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

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

b. Measurement Focus – Basis of Accounting

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

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

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

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

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

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

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

4. Encumbrance Accounting

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

General Fund	\$ 54,471
Special Revenue Fund	-0-
Debt Service Fund	-0-
	<hr/>
Total	<u>\$ 54,471</u>

5. Financial Statement Amounts

Cash and Investments

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

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash and investments if they have a maturity of three months or less when purchased.

Inventories

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

Fund Equity

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

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

	General Fund	Other Governmental Funds	Total
Restricted			
Food Service	\$ -	\$ 62,063	\$ 62,063
Retirement of Long Term Debt	-	226	226
Bobcat Supplies	-	2,395	2,395
Committed			
Capital Expenditures for Equipment	300,000	-	300,000
Major Maintenance Projects	400,000	-	400,000
Assigned			
Encumbrancies	54,471	-	54,471
Unassigned	1,575,692	-	1,575,692
Totals	<u>\$ 2,330,163</u>	<u>\$ 64,684</u>	<u>\$ 2,394,847</u>

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs

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

6. Receivable and Payable Balances

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

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

7. Interfund Activities

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

8. Vacation, Sick Leave, and Other Compensated Absences

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

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Data Control Codes

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

11. Accounting System

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

B. Deposits, Securities, and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2012, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

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

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

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

District investments include investments in external investment pools, such as TexPool and Lone Star Investment Pool as well as certificates of deposit with local financial institutions. All external investment pool balances are reported at share price (fair value) and are presented as cash and investments.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

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

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

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

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

B. Deposits, Securities, and Investments (Continued)

The following table provides a listing of the District's investment at August 31, 2012:

	<u>Credit Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAA	\$ 1,438
TexPool	AAA	1
Certificates of Deposit	In/a	<u>838,025</u>
Total		<u>\$ 839,464</u>

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: Citizens National Bank, Wills Point, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 2,855,517.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 3,085,348, and occurred during the month of March 2012.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 274,832.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

The District levied taxes on property within the District at \$ 1.17 to fund general operations. The District did not levy a tax for the retirement of debt in the fiscal year. The rates were levied on property assessed totaling \$ 52,513,846.

D. Capital Assets

Capital asset activities during the year ended August 31, 2012 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Land	\$ 141,351	\$ -	\$ -	\$ 141,351
Total Capital Assets not being Depreciated	\$ 141,351	\$ -	\$ -	\$ 141,351
Capital Assets being Depreciated:				
Building and Improvements	\$ 7,744,832	\$ 94,605	\$ -	\$ 7,839,437
Equipment	198,692	5,236	-	203,928
Vehicles	357,668	16,200	-	373,868
Total Capital Assets being Depreciated	\$ 8,301,192	\$ 116,041	\$ -	\$ 8,417,233
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 1,954,719	\$ 185,781	\$ -	\$ 2,140,500
Equipment	114,627	19,123	-	133,750
Vehicles	229,374	25,839	-	255,213
Total Accumulated Depreciation	\$ 2,298,720	\$ 230,743	\$ -	\$ 2,529,463
Total Capital Assets being Depreciated, Net	\$ 6,002,472	\$ (114,702)	\$ -	\$ 5,887,770
Governmental Activities Capital Assets, Net	\$ 6,143,823	\$ (114,702)	\$ -	\$ 6,029,121

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 143,152
Instructional Resources and Media Services	5,212
School Leadership	2,442
Guidance, Counseling and Evaluation Services	578
Health Services	311
Student (Pupil) Transportation	23,414
Food Services	19,226
Cocurricular/Extracurricular Activities	34,745
General Administration	1,100
Plant Maintenance and Operations	336
Security	227
	<hr/>
Total	<u>\$ 230,743</u>

E. Long Term Obligations

Long-term obligation activities during the year ended August 31, 2012 were as follows:

	Beginning			Ending	Amounts
	Balances	Increases	Decreases	Balances	Due Within
					One Year
General Obligation Bonds	\$ 1,080,000	\$ -	\$ 45,000	\$ 1,035,000	\$ 45,000
Loans Payable	136,000	-	66,000	70,000	70,000
TCEQ Penalty Payable	-	5,880	336	5,544	2,016
	<hr/>				
Total Governmental Activities	<u>\$ 1,216,000</u>	<u>\$ 5,880</u>	<u>\$ 111,336</u>	<u>\$ 1,110,544</u>	<u>\$ 117,016</u>

Bonds

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

The following bonded debt issues are outstanding at August 31, 2012:

Description	Interest Rate	Original Balance	Outstanding Balances
Unlimited Tax School Building Bonds, Series 2002	4.640%	\$ 1,400,000	\$ 1,035,000

Maturity requirements on bonded debt at August 31, 2012 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2013	\$ 45,000	\$ 47,815	\$ 92,815
2014	50,000	45,865	95,865
2015	50,000	43,765	93,765
2016	55,000	41,505	96,505
2017	60,000	38,975	98,975
2018-2022	340,000	150,140	490,140
2023-2027	435,000	55,957	490,957
	<hr/>		
Totals	<u>\$ 1,035,000</u>	<u>\$ 424,022</u>	<u>\$ 1,459,022</u>

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

E. Long Term Obligations (Continued)

Loans

The District issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes. The following schedule lists the outstanding loans at August 31, 2012.

Description	Interest Rate	Outstanding Balances
Limited Maintenance Tax Notes, Series 2001	5.750%	\$ 70,000

Maturity requirements on loan at August 31, 2012 are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2013	\$ 70,000	\$ 2,013	\$ 72,013

Other Noncurrent Liabilities

The District entered into an agreement with the Texas Commission on Environmental Quality (TCEQ) to settle a dispute over the operation of the District's onsite wastewater treatment operation. The agreement requires the District to pay the TCEQ \$ 5,880 in penalties over a thirty-five (35) month period. This requires the District to make monthly payments of \$ 168 throughout the life of the agreement which ends May 2015.

The following schedule presents the maturities of the agreement as of August 31, 2012:

Year Ending August 31	Principal	Interest	Total Requirements
2013	\$ 2,016	\$ -	\$ 2,016
2014	2,016	-	2,016
2015	1,512	-	1,512
Totals	\$ 5,544	\$ -	\$ 5,544

F. Pension Plan

1. Plan Description

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

F. Pension Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provided for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution. The District's employees' contributions to the System for the periods ended August 31, 2012, 2011, and 2010 were \$ 155,693, \$ 138,457 and \$ 148,027 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2012, 2011, and 2010 were \$ 38,128, \$ 20,964 and \$ 23,389 respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 116,704 are reflected in the governmental funds basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 19,451 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 12,262 for subsidies for Medicare Part D and Early Retirement Reinsurance Programs.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

H. Risk Management

Health Care

During the year ended August 31, 2012, employees of the Fruitvale Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Fruitvale Independent School District and the TRS Activecare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2011, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

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

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

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

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 32,958 for the 11-12 fiscal year. Additionally, the District incurred fixed costs of \$ 11,227 for their share of claims administration, loss control, record keeping and cost of excess insurance.

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

The accrued liability for workers compensation self insurance of \$ 16,155 includes \$ 7,222 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

H. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in fiscal periods 2012 and 2011 are represented below:

	2012	2011
Claims Payable - Beginning	\$ 14,853	\$ 21,640
Claims Incurred and Changes in Estimate	4,073	(258)
Claim Payments	(2,771)	(6,529)
Claims Payable - Ending	<u>\$ 16,155</u>	<u>\$ 14,853</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District is not involved in any litigation as of August 31, 2012.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 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 combined financial statements for such contingencies.

K. Interfund Balances and Activities

Interfund Transfers

The composition of transfers between funds occurring during the year ended August 31, 2012, is as follows:

<u>Transfers To</u>	<u>Transfers From</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	General Fund	\$ 39,929	Debt Retirement

L. Shared Service Arrangements

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

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Van Zandt County Special Education Cooperative	Edgewood Independent School District	Special Education Service

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

M. Revenue from Local and Intermediate Sources

During the year ended August 31, 2012, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Other Governmental Funds	Totals
Property Tax Collections	\$ 612,845	\$ 142	\$ 612,987
Investment Income	15,633	46	15,679
Food Service Income	-	68,388	68,388
Gifts and Bequests	-	2,845	2,845
Cocurricular/Extracurricular Activities	18,228	-	18,228
Other	37,518	15,035	52,553
Totals	<u>\$ 684,224</u>	<u>\$ 86,456</u>	<u>\$ 770,680</u>

N. Receivables

Receivables at August 31, 2012, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Other Governmental Funds	Totals
Due from Other Governments	\$ 89,344	\$ 119,124	\$ 208,468
Property Taxes Receivable	50,147	601	50,748
Less: Allowance for Uncollectible			
Property Taxes	(5,015)	(60)	(5,075)
Other Receivables	11,078	-	11,078
Net Receivables	<u>\$ 145,554</u>	<u>\$ 119,665</u>	<u>\$ 265,219</u>

O. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget	Actual	Deficit
General Fund:			
Instructional Resources and Media Services	\$ 30,610	\$ 32,621	\$ 2,011

P. Subsequent Events

The District's management has evaluated subsequent events through October 22, 2012, the date which the financial statements were available for use.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

Q. State Aid Reconciliation

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

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

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 95,462	\$ 2,705,481	\$ 55,256	\$ -
August Instructional Days Change	(211)	(41,157)	-	-
Prior Period Settle-ups	-	3,617	(2)	-
Financial Statement Earnings	<u>\$ 95,251</u>	<u>\$ 2,667,941</u>	<u>\$ 55,254</u>	<u>\$ -</u>
Financial Statement Classifications:				
August Instructional Days Receivable	\$ 4,078	\$ 85,266	\$ -	\$ -
SOF Receivable (Overpayment) *	-	(198,317)	-	(10)

* Overpayments are reported as Unearned Revenue in the government-wide Statements and Deferred Revenue in the governmental fund type financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FRUITVALE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 655,303	\$ 663,710	\$ 684,224	\$ 20,514
5800	State Program Revenues	3,004,063	3,004,063	2,895,080	(108,983)
5900	Federal Program Revenues	15,000	15,000	23,362	8,362
5020	Total Revenues	\$ 3,674,366	\$ 3,682,773	\$ 3,602,666	\$ (80,107)
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 1,876,886	\$ 1,852,731	\$ 1,780,389	\$ 72,342
0012	Instructional Resources and Media Services	40,610	30,610	32,621	(2,011)
0013	Curriculum and Staff Development	27,505	31,000	28,817	2,183
	Total Instruction and Instr. Related Services	<u>\$ 1,945,001</u>	<u>\$ 1,914,341</u>	<u>\$ 1,841,827</u>	<u>\$ 72,514</u>
Instructional and School Leadership:					
0023	School Leadership	\$ 230,484	\$ 228,484	\$ 214,282	\$ 14,202
	Total Instructional and School Leadership	<u>\$ 230,484</u>	<u>\$ 228,484</u>	<u>\$ 214,282</u>	<u>\$ 14,202</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 82,570	\$ 82,570	\$ 76,001	\$ 6,569
0033	Health Services	54,890	54,890	54,405	485
0034	Student (Pupil) Transportation	88,045	144,044	87,981	56,063
0036	Cocurricular/Extracurricular Activities	188,510	188,210	163,515	24,695
	Total Support Services - Student (Pupil)	<u>\$ 414,015</u>	<u>\$ 469,714</u>	<u>\$ 381,902</u>	<u>\$ 87,812</u>
Administrative Support Services:					
0041	General Administration	\$ 203,050	\$ 205,050	\$ 189,947	\$ 15,103
	Total Administrative Support Services	<u>\$ 203,050</u>	<u>\$ 205,050</u>	<u>\$ 189,947</u>	<u>\$ 15,103</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 411,285	\$ 405,405	\$ 364,490	\$ 40,915
0052	Security and Monitoring Services	2,500	11,000	10,294	706
0053	Data Processing Services	117,370	117,370	114,762	2,608
	Total Support Services - Nonstudent Based	<u>\$ 531,155</u>	<u>\$ 533,775</u>	<u>\$ 489,546</u>	<u>\$ 44,229</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 66,000	\$ 66,000	\$ 66,000	\$ -
0072	Interest on Long-term Debt	5,950	5,950	5,923	27
0073	Bond Issuance Costs and Fees	2,500	2,500	500	2,000
	Total Debt Service	<u>\$ 74,450</u>	<u>\$ 74,450</u>	<u>\$ 72,423</u>	<u>\$ 2,027</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 93,650	\$ 93,650	\$ 83,298	\$ 10,352
0099	Other Intergovernmental Charges	15,800	15,800	13,818	1,982
	Total Intergovernmental Charges	<u>\$ 109,450</u>	<u>\$ 109,450</u>	<u>\$ 97,116</u>	<u>\$ 12,334</u>
6030	Total Expenditures	\$ 3,507,605	\$ 3,535,264	\$ 3,287,043	\$ 248,221
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 166,761	\$ 147,509	\$ 315,623	\$ 168,114
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ -	\$ (39,929)	\$ (39,929)
7080	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ (39,929)	\$ (39,929)
1200	Net Change in Fund Balance	\$ 166,761	\$ 147,509	\$ 275,694	\$ 128,185
0100	Fund Balance - Beginning (September 1)	2,054,469	2,054,469	2,054,469	-
3000	Fund Balance - Ending (August 31)	\$ 2,221,230	\$ 2,201,978	\$ 2,330,163	\$ 128,185

OTHER SUPPLEMENTARY INFORMATION

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

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2011	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2012
		Maintenance	2 Debt Service							
XXXX	2003 and Prior Years	Various	Various	Various	\$ 1,007	\$ -	\$ -	\$ -	\$ (141)	\$ 866
2003	2004	1.50000	0.07070	38,915,708	169	-	-	-	-	169
2004	2005	1.50000	0.07070	42,822,892	802	-	-	1	803	
2005	2006	1.50000	0.07070	51,737,912	915	1	-	(1)	913	
2006	2007	1.37000	0.07070	51,073,299	1,338	2	-	(24)	1,312	
2007	2008	1.04000	0.07070	55,397,195	1,369	66	4	33	1,332	
2008	2009	1.04000	0.07070	61,562,388	3,569	155	11	(746)	2,657	
2009	2010	1.04000	0.07070	56,287,977	5,092	1,299	88	(691)	3,014	
2010	2011	1.17000	0.00000	59,577,897	31,540	17,675	-	(1,662)	12,203	
2011	2012	1.17000	0.00000	52,513,846		614,412	580,072	-	(6,861)	27,479
1000	TOTALS				\$ 45,801	\$ 614,412	\$ 599,270	\$ 103	\$ (10,092)	\$ 50,748

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

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 102,801	\$ 123,984	\$ -	\$ -	\$ 226,785
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services	4,138						4,138
6212	Audit Services				8,595			8,595
6213	Tax Appraisal and Collection		16,496					16,496
621X	Other Prof. Services			661				661
6220	Tuition and Transfer Payments							-
6230	Education Service Centers			1,650				1,650
6240	Contr. Maint. And Repair					378		378
6250	Utilities							-
6260	Rentals			2,135				2,135
6290	Miscellaneous Contr.			3,280				3,280
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading							-
6330	Testing Materials							-
63XX	Other Supplies, Materials	1,110		4,589				5,699
6410	Travel, Subsistence, Stipends	1,036		4,726				5,762
6420	Ins. And Bonding Costs	1,104						1,104
6430	Election Costs							-
6490	Miscellaneous Operating			3,473	520			3,993
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 7,388	\$ 16,496	\$ 123,315	\$ 133,099	\$ 378	\$ -	\$ 280,676

Total expenditures for General and Special Revenue Funds: (9) \$ 4,020,224

LESS: Deductions and Unallowable Costs
 FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 124,533
Total Debt & Lease (6500)	(11) 72,423
Plant Maintenance (Function 51, 6100-6400)	(12) 364,490
Food (Function XX, 6341 and 6499)	(13) 99,827
Stipend (6413)	(14) -
Column 4 (above) - Total Indirect Cost	133,099
Subtotal	794,372
Net Allowed Direct Cost	\$ 3,225,852

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 7,838,437
Historical Cost of Buildings over 50 years old	(16) 14,250
Amount of Federal Money in building Cost (Net of # 16)	(17) 94,605
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) 577,796
Historical Cost of Furniture & Equipment over 16 years old	(19) 54,500
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) 26,000

(8) Note A - \$ 73,633 Function 53 expenditures and \$ 13,818 Function 99 expenditures are included in this report on administrative costs.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 58,500	\$ 58,500	\$ 74,848	\$ 16,348
5800	State Program Revenues	5,875	5,875	7,117	1,242
5900	Federal Program Revenues	161,000	173,000	174,231	1,231
5020	Total Revenues	\$ 225,375	\$ 237,375	\$ 256,196	\$ 18,821
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 225,200	\$ 237,200	\$ 223,078	\$ 14,122
	Total Support Services - Student (Pupil)	\$ 225,200	\$ 237,200	\$ 223,078	\$ 14,122
6030	Total Expenditures	\$ 225,200	\$ 237,200	\$ 223,078	\$ 14,122
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 175	\$ 175	\$ 33,118	\$ 32,943
1200	Net Change in Fund Balance	\$ 175	\$ 175	\$ 33,118	\$ 32,943
0100	Fund Balance - Beginning (September 1)	28,945	28,945	28,945	-
3000	Fund Balance - Ending (August 31)	\$ 29,120	\$ 29,120	\$ 62,063	\$ 32,943

FRUITVALE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 1,200	\$ 1,200	\$ 189	\$ (1,011)
5800 State Program Revenues	46,600	46,600	55,244	8,644
5020 Total Revenues	\$ 47,800	\$ 47,800	\$ 55,433	\$ 7,633
EXPENDITURES				
Debt Service:				
0071 Principal on Long-term Debt	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
0072 Interest on Long-term Debt	47,600	49,600	49,593	7
0073 Debt Issuance Costs and Fees	750	750	569	181
Total Debt Service	\$ 93,350	\$ 95,350	\$ 95,162	\$ 188
6030 Total Expenditures	\$ 93,350	\$ 95,350	\$ 95,162	\$ 188
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ (45,550)	\$ (47,550)	\$ (39,729)	\$ 7,821
OTHER FINANCING SOURCES (USES)				
7915 Transfers in	\$ 45,500	\$ 45,500	\$ 39,929	\$ (5,571)
7080 Net Other Financing Sources (Uses)	\$ 45,500	\$ 45,500	\$ 39,929	\$ (5,571)
1200 Net Change in Fund Balance	\$ (50)	\$ (2,050)	\$ 200	\$ 2,250
0100 Fund Balance - Beginning (September 1)	26	26	26	-
3000 Fund Balance - Ending (August 31)	\$ (24)	\$ (2,024)	\$ 226	\$ 2,250

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2012

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -0-

FEDERAL AWARDS SECTION

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

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	6107 Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Program:			
ESEA Title VI Part B - REAP	84.358	S358A114923	\$ 20,469
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010	12610101234909	141,916
ESEA Title II Part A - Teacher/Principal Training	84.367	12694501234909	22,787
Education Jobs Funds *	84.410	11550101234909	91,603
Total Passed through the Texas Education Agency			\$ 256,306
Total Department of Education			\$ 276,775
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through the Texas Energy Conservation Office (SECO):			
State Energy Programs	81.041	CM1248	\$ 94,605
Total Department of Energy			\$ 94,605
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71401201	\$ 42,017
National School Lunch Program	10.555	71301201	122,131
Commodity Supplemental Food	10.565	234006A	10,083
Total Department of Agriculture			\$ 174,231
Total Federal Expenditures			\$ 545,611

*Major Program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2012

A. Basis of Presentation

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

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2012.

C. Reconciliation with Financial Statements

The District records amounts received from the federal government or other receipts of federal grants as federal revenue in the financial statements. This reconciliation identifies the differences between the financial statement revenues and the schedule of expenditures of federal awards:

<u>Revenue Source</u>	<u>Amounts</u>
Federal Revenue – Exhibit C-3	\$ 568,973
E-Rate Rebates from Vendors	<u>23,362</u>
Total Federal Expenditures (Exhibit K-1)	<u>\$ 545,611</u>